

DIAMOND BANK PLC

**CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

DIAMOND BANK PLC
**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**
GROUP

		31 December	31 December
<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	2012	2011
Interest and similar income	5	112,351,955	83,360,462
Interest expense	6	(23,030,433)	(12,502,541)
Net interest income		89,321,522	70,857,921
Impairment charge for credit losses	7	(17,028,290)	(55,408,691)
Net interest income after impairment charge for credit losses		72,293,232	15,449,230
Fee and commission income	8	26,496,714	19,361,545
Fee and commission expense	8	(1,311,710)	(350,228)
Net fee and commission income		25,185,004	19,011,317
Net gains from financial assets classified as held for trading	9	1,025,151	1,232,906
Net gains/(losses) on available for sale investment securities	10	(996,493)	(514,766)
Fair value loss on Investment property	29	(63,031)	-
Fair value loss on derivative liability	36	(5,639,247)	-
Foreign exchange income	11	3,069,473	2,020,274
Dividend income	12	281,253	508,704
Other income	13	876,442	804,735
Total operating income		96,031,784	38,512,400
Employee benefit expenses	14	(25,963,200)	(16,730,642)
Operating expenses	15	(42,584,744)	(39,741,491)
Operating profit/(loss)		27,483,840	(17,959,733)
Share of loss of associates	29	(2,299)	(5,196)
Profit/ (loss) before tax		27,481,541	(17,964,929)
Income tax	16	(5,373,457)	4,023,944
Profit/ (loss) from continuing operations		22,108,084	(13,940,985)
Profit from discontinued operations	17	-	217,198
PROFIT/(LOSS) FOR THE PERIOD		22,108,084	(13,723,787)
Attributable to:			
Equity holders of the parent entity (total)		22,141,378	(13,730,106)
- Profit/ (loss) for the period from continuing operations		22,141,378	(13,954,261)
- Profit for the period from discontinued operations		-	224,155
Non-controlling interests (total)		(33,294)	6,319
- (Loss)/profit for the period from continuing operations		(33,294)	13,275
- Loss for the period from discontinued operations		-	(6,956)
		22,108,084	(13,723,787)

DIAMOND BANK PLC

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP

	31 December	31 December
<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	
	2012	2011
PROFIT FOR THE PERIOD	<u>22,108,084</u>	<u>(13,723,787)</u>
Other comprehensive income:		
Exchange difference on translation of foreign operations	636,614	(77,008)
Net gains on available-for-sale financial assets		
-Unrealised net gains arising during the period, before tax	(866,304)	(3,107,942)
Income tax relating to components of other comprehensive income	-	-
	<u>(229,690)</u>	<u>(3,184,950)</u>
Other comprehensive income for the year	<u>(229,690)</u>	<u>(3,184,950)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>21,878,394</u>	<u>(16,908,737)</u>
Total comprehensive income attributable to:		
Equity holders of the parent entity (total)	21,816,754	(16,927,648)
- Total comprehensive income for the period from continuing operations	21,816,754	(17,151,802)
- Total comprehensive income for the period from discontinued operations	-	224,154
Non-controlling interests (total)	61,640	18,912
- Total comprehensive income for the period from continuing operations	61,640	25,868
- Total comprehensive income for the period from discontinued operations	-	(6,956)
	<u>21,878,394</u>	<u>(16,908,737)</u>

DIAMOND BANK PLC

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

BANK

		31 December	31 December
<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	2012	2011
Interest and similar income	5	105,511,587	79,888,531
Interest expense	6	(20,710,729)	(10,685,517)
Net interest income		84,800,858	69,203,014
Impairment charge for credit losses	7	(14,944,275)	(52,949,031)
Net interest income after impairment charge for credit losses		69,856,583	16,253,983
Fee and commission income	8	25,654,554	18,274,564
Fee and commission expense	8	(1,311,710)	(348,223)
Net fee and commission income		24,342,844	17,926,341
Net gains from financial assets classified as held for trading	9	1,025,151	1,166,719
Net gains/(losses) on available for sale investment securities	10	(996,312)	(513,539)
Fair value loss on Investment property	29	(76,031)	-
Fair value loss on derivative liability	36	(5,639,247)	-
Loss on disposal and absorption of Subsidiaries	16b	-	(11,582,011)
Foreign exchange income	11	2,774,584	2,006,686
Dividend income	12	281,253	51,462
Other income	13	558,704	116,981
Total operating income		92,127,529	25,426,622
Employee benefit expenses	14	(24,213,430)	(17,693,097)
Operating expenses	15	(39,549,134)	(34,865,734)
Profit/(loss) before tax		28,364,965	(27,132,209)
Income tax	16	(5,291,538)	4,263,955
PROFIT/(LOSS) FOR THE PERIOD		23,073,427	(22,868,254)
Earnings per share from continuing and discontinued operations attributable to the equity holders of the parent during the period			
Basic	18	159.40	(157.98)
From continuing operations (Kobo)		159.40	(157.98)
From discontinued operations (Kobo)		-	-

DIAMOND BANK PLC

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

BANK

	31 December	31 December
<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	
	2012	2011
PROFIT FOR THE PERIOD	<u>23,073,427</u>	<u>(22,868,254)</u>
Other comprehensive income:		
Net gains on available-for-sale financial assets		
-Unrealised net gains arising during the period	<u>(889,759)</u>	<u>(3,107,943)</u>
Other comprehensive income for the year	<u>(889,759)</u>	<u>(3,107,943)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>22,183,668</u></u>	<u><u>(25,976,197)</u></u>

DIAMOND BANK PLC
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**
GROUP

<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	31 December 2012	31 December 2011	1 January 2011
ASSETS				
Cash and balances with central banks	19	132,196,061	55,784,079	27,606,200
Loans to banks	21	139,803,281	90,648,011	72,155,340
Loans and advances to customers	22	585,200,158	388,136,486	307,212,457
Financial assets held for trading	23	90,111,236	8,041,618	1,345,552
Investment securities				
-Available-for-sale investments	24	10,601,609	85,990,731	19,891,359
-Held to maturity investments	24	65,762,681	61,712,761	56,977,064
Asset pledged as collateral	25	79,302,531	34,940,000	37,820,000
Insurance receivables	26	-	-	705,659
Other assets	27	13,793,105	10,663,445	16,649,442
Investments in associates	29	3,182,250	3,184,549	3,502,339
Investment property	30	4,070,340	3,833,335	3,755,064
Property, plant and equipment	31	44,980,333	39,664,459	36,954,186
Intangible assets	32	834,815	819,076	596,025
Deferred tax	33	8,265,354	12,363,242	7,681,076
Asset classified as held for sale	34	1,178,103,754	795,781,792	592,851,763
		-	450,000	-
Total assets		1,178,103,754	796,231,792	592,851,763
LIABILITIES				
Deposits from banks	35	31,207,298	20,982,788	15,347,216
Deposits from customers	36	910,234,444	603,003,229	412,992,754
Derivative Liability	37	13,248,585	-	-
Other liabilities	38	42,095,096	29,988,365	26,691,492
Retirement benefit obligations	39	99,574	51,607	29,366
Provision	40	1,056,378	-	-
Current income tax liability	16	1,972,540	1,346,904	1,995,250
Provision for insurance contracts	41	-	-	2,219,578
Borrowings	42	49,966,360	54,877,883	28,265,428
Long term debt	43	19,367,757	-	-
Total liabilities		1,069,248,032	710,250,776	487,541,084
EQUITY				
Share capital	44	7,237,622	7,237,622	7,237,622
Share premium	45	89,629,324	89,629,324	89,629,324
Retained earnings	45	(6,629,221)	(24,112,701)	(8,387,489)
Other reserves				
Statutory reserve	45	14,898,751	11,394,523	11,214,864
Small scale industries (SSI) reserve	45	3,966,628	2,812,957	2,812,957
Fair value reserve	45	(1,292,728)	(1,422,736)	1,686,305
Contingency reserve	45	-	-	354,741
Foreign currency translation reserve (FCTR)	45	792,068	217,094	306,694
Non-controlling interest		108,602,444	85,756,083	104,855,018
		253,278	224,932	455,661
Total equity		108,855,722	85,981,016	105,310,679
Total equity and liabilities		1,178,103,754	796,231,792	592,851,763

The notes on pages to are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 March 2013 and signed on its behalf by

Dr. Alex Otti
Group Managing Director/CEO

Abdulrahman Yinusa
Executive Director/CFO

DIAMOND BANK PLC
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**
BANK

<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	31 December 2012	31 December 2011	1 January 2011
ASSETS				
Cash and balances with central banks	19	123,224,590	54,396,524	17,871,129
Loans to banks	21	113,384,200	72,098,846	61,620,185
Loans and advances to customers	22	523,374,608	344,397,331	299,534,692
Financial assets held for trading	23	90,111,236	8,041,618	1,109,080
Investment securities				
-Available-for-sale investments	24	10,555,061	76,762,309	11,095,806
-Held to maturity investments	24	64,751,769	52,253,105	43,978,424
Asset pledged as collateral	25	57,438,896	34,940,000	37,820,000
Other assets	27	10,240,209	6,529,297	8,664,365
Investment in Subsidiaries	28	7,865,622	7,865,622	17,442,980
Investments in associates	29	3,205,140	3,205,140	-
Investment property	30	3,910,340	3,686,335	-
Property, plant and equipment	31	41,879,449	36,276,819	34,645,547
Intangible assets	32	740,370	624,139	596,025
Deferred tax	33	8,455,767	12,536,874	7,720,257
		1,059,137,257	713,613,959	542,098,490
Asset classified as held for sale	34	-	450,000	-
Total assets		1,059,137,257	714,063,959	542,098,490
LIABILITIES				
Deposits from banks	35	8,173,286	3,939,956	4,104,098
Deposits from customers	36	823,090,787	545,161,145	379,344,019
Derivative Liability	37	13,248,585	-	-
Other liabilities	38	34,939,235	24,678,784	17,682,674
Retirement benefit obligations	39	99,574	20,141	21,948
Provision	40	1,056,378	-	-
Current income tax liability	16	1,878,880	1,249,616	1,649,557
Borrowings	42	49,966,360	54,877,883	28,031,831
Long term debt	43	19,367,757	-	-
Total liabilities		951,820,842	629,927,525	430,834,127
EQUITY				
Share capital	44	7,237,622	7,237,622	7,237,622
Share premium	45	89,629,324	89,629,324	89,629,324
Retained earnings	45	(6,851,491)	(25,310,234)	(270,693)
Other reserves				
Statutory reserve	45	14,650,515	11,189,501	11,189,501
Small scale industries (SSI) reserve	45	3,966,628	2,812,957	2,812,957
Fair value reserve	45	(1,316,183)	(1,422,736)	665,652
Total equity		107,316,415	84,136,434	111,264,363
Total equity and liabilities		1,059,137,257	714,063,959	542,098,490

The notes on pages to are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 March 2013 and signed on its behalf by

Dr. Alex Otti
Group Managing Director/CEO

Abdulrahman Yinusa
Executive Director/CFO

DIAMOND BANK PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP

(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Attributable to equity holders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Fair value reserve	Contingency reserve	Foreign Currency Translation reserve	Total		
Balance at 1 January 2011	7,237,622	89,629,324	(8,387,489)	11,214,864	2,812,957	1,686,305	354,741	306,694	104,855,018	455,661	105,310,679
Profit	-	-	(13,730,106)	-	-	-	-	-	(13,730,106)	6,319	(13,723,786)
Foreign currency translation differences	-	-	-	-	-	-	-	(89,600)	(89,600)	12,592	(77,008)
Fair value movement on available-for-sale financial assets	-	-	-	-	-	(3,107,942)	-	-	(3,107,942)	-	(3,107,942)
Total comprehensive income	-	-	(13,730,106)	-	-	(3,107,942)	-	(89,600)	(16,927,648)	18,911	(16,908,736)
Dividends	-	-	(2,171,287)	-	-	-	-	-	(2,171,287)	-	(2,171,287)
Transfer from/ (to) retained earnings	-	-	176,181	179,659	-	(1,099)	(354,741)	-	-	-	-
Non controlling interest of subsidiary disposed	-	-	-	-	-	-	-	-	-	(249,640)	(249,640)
At 1 January 2012 / 31 December 2011	7,237,622	89,629,324	(24,112,701)	11,394,523	2,812,957	(1,422,736)	-	217,094	85,756,083	224,932	85,981,016
Profit	-	-	22,141,378	-	-	-	-	-	22,141,378	(33,294)	22,108,084
Foreign currency translation differences	-	-	-	-	-	-	-	574,974	574,974	61,640	636,614
Fair value movement on available-for-sale financial assets	-	-	-	-	-	(866,304)	-	-	(866,304)	-	(866,304)
Fair value movement on disposed AFS investments	-	-	-	-	-	996,312	-	-	996,312	-	996,312
Transfer from/ (to) retained earnings	-	-	(4,657,898)	3,504,228	1,153,671	-	-	-	-	-	-
Total comprehensive income	-	-	(4,657,898)	3,504,228	1,153,671	130,008	-	574,974	704,982	61,640	766,622
At 31 December 2012	7,237,622	89,629,324	(6,629,221)	14,898,751	3,966,628	(1,292,728)	-	792,068	108,602,443	253,278	108,855,722

DIAMOND BANK PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

BANK

(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Fair value reserve	Total
Balance at 1 January 2011	7,237,622	89,629,324	(270,693)	11,189,501	2,812,957	665,652	111,264,363
Profit	-	-	(22,868,254)	-	-	-	(22,868,254)
Fair value reserve of subsidiaries						1,019,555	1,019,555
Fair value movement on available-for-sale financial assets, net of tax						(3,107,943)	(3,107,943)
	-	-	-	-	-		-
Total comprehensive income	-	-	(22,868,254)	-	-	(2,088,388)	(24,956,642)
Dividends			(2,171,287)			-	(2,171,287)
At 1 January 2012 / 31 December 2011	7,237,622	89,629,324	(25,310,234)	11,189,501	2,812,957	(1,422,736)	84,136,434
Profit	-	-	23,073,427	-	-	-	23,073,427
Fair value movement on available-for-sale financial assets	-	-	-	-	-	(889,759)	(889,759)
Fair value movement on disposed AFS investments	-	-	-	-	-	996,312	996,312
Total comprehensive income	-	-	23,073,427	-	-	106,553	23,179,980
Transfer from retained earnings	-	-	(4,614,684)	3,461,014	1,153,671	-	-
At 31 December 2012	7,237,622	89,629,324	(6,851,491)	14,650,515	3,966,628	(1,316,183)	107,316,414

DIAMOND BANK PLC

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

GROUP

<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>	Note	31 December 2012	31 December 2011
Operating activities			
Cash flow (used in)/generated from operations	46	(29,341,675)	27,260,773
Interest received		75,853,628	63,234,363
Interest paid		(21,974,644)	(13,596,146)
Tax paid		(649,933)	(1,106,844)
Net cash flow (used in)/generated from operations		23,887,375	75,792,146
Investing activities			
Proceeds of investment securities		482,939,008	405,260,320
Purchase of investment securities		(410,572,370)	(481,821,820)
Additions to investment property		(237,005)	(309,402)
Purchase of fixed and intangible assets		(11,304,765)	(10,157,624)
Proceed from sale of fixed and intangible assets		133,856	1,221,530
Proceed from sale of investment property		-	231,131
Proceed from sale of subsidiaries		-	312,594
Fair value loss on derivative		5,639,247	-
Dividends received		281,253	508,704
Proceeds from sale and redemption of investments		-	-
Net cash generated from/ (used in) investing activities		66,879,223	(84,754,567)
Financing activities			
Dividend paid		-	(2,180,042)
Proceeds from new borrowings		7,103,460	34,132,833
Repayment of borrowings		(12,279,525)	(7,480,384)
Proceeds from long term borrowing (Tier 2 Capital)		26,741,809	-
Net cash generated from/ (used in) financing activities		21,565,744	24,472,408
Increase in cash and cash equivalents	20	112,332,342	15,509,987
Cash and cash equivalents at start of year		114,052,389	98,384,772
Exchange gains/losses on cash & cash equivalents		1,763,279	157,630
Cash and cash equivalents at end of year		228,148,010	114,052,389
Increase in cash and cash equivalents		112,332,342	15,509,987

DIAMOND BANK PLC

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

BANK

	Note	31 December 2012	31 December 2011
<i>(All amounts in thousands of Nigeria Naira unless otherwise stated)</i>			
Operating activities	46		
Cash flow (used in)/generated from operations		(15,211,028)	28,268,268
Interest received		70,499,130	58,731,734
Interest paid		(19,181,779)	(10,146,763)
Tax paid		(581,167)	(2,434,843)
Net cash flow (used in)/generated from operations		35,525,155	74,418,396
Investing activities			
Proceeds of investment securities		325,014,475	342,396,350
Purchase of investment securities		(270,374,582)	(411,451,540)
Additions to investment property		(224,005)	(6,918,136)
Purchase of fixed and intangible assets		(10,428,678)	(8,139,582)
Proceed from sale of fixed and intangible assets		156,221	925,085
Dividends received		281,253	51,462
Net cash generated from/ (used in) investing activities		44,424,684	(83,136,361)
Financing activities			
Dividend paid		-	(2,171,287)
Proceeds from new borrowings		7,038,770	34,370,759
Repayment of borrowings		(12,090,730)	(7,480,384)
Proceeds from long term borrowing (Tier 2 Capital)		26,741,809	-
Net cash generated from/ (used in) financing activities		21,689,849	24,719,088
Increase in cash and cash equivalents	20	101,639,688	16,001,123
Cash and cash equivalents at start of year		94,115,669	78,114,546
Exchange gains/losses on cash & cash equivalents		235,286	-
Cash and cash equivalents at end of year		195,990,643	94,115,669
Increase in cash and cash equivalents		101,639,688	16,001,123

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. General information

Diamond Bank Plc and its subsidiaries (together, 'the group') provide banking and other financial services including investment, commercial and retail banking and custodian services to corporate and individual customers. Diamond Bank Nigeria Plc operates through subsidiaries, including Diamond Pension Fund Custodians, Diamond Bank du Benin SA, Diamond Bank Cote D'Ivoire, Diamond Bank Senegal and Diamond Bank Togo. In 2011, the Bank divested from or liquidated the following subsidiaries: Diamond Capital and Financial Markets, Diamond Securities Limited, Diamond Registrars Limited, Diamond Mortgages Limited and ADIC Insurance Limited.

The Bank is a public limited company, which is listed on the Nigerian Stock Exchange and incorporated and domiciled in Nigeria. The address of its registered office is: Plot 1261, Adeola Hopewell Street, Victoria Island, Lagos.

The consolidated financial statement were authorised for issue on 7 March 2013 by the board of directors. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

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

An explanation of how the transition to International Financial Reporting Standards (IFRS) has affected the reported financial position, financial performance and cash flows of the Group is provided in note 48. This note includes reconciliations of equity and statement of comprehensive income for the comparative periods reported under Nigerian GAAP (Previous GAAP) to those reported for this period under IFRS.

2.1 Basis of preparation

These financial statements are the consolidated financial statements of the Bank, and its subsidiaries (together, "the Group").

The Group's consolidated financial statements for the period ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate. These are the first financial statements of the Group prepared in accordance with IFRS 1 (First-time Adoption of IFRS).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes.

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets and financial liabilities and investment properties.

The consolidated financial statements are presented in Naira, which is the Group's functional currency. The figures shown in the consolidated financial statements are stated in Naira thousands (N'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.6c.

2.2 Changes in accounting policies and disclosures

A number of new and standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9: Financial instruments: Classification and measurement (effective for periods beginning on or after 1 January 2015)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10: Consolidated financial statements (effective for periods beginning on or after 1 January 2013)

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013

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- IFRS 12: Disclosures of interests in other entities (effective for periods beginning on or after 1 January 2013)

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13: Fair value measurement (effective for periods beginning on or after 1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

- IAS 1 (Amended): Presentation of financial statements (effective for periods beginning on or after 1 July 2012)

The standard includes a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items in OCI.

2.3 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

(a) Subsidiaries

The consolidated financial statement of the group, comprise the financial statement of the parent entity and all consolidated subsidiaries as of 31 December 2012.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries is measured at cost in the separate financial statement

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Investment in associate is carried at cost less impairment in the separate financial statement. For summarised financial information on the Group's associates accounted for using the equity method, see Note 28.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Naira thousands.

(b) Transactions and balances

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as foreign exchange income in the consolidated income statement

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as gain or loss from financial assets classified as held for trading in the consolidated income statement. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in the foreign currency translation reserve.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

· assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of that statement of financial position;

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- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income and cumulated in foreign currency translation reserve.

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Financial assets and liabilities

All financial assets and liabilities - which include derivative financial instruments are recognised in the consolidated statement of financial position and measured in accordance with their assigned category.

A) Initial recognition and measurement

Financial instruments are initially recognised at fair value while the treatment of directly attributable transaction cost depends on the classification accorded the instrument. Derivatives are initially recognised at fair value on the date a derivative contract is entered into.

The Group does not currently apply hedge accounting.

B) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification. Derivatives are subsequently re-measured at their fair value.

C) Classification and related measurement

The Directors determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below.

i) Financial assets

The Group classifies its financial assets in terms of the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as fair value through profit or loss upon initial recognition. At the reporting dates covered by these financial statements, financial assets at fair value through profit or loss comprise financial assets classified as held for trading only.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

Financial instruments included in this category are recognised initially at fair value; transaction cost are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expenses and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income' respectively. The instrument are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risk and rewards of ownership and the transfer qualifies for derecognising.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivable are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction cost - are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as Loans to banks or customers or as investment securities. Interest income is included in 'Interest and similar income' in the consolidated income statement. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement as 'Loan impairment charges'.

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c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those that meet the definition of loans and receivables.

These financial assets are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest and similar income' in the Statement of Comprehensive Income. Refer to accounting policy 2.8 for the impairment of financial assets.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are 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 or that are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of other comprehensive income and cumulated in the fair value reserve, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If the available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is recognised in the consolidated income statement. However, interest is calculated using the effective interest method, and the foreign currency gains and losses on monetary assets classified as available for sale are recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement in 'Dividend income' when the Group's right to receive payment is established.

ii) Financial liabilities

Financial liabilities are classified as at fair value through profit or loss and financial liabilities at amortised cost.

a) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'Interest expense' in the Statement of comprehensive income.

b) Financial liabilities at fair value

The bank has a hybrid contract that contains both a derivative and a non-derivative component. The derivative is the embedded derivative and the non-derivative represents the host contract. The derivative is fair valued with gains and losses recognised in the income statement and the host contract will be accounted for in accordance with (a) above.

c) Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

d) Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the reporting dates.

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The Group uses widely recognised valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations may therefore be adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary.

e) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral'.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.7 Revenue recognition

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Statement of Comprehensive Income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

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 recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Income from bonds or guarantees and letters of credit

Income from bonds or guarantees and letters of credit are recognised on an amortised cost basis.

Dividend income

Dividends are recognised ' when the entity's right to receive payment is established.

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2.8 Impairment of financial assets

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of available-for-sale equity financial assets

The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Loans and receivables and held to maturity financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those

assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in

the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Impairment charges on financial assets are included in profit or loss within 'Impairment charges for credit losses'.

2.9 Impairment of non-financial assets

Other receivables included in other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment charges on such balances are included in profit and loss within "other operating expenses". Additionally, assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.10 Statement of cash flows

The Statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model (management approach). Interest and dividends received and interest paid are classified as operating cash flows, while dividends paid are included in financing activities.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with central banks.

2.12 Leases

Leases are divided into finance leases and operating leases.

(a) A group company is the lessee

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'Deposits from banks' or 'Deposits from customers' depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The properties acquired under finance leases are measured subsequently at their fair value.

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(b) A group company is the lessor

(i) Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

(ii) Finance lease

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) 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. The recognised receivable is included within "Loans and Advance to Customers" or "Loans to banks" depending on the counter party.

2.13 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated profit or loss in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is obtained from professional third party valuers contracted to perform valuations on behalf of the Group. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

2.14 Property and equipment

All property and equipment used by the Group is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other operating expenses' in profit or loss.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as Prepayments in "Other Assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

- . Land is not depreciated
- . Motor Vehicles - 4 years
- . Furniture and fittings - 4 years
- . Office Equipment - 5 years
- . Computer Equipment - 3 years
- . Building - 25 years
- . Leasehold Improvement - Over the unexpired lease term

Leasehold improvement relates to capital expenditures incurred in modifying properties acquired by the group for the purpose of establishing new branches. Such expenses include structural and civil engineering works, beautification, landscaping, and electrical works. Leasehold improvement applies only to rented properties. Improvements made to property owned by the group are additions to building and are depreciated in line with the depreciation policy on building.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2.15 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over IFRS GAAP Plc's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the and is not subsequently reversed.

(b) Software licenses

Intangible assets comprise of acquired software licenses. These are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful economic life (3 years). At each reporting date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

2.16 Non-current assets classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

The Group presents discontinued operations in a separate line in the consolidated statement of comprehensive income if an entity or a component of an entity has been disposed of or is classified as held for sale and:

- (a) Represents a separate major line of business or geographical area of operations;
- (b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit or loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated statement of comprehensive income.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This measurement provisions do not apply to deferred tax assets and liabilities (IAS 12), financial assets in the scope of IAS 39, investment properties that are accounted for in accordance with the fair value model in IAS 40. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when subject to terms that are usual and customary for sales of such assets. The Directors must ensure that the sale is highly probable and the asset is available for immediate sale in its present condition, be committed to the sale and must actively market the property for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.17 Income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the respective jurisdiction where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS
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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.18 Retirement benefit obligation

Defined contribution scheme

The group operates a defined contribution plan. A defined contribution plan is a pension plan under which the group 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. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group contributes 7.5% of basic salary, rent and transport allowances, with the employee contributing a further 7.5%. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Gratuity scheme

The Group had a non contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of periods are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Company. With effect from October 2008, this scheme was discontinued and payments to staff made over a three year period.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group recognises no provisions for future operating losses.

2.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium. Financial guarantee contracts entered into by the Group include advance payment bonds, loan guarantees, performance bonds, confirmed and unfunded letters of credit commitment and guaranteed pension assets.

2.21 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the year that are declared after the date of the Statement of financial position are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

(c) Treasury shares

Where the Company or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(d) Statutory reserve

Central Bank of Nigeria (CBN) regulation requires the Company to make an annual appropriation to a statutory reserve. As stipulated by Paragraph G(1) of the Revised Guidelines for Discount Houses, an appropriation of 15% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. For purposes of this appropriation, 'Profit for the year' as reported in the statement of comprehensive income is used. This appropriation is reported in the statement of changes in equity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(e) Credit risk reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendant provision as shown below based on objective criteria.

- (a) substandard assets with arrears period between 90 and 180 days - 10%
- (b) doubtful assets with arrears period between 180 days and 360 days - 50%
- (c) loss assets with arrears period over 360 days - 100%; and

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned. The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Credit Risk Reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in the Statement of Comprehensive Income.

Following an examination, the regulator may also require more amounts be set aside on risk assets. Such additional amounts are recognised as an appropriation from retained earnings to credit risk reserve.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. Refer to note 49 for the Group segment report.

2.23 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through Diamond Pension Fund Custodian Limited that result in the holding or placing of assets on behalf of trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.24 Insurance contracts

IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred.

The company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the Policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature.

A number of insurance and investment contracts contain a discretionary feature. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses

- That is likely to be a significant portion of the total contractual benefits.
- Whose amount or timing is contractually at the discretion of the company; and
- That are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract
 - realised and /or unrealized investment returns on a specified pool of assets held by the company
 - the profit or loss of the company, fund or other entity that issues the contract.

General Insurance Business

General Insurance Business means insurance business of any class or classes not being long term insurance business. Classes of General Insurance include:

Fire insurance business
General accident insurance business;
Motor vehicle insurance business;
Marine and aviation insurance business;
Oil and gas insurance business;
Engineering insurance business;
Bonds credit guarantee and surety-ship insurance business; and
Miscellaneous insurance business

For all these contracts, premiums are recognized as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the end of reporting date is reported as the unearned premium liability.

Premiums are shown before deductions of commissions and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

NOTES TO THE FINANCIAL STATEMENTS
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Recognition and Measurement of Insurance Contracts

a) Insurance contracts

In terms of IFRS 4, insurance liabilities are measured under the existing local practice at the date of adoption of IFRS 4.

The Group had prior to the adoption of IFRS 4 valued insurance liabilities using certain actuarial techniques as described below. The Group has continued to value insurance liabilities in accordance with these.

Insurance contracts are classified into two broad categories, depending on the duration of the risk and the type of risk insured, namely Life Insurance (Individual Life and Group Life) and General Insurance.

(i) Life insurance

At the end of each reporting period, Liability Adequacy Tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to income statement by increasing the carrying amount of the related insurance liabilities.

Group Life contracts insure against death on a group basis. These contracts are short term in nature and are typically renewed annually. For these contracts, gross premiums are recognised as revenue when due.

Where the same policy includes both insurance and investment components and where the policy is classified as insurance, the insurance and investment benefits are valued separately.

i.a) Individual life

These contract mainly insure against death. For the published accounts, the contracts are value based on a gross premium valuation taking into account the present value of expected future premium, claim and associated expense cash flow. The premium is recognised and credited to the fund when due for payment. Premiums written relate to risks assumed during the period, and include estimates of premiums due but not yet received, less an allowance for estimated lapses.

Any resultant negative policyholder liabilities, measured on an individual policy level are set to zero ("zerorised") so as not to recognise profits prematurely.

Where the same policy includes both insurance and investment components and where the policy is classified as insurance, the insurance and investment benefits are valued separately.

Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment. The expense is determined in the same way as for general insurance. Claims handling expenses are charged to revenue when incurred.

Expenses and commissions are allocated to the life fund as incurred in the management of the life business. No deferred acquisition costs exist.

i.b) Group life

These contracts insure against death on a group basis. These contracts are short term in nature and typically renewed annually.

For these contracts, gross premiums are recognised as revenue when due.

(ii) General Insurance

Gross premiums are recognised as revenue when due. Premiums written relate to risks assumed during the period, and include estimates of premium due but not yet received, less an allowance for cancellations. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the balance sheet date, and are calculated on time apportionment basis.

Claims paid represent all payments made during the period, whether arising from events during that or earlier periods. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the period are closed, and include provisions for claims incurred but not reported ("IBNR") until after the statement of financial position date. Similarly provisions are made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the balance sheet date in settling all claims outstanding as at that date, including IBNR. Differences between the provisions for outstanding claims at a balance sheet date and the subsequent settlement are included in the Revenue Account of the following period.

Expenses are allocated to the relevant revenue accounts as incurred in the management of each class of business. Prepaid expenses include deferred acquisition expenses and deferred maintenance expenses. These expenses are incurred as a result of direct business earned from brokers. The deferred portion is calculated based on the percentage of unexpired risk to premium income.

(b) Insurance contracts with Discretionary Participation Features

The Group issues single and regular premium endowment contracts that provide primarily savings benefits to policyholders but also transfer insurance risk. The benefit payable under each contract increases each year by a revisionary bonus. 40% of the surplus arising is allocated to shareholders each period. Bonus distribution to policyholders out of the remaining surplus is at the discretion of the Group. These contracts are valued on a gross premium valuation basis.

(c) Outstanding claims provisions

A full provision is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the balance sheet date.

Similarly, provision is made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the balance sheet date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a balance sheet date and the subsequent settlement are included in income of the following year.

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(d) Guaranteed Annuity Options

Guaranteed options are offered on deferred annuity products. This feature provided an option to the policyholder and is analyzed and valued separately where significant to the total liability, taking into account expected take-up rates, morality variation and investment variation.

(e) Insurance receivables

Receivables are recognized when due, these include amounts due from agents, brokers and insurance contract holders.

The group assesses at each reporting date whether there is objective evidence that an insurance receivable is impaired. If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable is reduced accordingly through an allowance account and recognized as impairment loss in income statement. The assessment process for loans and receivables is articulated in 2.8.

(f) Provision for insurance contracts

This amount is made up of unearned premium, outstanding claims and a valuation of liabilities in force in respect of life insurance business.

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3. Financial risk management

3.1 Introduction and overview

Enterprise risk review

The underlying premise of Enterprise Risk Management is that every entity exists to provide value for its stakeholders. All organizations face uncertainty, uncertainty presents both risks and opportunities, with the potential to erode or enhance value.

In recent years, managing an enterprises' risk in a consistent, efficient and sustainable manner has become a critical priority, as the business environment faces unprecedented levels of complexity changing geopolitical threats, new regulations and increasing shareholders demand.

The Diamond Bank Group seeks to achieve an appropriate balance between risk and reward in its business and strategy, and continues to build and enhance the risk management capabilities that will assist it in delivering its growth plans in a controlled environment.

The Group has made significant progress in its vision to become world-class at managing risk. Recently an International firm of management consultants updated the Group's Enterprise Risk Management (ERM) framework and frameworks for specific risk areas such as credit, market, liquidity, operational, strategic and reputational risks.

Full implementation of the requirements of the ERM Framework is on-going under the oversight of the Board Audit & Risk Committee (BARC), which is tasked with monitoring the implementation on behalf of the Board.

The Group's Enterprise Risk Management (ERM) Framework ensures risks are managed using a structured and disciplined approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities and threats faced. The Group's "Enterprise-wide" Risk Management methodology ensures the removal of functional, divisional, departmental or cultural barriers to managing risks.

The main benefits and objectives to the Group of the ERM implementation include the following:

- It provides a platform for the Board and Management to confidently make informed decisions regarding the trade-off between risk and reward;
- It aligns business decisions at the operating level to the Group's appetite for risk;
- It balances operational control with the achievement of strategic objectives;
- It enables Executives to systematically identify and manage significant risks on an aggregate basis;
- It enables the evaluation of new and existing investments on both a standalone and portfolio basis; and
- It minimizes operational surprises and related costs or losses.

Enterprise Risk Management (ERM) Vision

Diamond Bank's ERM Vision is:

"To build a world-class risk management culture"

Risk Management governance structure

The following management committees, comprising of senior management staff, support the Executive Committee in performing its risk management roles:

I. Asset & Liability Management Committee (ALCO)

The Asset & Liability Committee (ALCO) is responsible for market and liquidity risk management.

II. Management Credit Committee (MCC)

The Management Credit Committee (MCC) is responsible for managing credit risks in the Group. The committee focuses on management of the Group's credit risk exposures. The Management Credit Committee (MCC) deliberates on issues concerning the credit risk. It ranges from credit approval, restructure, write off, and approval of credit policies.

III. Group Risk Management Committee (RMC)

The Group Risk Management Committee (RMC) has oversight responsibility for all other risk categories except credit, market and liquidity risks. Risk categories within the purview of the committee include, but are not limited to, the following:
Operational risk; Strategic risk; Legal risk; Compliance risk; Reputational risk; Accounting & Taxation risk; Human Capital risk; and Information Security risk.

Business units

Business Units and their staff, as primary risk owners/managers, are responsible for the day-to-day identification, mitigation, management and monitoring of risks within their respective functions.

Business Units and their staff are also responsible for the following:

- Implementing the Group's risk management strategies;
- Managing day-to-day risk exposures by using appropriate procedures and controls in line with the Group's risk management framework;
- Identifying risk issues and implementing remedial action to address these issues; and
- Reporting and escalating material risks and associated issues to appropriate authorities.

Units and functions with primary responsibility for independent risk oversight and monitoring

These units and functions include the following:

- Risk Management & Control Division;
- Legal Unit;
- Corporate Communications Unit;
- Strategic Planning & Research Unit; and
- Financial Control Unit.
- Human Capital Management Unit and
- Compliance Unit

Units and functions with primary responsibility for evaluating and providing independent assurance

This is made of the following:

- Internal Auditors (i.e. Corporate Audit function); and
- The External Auditors.

DIAMOND BANK PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****(All amounts in thousands of Nigeria Naira unless otherwise stated)****3.3 Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in the off-balance sheet financial instruments. The credit risk management is centralized in Risk management and control at the group level and reports to the board of directors and interacts with the head of each business segment regularly.

Diamond Bank has a Credit Risk Management framework approved by its Board. The Credit Risk Management Objectives are:

- 1) To provide a clear and consistent direction for the Bank for creating and managing credit exposures;
- 2) To maintain a high quality risk assets portfolio and minimize credit losses arising from errors of judgement
- 3) To achieve the lowest level of non-performing loans in the industry while maximizing returns on assets created;
- 4) To maximize stakeholder value;
- 5) To develop a strong credit risk culture where all staff actively participate in the Bank's risk management process and respond to them with cost effective action.

The Credit Risk Appetite of the bank is defined by its expression or willingness to accept risk up to a level that minimizes erosion of earnings or capital due to avoidable losses from credit activities. The bank's Credit Risk Management Strategy is driven by its objectives and includes adoption of the following strategies for the management of credit risk;

- a) A selective and disciplined approach to credit origination and focus on customers that will create attractive value for the Bank;
- b) Adherence by all lending and approval individuals to the Bank's credit risk policies, developed to enable staff identify, measure and manage credit risk exposures;
- c) The Board and Senior Management set the tone for the right risk culture in the Bank;
- d) Adequate pricing for the risks taken by the Bank;
- f) Establishment and enforcement of the Bank's exposure and provisioning policies in accordance with the Prudential Guidelines and other regulatory requirements; and
- g) Broadening of the knowledge and skills of all credit personnel through training and capacity building programmes.

Credit risk measurement

(a) Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects the following components (i) the client or counterparty's character and capacity to pay off its contractual obligations; (ii) current exposures to the counterparty and its likely future development; (iii) credit history of the counterparty and (iv) the likely recovery ratio in case of default obligations - value of collateral and other ways out.

The Group's rating scale, the Diamond Master Rating (DMR), reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Diamond Master Rating Table

DIAMOND BANK	CBN	CBN MID WEIGHT	DB REMARK	CBN REMARK
D01	AAA	1.5	Investment	Extremely low risk
D02	AA	2.5	Investment	Very low
D03	A	3.5	Investment	Low risk
D04	BBB	4.5	Investment	Acceptable risk
D05	BB	5.5	Sub investment	Moderately High risk
D06	B	6.6	Sub investment	High risk
D07	CCC	7.5	Sub investment	Very high risk
D08	CC	8.5	Sub investment	Extremely high risk
D09	C	9.5	Watchlist	High likelihood of default
D10	D		Default	Default

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by Treasury to primarily manage their liquidity risk exposures.

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Risk limit control and mitigation policies

The Group manages limits and control concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers (single obligor limits), and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Group also sets internal credit approval limits for various levels in the credit process and are shown in the table below.

Authorizing level	Approval limit
Board	N1.5BN to legal lending limit
Board Credit Committee	N500MM to N1.5BN
MCC*	N250MM to N500MM
Mini-MCC	N100MM to N250MM
Managing Director	N75MM to N250MM
Executive Directors	N50MM to N75MM
Regional Managers	N25MM to N50MM (Categorised)

*Management credit committee

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The guiding principles behind collateral acceptability are adequacy and realizability. The management credit committee (MCC) approves the guidelines for acceptability of credit collateral. The committee also provides a clear articulation of:

- Acceptable collateral in respect of each credit product including description, location restrictions in respect of landed property, guidelines in respect of minimum realizable value of such collateral;
- Required documentation/perfection of collateral;
- Conditions for waivers of collateral requirement and guidelines for approval of collateral waiver;
- Acceptability of cash and other forms of collateral denominated in Foreign Currency;

All items pledged as security for credit facilities are usually registered in the name of the bank. Additional criteria including insurance cover as may be defined in the Bank's risk management policy provisions are usually met. Collateral as security in respect of approved credit exposures include mortgage on landed property, quoted stocks/shares of actively traded blue chip companies only, charge on assets (Fixed and/or Floating), guarantees issued by other banks acceptable to Diamond Bank, lien on Asset being financed and others.

Collateral must be appreciating or at least stable. Estimate of forced sale value of the collateral item(s) should be adequate to ensure full recovery of the Bank's principal credit exposure.

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangement do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

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(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Methodology for risk rating

Diamond Bank plc. Uses the Moody's rating tool as the core rating for all its corporate credits. In addition to the core rating, the bank has recently developed a new rating framework for rating all corporate exposure in its credit portfolio. Through the new corporate framework, each corporate borrowers will be given a rating on the 10-grade Diamond Master Rating Scale, which signifies the borrower's creditworthiness and risk of default. These ratings will be used to determine pricing, availability of credit, required collateral and other important decisions such as in relation to the extension to the extension of loans.

The new rating framework takes the core rating (i.e. Moody's) as a foundation and uses other factors such as the Group/country rating, early warning signals and any relevant new information to arrive at a more realistic rating for the borrower.

3.3.1 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk at 1 Jan 2011, 31 Dec 2011 and 30 December 2012 respectively, is represented by the net carrying amounts of the financial assets set out in note 3.2 above, with the exception of financial guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on (refer note 46.3 Contingent liabilities and commitments).

Risk Asset (Loans and Advances, Advances under Finance Leases, on-balance sheet direct credit substitutes, etc.)

Risk assets are summarised as follows:

Group

	Dec 2012	Dec 2011	Jan 2011
Neither probable nor impaired	575,342,221	381,086,234	295,057,845
Past due but not impaired	6,695,173	2,097,591	1,886,867
Individually impaired	28,682,909	39,390,837	51,121,674
Gross	610,720,303	422,574,662	348,066,386
Specific impairment	(13,709,907)	(28,750,929)	(37,421,044)
Collective impairment	(11,810,238)	(5,687,247)	(3,432,885)
Net	585,200,158	388,136,486	307,212,457

Bank

	Dec 2012	Dec 2011	Jan 2011
Neither probable nor impaired	515,864,883	339,656,736	291,505,198
Past due but not impaired	5,546,427	1,233,105	1,108,637
Individually impaired	25,734,646	36,878,356	46,605,507
Gross	547,145,956	377,768,197	339,219,342
Specific impairment	(13,187,211)	(28,696,715)	(36,570,496)
Collective impairment	(10,584,137)	(4,674,151)	(3,114,154)
Net	523,374,608	344,397,331	299,534,692

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(b) Financial assets past due but not impaired

Loans and advances less than 90 days due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing were as follows:

Group

31 December 2012	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	-	930,502	3,653,998	319,818	4,904,318
Past due 30 - 60 days	-	599,249	273,722	75,807	948,778
Past due 60 -90 days	-	353,921	466,300	21,856	842,077
Total	-	1,883,672	4,394,020	417,482	6,695,173

31 December 2011	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	1,073,031	291,949	232,592	-	1,597,572
Past due 30 - 60 days	-	36,379	137,795	-	174,174
Past due 60 -90 days	-	60,769	265,078	-	325,846
Total	1,073,031	389,097	635,465	-	1,024,561

1 January 2011	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	-	263,233	1,134,383	70,853	1,468,469
Past due 30 - 60 days	-	46,823	155,592	21,403	223,818
Past due 60 -90 days	-	27,701	166,878	-	194,579
Total	-	337,756	1,456,854	92,256	1,886,866

Bank

31 December 2012	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	-	610,731	3,186,752	319,818	4,117,301
Past due 30 - 60 days	-	599,205	112,557	75,807	787,569
Past due 60 -90 days	-	353,703	265,998	21,856	641,557
Total	-	1,563,639	3,565,306	417,482	5,546,427

31 December 2011	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	-	300,447	712,813	-	1,013,259
Past due 30 - 60 days	-	19,363	19,108	-	38,471
Past due 60 -90 days	-	35,245	116,279	-	151,524
Total	-	355,055	848,200	-	1,203,255

1 January 2011	Commercial Papers	Overdrafts	Term Loans	Finance Lease	Total
Past due up to 30 days	-	114,917	788,919	70,853	974,690
Past due 30 - 60 days	-	31,211	46,696	21,403	99,309
Past due 60 -90 days	-	4,283	30,355	-	34,637
Total	-	150,411	865,970	92,256	1,108,636

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(c) Financial assets individually impaired

Group			
Non-performing loans by Classification	31 December 2012	31 December 2011	1 January 2011
Overdraft	27,996,805	30,767,071	13,548,238
Term Loans	678,974	8,615,389	37,573,435
Finance Lease	7,130	8,377	-
Total	28,682,909	39,390,837	51,121,673
Non-performing loans by Geography	31 December 2012	31 December 2011	1 January 2011
Nigeria:			
North East	337,301	462,531	21,810
North Central	1,894,715	1,292,016	1,864,342
North West	589,187	163,784	4,679,013
South East	2,939,273	1,186,628	1,086,652
South South	7,165,099	1,031,746	1,352,329
South West	12,809,072	32,741,650	39,817,874
Rest of West Africa	2,948,263	2,512,482	2,299,654
Total	28,682,909	39,390,837	51,121,674
Bank			
Non-performing loans by Classification	31 December 2012	31 December 2011	1 January 2011
Overdraft	25,048,542	28,254,590	9,032,071
Term Loans	678,974	8,615,389	37,573,435
Finance Lease	7,130	8,377	-
Total	25,734,646	36,878,356	46,605,506
Non-performing loans by Geography	31 December 2012	31 December 2011	1 January 2011
Nigeria:			
North East	337,301	462,531	21,810
North Central	1,894,715	1,292,016	1,842,320
North West	589,187	163,784	4,679,013
South East	2,939,273	1,186,628	1,086,652
South South	7,165,099	1,031,746	1,313,512
South West	12,809,072	32,741,650	37,662,199
Total	25,734,646	36,878,355	46,605,506

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The credit quality of investments in debt securities that were neither past due nor impaired can be assessed by reference to Standard & Poor's rating at 31 December 2012, 31 December 2011 and 1 January 2011:

Group

Investments in debt securities				
	Rating	Treasury bills	Bonds	Total
31 December 2012				
Financial assets Held for Trading		87,927,723	2,183,513	90,111,236
Investment Securities - Held to Maturity		-	65,762,681	65,762,681
Investment Securities - Available for sale		-	2,427,634	2,427,634
Assets pledged as collateral		35,782,015	43,520,517	79,302,532
	B+	123,709,738	113,894,345	237,604,083
31 December 2011				
Financial assets Held for Trading		6,784,543	1,257,075	8,041,618
Investment Securities - Held to Maturity		-	61,712,762	61,712,762
Investment Securities - Available for sale		74,182,342	2,834,738	77,017,080
Assets pledged as collateral		13,520,000	21,420,000	34,940,000
	B+	80,966,885	65,804,575	146,771,460
1 January 2011				
Financial assets Held for Trading		-	1,109,080	1,109,080
Investment Securities - Held to Maturity		30,152,986	26,824,077	56,977,063
Investment Securities - Available for sale		-	7,705,614	7,705,614
Assets pledged as collateral		21,150,000	16,670,000	37,820,000
	B+	51,302,986	51,199,691	102,502,677

Bank

Investments in debt securities				
	Rating	Treasury bills	Bonds	Total
31 December 2012				
Financial assets Held for Trading		87,927,723	2,183,513	90,111,236
Investment Securities - Held to Maturity		-	64,751,769	64,751,769
Investment Securities - Available for sale		-	2,427,634	2,427,634
Assets pledged as collateral		26,277,305	31,161,591	57,438,896
	B+	114,205,028	100,524,507	214,729,535
31 December 2011				
Financial assets Held for Trading		6,784,543	1,257,075	8,041,618
Investment Securities - Held to Maturity		-	52,252,105	52,252,105
Investment Securities - Available for sale		2,834,738	64,977,011	67,811,749
Assets pledged as collateral		13,520,000	21,420,000	34,940,000
	B+	13,520,000	86,397,011	102,751,749
1 January 2011				
Financial assets Held for Trading		-	1,109,079	1,109,079
Investment Securities - Held to Maturity		21,913,637	22,064,787	43,978,424
Investment Securities - Available for sale		-	7,245,289	7,245,289
Assets pledged as collateral		21,150,000	16,670,000	37,820,000
		43,063,637	23,915,289	66,978,926

3.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management process

The Group's liquidity management process is primarily the responsibility of the Assets and Liabilities Committee (ALCO).

Treasury is the executive arm of ALCO and its functions include:

- a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or a borrow by customers. The Group maintains an active presence in money markets to enable this to happen;
- b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows
- c. Monitoring balance sheet liquidity ratio's against internal and regulatory requirements (in conjunction with financial control unit); and
- d. Managing the concentration and profile of debt maturities.

Funding approach

Sources of liquidity are regularly reviewed by Treasury to maintain a wide diversification by currency, geography, provider, product and term.

3.4.1 Management of liquidity risk

Liquidity risk is the potential for loss to the bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity risk arises when the cushion provided by liquid assets is not sufficient to meet outstanding obligations.

The bank has liquidity and funding risk management process that ensures that all foreseeable funding commitments can be met when due and that access to wholesale market is coordinated and cost effective. Treasury Group manages liquidity on a daily basis while ALCO tracks and reviews the liquidity situation every 2 weeks.

Liquidity Risk Management Objectives

Liquidity Risk management processes

Liquidity Gap analysis

Liquidity gap analysis is used to monitor the current liquidity position of the Bank. It quantifies the cumulative gap in the bank's business as usual environment. The gap for any given tenor bucket represents the borrowings from or placements to the markets required to replace maturing liabilities or assets. The underlying assumptions are documented and used consistently.

Concentration in sources and application of funds

The Bank monitors concentration in the sources and application of funds to ensure that the funding bases are stable and diversified. A well diversified funding base makes the Bank less vulnerable to adverse changes in the perception of a group of depositors/investors, whose actions or inactions could significantly affect the Bank.

Liquidity Ratios

Liquidity ratios are used to monitor changes in the bank's liquidity in business as usual environment. The ratios are designed to indicate the Bank's ability to meet short-term obligations with liquid assets; reveal mismatches between tenured funding sources and uses; measure the concentration of the bank's funding sources to an individual or sector; and review the ability of the Bank to fund loans through customer deposits.

Liquidity risk monitoring

Trigger points in the form of targets and limits on liquidity positions are monitored and deviations from "normal" ranges of operation reported to management. Trigger points and early warning indicators are based on industry standards. The Bank's liquidity management policies and procedures highlight and escalate exceptions promptly.

Liquidity Risk Reporting

Liquidity risks are communicated to the applicable business units, Senior Management and the Board. The Market Risk Group maintains an independent liquidity risk reporting which effectively and consistently communicate liquidity risk information to ALCO for appropriate decision making.

3.5 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

3.5.1 Management of market risk

Market risk is the risk that movements in market factors, including foreign exchange rates and interest rates, credit spreads and equity prices, will reduce the bank's income or the value of its portfolios. Diamond Bank classifies its market risk into asset & liability management (ALM) risk, investment risk and trading risk.

The bank has robust methodology and procedures for the identification, assessment, measurement, control, monitoring and reporting of market risks within the Bank's trading portfolio and the rest of the Bank's balance sheet. The market risk management Group is responsible for measuring market risk exposures in accordance with the policies defined by the Board, monitoring and reporting the exposures against the prescribed limits.

The Bank manages the impact of interest rate changes within self-imposed parameters set after careful consideration of a range of possible rate environments and business scenarios. These parameters in combination define the Bank's market risk tolerance.

Limits are used to control the Bank's interest rate risk exposure within its risk tolerance. Risk limits are set by product and risk types. They are usually approved by ALCO and endorsed by the board. Limits are sets for position taken, value at risk, stop loss and profit take as well as counter party risks. The overall risk appetite of the Bank, size, complexity and capital adequacy of the Bank, profitability of business/product areas, complexity of products, liquidity of specific markets and volatility of markets are considered while setting the limits.

The market risk is managed by the market risk management function under the Risk management directorate. The monitoring includes establishment and monitoring of treasury limit, rendering market intelligent reports and mark to market valuation of the bank's trading position.

Duration Gap analysis

It compares the price sensitivity of the bank's total assets with the price sensitivity of its total liabilities to assess whether the market value of assets or liabilities changes more when rates change. Diamond Bank uses duration gap (DGAP) for managing its value of equity, recognizing the timing of all cash flows for every security on the balance sheet.

Economic Value of Equity (EVE) sensitivity analysis

It indicates how much the bank's economic value of equity will change in different rates environments. The Bank's exposure to changes in net economic value of equity is evaluated for six alternative interest rate shock scenarios and monitored.

Monitoring exposure limits and triggers

The Bank manages the impact of changes in market factors – equity prices, interest rates and currency rates within self-imposed limits and triggers set after careful consideration of a range of possible rate environments and business scenarios. These limits are used to control the Bank's market risk exposures within its risk tolerance.

Risk Reporting

Market Risk Management Group ensures that the Bank maintains an accurate risk reporting framework that effectively and consistently communicate market risk information across the Bank. Market Risk Management use independently sourced data to generate reports, which provides the Board and senior management with clear, concise and timely recommendations and supporting information needed to make decisions.

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3.5.2 Measurement of market risk

The Group's major measurement technique used to measure and control market risk is outlined below.

Value at risk (VAR)

One of the major tools used by the Group to monitor and limit market risk exposure is Value at risk. Value-at-risk estimates the potential maximum decline in the value of a position or portfolio, under normal market conditions, over a one-day holding period, at 99% confidence level. The diamond bank value-at-risk method incorporates the factor sensitivities of the trading portfolio, the volatilities and correlations of the market risk factors. The group uses the variance covariance method which derives likely future changes in market value from historical market volatility. Value at risks is estimated on the basis of exposures outstanding at the close of business and therefore might not factor in the intra-day exposures. However, the bank does not only based its risk estimates on Value at Risk, it uses sensitivity and what-if analysis to further complement it.

The trading book is made up of foreign currency, Bonds and Treasury bills instruments. The value at Risk of the trading book is as stated:

Trading

The Group trades on bonds, treasury bills and foreign exchange while subsidiaries trade on foreign currencies only. Market risk in trading portfolios is monitored and controlled using tools such as position limits, value at risk and present value of an assumed basis points change in yields or exchange rates coupled with concentration limits.

1 Day VAR summary

Group	December 2012			
	Average	High	Low	Actual
Foreign exchange risk	8,979,736	33,078,182	952,319	3,645,431
Interest rate risk	250,438,592	481,420,399	65,323,134	181,731,045
Equity risk	-	-	-	-
Total	259,418,329	491,575,681	68,170,611	185,376,475
Bank	December 2012			
	Average	High	Low	Actual
Foreign exchange risk	8,922,350	32,980,389	917,949	3,547,638
Interest rate risk	250,438,592	481,420,399	65,323,134	181,731,045
Equity risk	-	-	-	-
Total	259,360,943	491,477,888	68,136,240	185,278,683
Group	December 2011			
	Average	High	Low	Actual
Foreign exchange risk	7,806,966	33,972,853	2,937,859	3,738,611
Interest rate risk	85,819,249	246,789,830	6,978,208	68,057,271
Equity risk	-	-	-	-
Total	93,626,215	254,423,898	11,378,645	71,795,882
Bank	December 2011			
	Average	High	Low	Actual
Foreign exchange risk	7,806,966	33,972,853	2,937,859	3,738,611
Interest rate risk	85,819,249	246,789,830	6,978,208	68,057,271
Equity risk	-	-	-	-
Total	93,626,215	254,423,898	11,378,645	71,795,882
Group	December 2010			
	Average	High	Low	Actual
Foreign exchange risk	16,689,024	52,588,755	641,916	9,891,837
Interest rate risk	67,355,290	167,173,309	23,902,514	109,866,259
Equity risk	-	-	-	-
Total	84,044,314	199,479,183	37,952,162	119,758,097
Bank	December 2010			
	Average	High	Low	Actual
Foreign exchange risk	16,689,024	52,588,755	641,916	9,891,837
Interest rate risk	67,355,290	167,173,309	23,902,514	109,866,259
Equity risk	-	-	-	-
Total	84,044,314	199,479,183	37,952,162	119,758,097

Highest and Lowest VaR for each risk factor are independent and usually occur in different days

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Non-trading book: Other sensitivity analyses

Market risk in the Non trading book emanates mainly from adverse movement in future net interest income, resulting from changes in interest rates. Analysis of this risk involve the breaking down of demand and saving deposits as well as overdraft into different maturity time bands based on past observed trends with the use of a constructive model. Interest rate risk in non-trading portfolios is measured with maturity gap analysis, interest rate sensitivity and ratios analysis. The sensitivity of earnings to specified upward and downward instantaneous parallel 100 basis point shift in the yield curve, over one-year horizons under business-as-usual conditions assuming static portfolio indicates the potential risk.

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The table below summarises the effect of exchange gains or losses given a 2% possible movement in exchange rate of foreign currency against naira. In determining the effect to exchange gain or loss due to the possible exchange movement, simplified assumptions and scenarios are adopted without considering factors such as the correlation of changes in exchange rates between foreign currencies.

GROUP

31 December 2012

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(116,148,237)	2,322,965	(2,322,965)
Pounds	(708,353)	14,167	(14,167)
Euro	7,783,086	(155,662)	155,662
Others	3,691,306	(73,826)	73,826
TOTAL IMPACT ON P&L		2,107,644	(2,107,644)

31 December 2011

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(48,939,660)	978,793	(978,793)
Pounds	91,996	(1,840)	1,840
Euro	1,363,298	(27,266)	27,266
Others	(5,935,893)	118,718	(118,718)
TOTAL IMPACT ON P&L		1,068,405	(1,068,405)

1 January 2011

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(38,290,081)	765,802	(765,802)
Pounds	24,471	(489)	489
Euro	1,014,038	(20,281)	20,281
Others	161,593	(3,232)	3,232
TOTAL IMPACT ON P&L		741,800	(741,800)

BANK

31 December 2012

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(102,978,367)	2,059,567	(2,059,567)
Pounds	(709,300)	14,186	(14,186)
Euro	3,012,207	(60,244)	60,244
Others	51,635	(1,033)	1,033
TOTAL IMPACT ON P&L		2,012,476	(2,012,476)

31 December 2011

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(48,869,312)	977,386	(977,386)
Pounds	87,377	(1,748)	1,748
Euro	44,432	(889)	889
Others	(48,329)	967	(967)
TOTAL IMPACT ON P&L		975,717	(975,717)

1 January 2011

CURRENCIES	Net Financial Assets in FCY	Naira appreciates by 2%	Naira depreciates by 2%
Dollar	(37,543,632)	750,873	(750,873)
Pounds	13,641	(273)	273
Euro	24,495	(490)	490
Others	(83,938)	1,679	(1,679)
TOTAL IMPACT ON P&L		751,789	(751,789)

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The table below sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel falls in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Bank to mitigate interest rate risk. In practice, ALCO seeks proactively to change the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges, and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

Group

Interest sensitivity analysis - 31 December 2012

Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	75,558,665	31,483	(31,483)
1 – 3 Months	79,604,294	132,674	(132,674)
3-12 Months	119,151,933	744,700	(744,700)
	274,314,892	908,856	(908,856)

Interest sensitivity analysis - 31 December 2011

Impact of 100 basis points changes in rates over a one year period (N'000)

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	14,006,454	5,836	(5,836)
1 – 3 Months	29,666,956	49,445	(49,445)
3-12 Months	161,565,811	1,009,786	(1,009,786)
	205,239,220	1,065,067	(1,065,067)

Interest sensitivity analysis - 1 January 2011

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	18,288,170	7,620	(7,620)
1 – 3 Months	10,131,472	16,886	(16,886)
3-12 Months	69,954,270	437,214	(437,214)
	98,373,913	461,720	(461,720)

Bank

Interest sensitivity analysis - 31 December 2012

Impact of 100 basis points changes in rates over a one year period (N'000)

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	60,750,264	25,313	(25,313)
1 – 3 Months	90,620,167	151,034	(151,034)
3-12 Months	105,066,965	656,669	(656,669)
	256,437,396	833,015	(833,015)

Interest sensitivity analysis - 31 December 2011

Impact of 100 basis points changes in rates over a one year period (N'000)

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	14,637,921	6,099	(6,099)
1 – 3 Months	22,190,378	36,984	(36,984)
3- 12 Months	133,929,321	837,058	(837,058)
	170,757,621	880,141	(880,141)

Interest sensitivity analysis - 1 January 2011

Impact of 100 basis points changes in rates over a one year period (N'000)

Time Band	Size of Gap	100 basis points decline in rates	100 basis points increase in rates
< 1 Month	23,837,755	9,932	(9,932)
1 – 3 Months	11,480,782	19,135	(19,135)
3- 12 Months	64,743,988	404,650	(404,650)
	100,062,525	433,717	(433,717)

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The table below sets out information on the exposure to fixed and variable interest instruments.

GROUP

Exposure to fixed and variable interest rate risk

31 December 2012	FIXED	FLOATING	TOTAL
ASSETS	N'000	N'000	N'000
Cash and balances with Central Bank	10,000,000	-	10,000,000
Loans to banks	139,803,281	-	139,803,281
Loans and advances to customers	579,968,471	5,231,688	585,200,159
Financial assets held for trading	90,111,236	-	90,111,236
Investment securities:			-
– Available-for-sale	2,427,634	-	2,427,634
– Held-to-maturity	65,762,681	-	65,762,681
Assets pledged as collateral	79,302,531	-	79,302,531
TOTAL	967,375,834	5,231,688	972,607,522
LIABILITIES			
Deposits from banks	31,207,298	-	31,207,298
Deposits from customers	375,379,155	-	375,379,155
Derivative Liability	13,248,585	-	13,248,585
Borrowing	44,888,892	5,077,468	49,966,360
Long term debt		19,367,757	19,367,757
TOTAL	464,723,930	24,445,225	489,169,155
31 December 2011	FIXED	FLOATING	TOTAL
ASSETS	N'000	N'000	N'000
Cash and balances with Central Bank	-	-	-
Loans to banks	90,648,011	-	90,648,011
Loans and advances to customers	387,664,438	472,047	388,136,485
Financial assets held for trading	8,041,618	-	8,041,618
Investment securities:			-
– Available-for-sale	77,017,078	-	77,017,078
– Held-to-maturity	61,712,761	-	61,712,761
Assets pledged as collateral	34,940,000	-	34,940,000
TOTAL	660,023,906	472,047	660,495,953
LIABILITIES			
Deposits from banks	20,982,788	-	20,982,788
Deposits from customers	258,406,712	-	258,406,712
Borrowing	42,072,399	12,805,484	54,877,883
TOTAL	321,461,899	12,805,484	334,267,383
31 December 2010	FIXED	FLOATING	TOTAL
ASSETS	N'000	N'000	N'000
Cash and balances with Central Bank	-	-	-
Loans to banks	72,155,340	-	72,155,340
Loans and advances to customers	307,212,457	-	307,212,457
Financial assets held for trading	1,121,410	-	1,121,410
Investment securities:			-
– Available-for-sale	7,705,615	-	7,705,615
– Held-to-maturity	56,977,064	-	56,977,064
Assets pledged as collateral	37,820,000	-	37,820,000
TOTAL	482,991,887	-	482,991,887
LIABILITIES			
Deposits from banks	15,347,216	-	15,347,216
Deposits from customers	209,124,011	-	209,124,011
Borrowing	13,980,119	14,285,309	28,265,428
TOTAL	238,451,346	14,285,309	252,736,655

DIAMOND BANK PLC

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BANK

Exposure to fixed and variable interest rate risk

31 December 2012

ASSETS	FIXED N'000	FLOATING N'000	TOTAL N'000
Cash and balances with Central Bank	10,000,000	-	10,000,000
Loans to banks	113,384,200	-	113,384,200
Loans and advances to customers	518,142,920	5,231,688	523,374,608
Financial assets held for trading	90,111,236	-	90,111,236
Investment securities:	-	-	-
– Available-for-sale	2,427,634	-	2,427,634
– Held-to-maturity	64,751,769	-	64,751,769
Assets pledged as collateral	57,438,896	-	57,438,896

TOTAL

856,256,655 5,231,688 861,488,343

LIABILITIES

Deposits from banks	8,173,286	-	8,173,286
Deposits from customers	330,542,442	-	330,542,442
Derivative Liability	13,248,585	-	13,248,585
Borrowing	44,888,892	5,077,468	49,966,360
Long term debt	-	19,367,757	19,367,757

TOTAL

396,853,205 24,445,225 421,298,430

31 December 2011

ASSETS	FIXED N'000	FLOATING N'000	TOTAL N'000
Cash and balances with Central Bank	-	-	-
Loans to banks	72,098,846	-	72,098,846
Loans and advances to customers	343,925,284	472,047	344,397,331
Financial assets held for trading	8,041,618	-	8,041,618
Investment securities:	-	-	-
– Available-for-sale	67,811,748	-	67,811,748
– Held-to-maturity	52,253,105	-	52,253,105
Assets pledged as collateral	34,940,000	-	34,940,000

TOTAL

579,070,601 472,047 579,542,648

LIABILITIES

Deposits from banks	3,939,956	-	3,939,956
Deposits from customers	230,341,742	-	230,341,742
Borrowing	42,072,399	12,805,484	54,877,883

TOTAL

276,354,097 12,805,484 289,159,581

31 December 2010

ASSETS	FIXED N'000	FLOATING N'000	TOTAL N'000
Cash and balances with Central Bank	-	-	-
Loans to banks	61,620,185	-	61,620,185
Loans and advances to customers	299,534,692	-	299,534,692
Financial assets held for trading	1,109,080	-	1,109,080
Investment securities:	-	-	-
– Available-for-sale	7,245,289	-	7,245,289
– Held-to-maturity	43,978,424	-	43,978,424
Assets pledged as collateral	37,820,000	-	37,820,000

TOTAL

451,307,670 - 451,307,670

LIABILITIES

Deposits from banks	4,104,098	-	4,104,098
Deposits from customers	189,835,627	-	189,835,627
Borrowing	13,746,522	14,285,309	28,031,831

TOTAL

207,686,247 14,285,309 221,971,556

DIAMOND BANK PLC

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3.5.5 Price sensitivity analysis on bonds and treasury bills

The table below shows the impact of likely movement in yields on the value of bonds and treasury bills. This relates to the positions held for trade and available for sales. Since an increase in yields would lead to decline in market values of bonds and treasury bills, the analysis was carried out to show the likely impact of 50 and 100 basis points increase in market yields. The impact of held for trading investments is on the income statement while the impact of available for sale instruments is on the statement of other comprehensive income.

GROUP

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2012			
Held for trading	90,111,236	(144,017)	(289,789)
Available for sale investments	2,427,634	(24,369)	(50,734)
TOTAL	92,538,870	(168,386)	(340,522)

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2011			
Held for trading	8,041,618	(18,923)	(36,421)
Available for sale investments	67,811,749	(182,584)	(358,921)
TOTAL	75,853,367	(201,507)	(395,341)

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2010			
Held for trading	1,109,079	(16,207)	(33,234)
Available for sale investments	7,245,289	(68,098)	(139,251)
TOTAL	8,354,368	(84,305)	(172,485)

BANK

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2012			
Held for trading	90,111,236	(144,017)	(289,789)
Available for sale investments	2,427,634	(24,369)	(50,734)
TOTAL	92,538,870	(168,386)	(340,522)

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2011			
Held for trading	8,041,618	(18,923)	(36,421)
Available for sale investments	67,811,749	(182,584)	(358,921)
TOTAL	75,853,367	(201,507)	(395,341)

	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
31 December 2010			
Held for trading	1,109,079	(16,207)	(33,234)
Available for sale investments	7,245,289	(68,098)	(139,251)
TOTAL	8,354,368	(84,305)	(172,485)

DIAMOND BANK PLC

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(b) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs), This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading				
- Debt securities	90,111,236	-	-	90,111,236
Available for sale financial assets				
- Investment securities - debt	2,427,634	-	-	2,427,634
- Investment securities - listed	251,653	-	-	251,653
- Investment securities - unlisted		1,230,880	6,691,442	7,922,322
Assets pledged as collateral	79,302,531	-	-	79,302,531
Total assets	172,093,054	1,230,880	6,691,442	180,015,376
Financial liabilities				
Derivative liability	-	13,248,585	-	13,248,585
Total liabilities				

31 December 2011

Financial assets

Financial assets held for trading				
- Debt securities	8,041,618	-	-	8,041,618
Available for sale financial assets				
- Investment securities - debt	77,017,078	-	-	77,017,078
- Investment securities - listed	91,138	-	-	91,138
- Investment securities - unlisted	-	1,231,425	7,651,089	8,882,514
Assets pledged as collateral	34,940,000	-	-	34,940,000
Total assets	120,089,834	1,231,425	7,651,089	128,972,348

1 January 2011

Financial assets

Financial assets held for trading				
- Debt securities	1,121,410	-	-	1,121,410
- Listed equity	224,142	-	-	224,142
Available for sale financial assets				
- Investment securities - debt	7,705,615	-	-	7,705,615
- Investment securities - listed	605,904	-	-	605,904
- Investment securities - unlisted	-	3,692,787	7,887,053	11,579,840
Assets pledged as collateral	37,820,000	-	-	37,820,000
Total assets	47,477,071	3,692,787	7,887,053	59,056,911

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Bank				
31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading				
- Debt securities	90,111,236	-	-	90,111,236
Available for sale financial assets				
- Investment securities - debt	2,427,634	-	-	2,427,634
- Investment securities - listed	205,105	-	-	205,105
- Investment securities - unlisted	-	1,230,880	6,691,442	7,922,322
Assets pledged as collateral	57,438,896	-	-	57,438,896
Total assets	150,182,871	1,230,880	6,691,442	158,105,193
Financial liabilities				
Derivative liability	-	13,248,585	-	13,248,585
Total liabilities				
31 December 2011				
Financial assets				
Financial assets held for trading				
- Debt securities	8,041,618	-	-	8,041,618
Available for sale financial assets				
- Investment securities - debt	67,811,749	-	-	67,811,749
- Investment securities - listed	68,045	-	-	68,045
- Investment securities - unlisted	-	1,231,425	7,651,089	8,882,514
Assets pledged as collateral	34,940,000	-	-	34,940,000
Total assets	110,861,412	1,231,425	7,651,089	119,743,926
Financial liabilities				
Derivative liability	-	-	-	-
Total liabilities				
1 January 2011				
Financial assets				
Financial assets held for trading				
- Debt securities	1,121,410	-	-	1,121,410
- Equity securities	224,142	-	-	224,142
Available for sale financial assets				
- Investment securities - debt	7,245,289	-	-	7,245,289
- Investment securities - listed	112,134	-	-	112,134
- Investment securities - unlisted	-	-	3,738,383	3,738,383
Assets pledged as collateral	37,820,000	-	-	37,820,000
Total assets	46,522,975	-	3,738,383	50,261,358
Financial liabilities				
Derivative liability	-	-	-	-
Total liabilities				

DIAMOND BANK PLC

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**Reconciliation of Level 3 Investments
N'000**

GROUP

		Available for sale financial assets Investment securities equity	
	2012	2011	2010
At 1 January	7,651,090	7,887,053	7,779,876
Gain or loss in profit	-	-	(1,084,841)
Gain or loss in OCI	(959,647)	261,486	1,192,018
Disposals	-	(497,449)	-
At 31 December	6,691,443	7,651,090	7,887,053

BANK

		Available for sale financial assets Investment securities equity	
	2012	2011	2010
At 1 January	7,651,089	3,738,383	4,000,932
Gain or loss in profit	-	-	(1,084,841)
Gain or loss in OCI	(959,647)	261,485	822,292
Purchases	-	3,684,221	-
Disposals	-	(33,000)	-
At 31 December	6,691,442	7,651,089	3,738,383

The following table shows the sensitivity of level 3 measurements to reasonably possible alternative assumptions:

	Reflected in profit or loss		Reflected in equity	
	Favourable changes N '000	Unfavourable changes N '000	Favourable changes N '000	Unfavourable changes N '000
At 31 December 2012				
Available for sale	-	-	286,446	262,619

For available for sale investments which were fair valued using Discounted cashflow method, the effect of a change in input was assessed using a 5% upward and downward movement in the assumptions made on revenue growth. The effect is not considered to have a significant impact on the fair value reflected in equity as seen in the table above.

The above favourable and unfavourable changes are calculated independently from each other. Correlations and diversification effects are not taken into account.

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(c) Fair valuation methods and assumptions

	Methodology	Key assumptions
Trading securities Treasury bills/Bonds Government and government guaranteed bonds	For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. This includes quoted debt instruments on major exchanges (for example NSE) and broker quotes from the Nigerian Financial Markets Dealer Association. These are classified as Level 1 of the fair value hierarchy.	The prices quoted on the major exchanges are representative of an active market and represent actual and regularly occurring market transactions on an arm's length basis.
Investment securities	Investment securities classified as available for sale are measured at fair value using the following methods:	
Listed equity investments	For financial instruments traded in active markets, the determination of fair values is based on quoted market prices. This includes quoted debt instruments on major exchanges (for example NSE). These are classified as Level 1 of the fair value hierarchy.	The prices quoted on the major exchanges are representative of an active market and represent actual and regularly occurring market transactions on an arm's length basis.
Unlisted equity investments	Unlisted equity instruments are fair valued using: -Inputs obtained directly from prices of recent market transactions such as over the counter (OTC) prices. These investments are classified as Level 2 of the fair value hierarchy. - Inputs obtained using internal valuation techniques with unobservable data such as the dividend growth rate model, discounted cash flow model, adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) multiples of comparable companies. These investments are classified as Level 3 of the fair value hierarchy.	The prices obtained from over the counter transactions are representative of recent market transactions which are less active but are carried out on arm's length basis and whose prices have not been modified. The inputs obtained are not available in active markets and include risk free rates, liquidity discounts, credit premium and cash flow projections. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Other unlisted equity investments relate to Tinapa Resorts Limited and ATM consortium which have nil carrying amounts. These investments have been measured at cost less impairment because there is no available financial and operational information hence their fair values cannot be reliably measured. The instruments were fully impaired based on the evidence that there is no estimated future cash flow from these instruments and also because the cost of the investment in the equity instrument may not be recovered.

In 2011, some financial instruments whose fair value could not be reliably measured were derecognised. They had nil carrying amounts therefore there were no gains or losses upon derecognition.

Management has started putting plans in place to dispose of its equity investments in the near future.

DIAMOND BANK PLC

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3.7. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis. Auditors to the Group are also required to render an annual certificate to the Nigerian Deposit Insurance Corporation (NDIC) that includes the computed capital adequacy ratio of the Group.

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N25 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 15%. In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor, which may differ from country to country.

The Group's regulatory capital as managed by its Financial Control and Treasury Units is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: preference shares, non-controlling interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments – convertible bonds.

Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Group for the periods ended 1 January 2011, 31 December 2011 and 31 December 2012. During those three periods, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

Group	31 December 2012	31 December 2011	1 January 2011
Tier 1 capital			
Share capital	7,237,622	7,237,622	7,237,622
Share premium	89,629,324	89,629,324	89,629,324
Statutory reserves	14,898,751	11,394,523	11,214,864
Contingency reserve	-	-	354,741
SMEIS reserve	3,966,628	2,812,957	2,812,957
Retained earnings	(6,629,221)	(24,112,701)	(8,387,489)
Total qualifying Tier 1 capital	109,103,104	86,961,725	102,862,019
Tier 2 capital			
Minority interest	253,278	224,932	455,661
Fair value Reserve	(1,292,728)	(1,422,736)	1,686,305
Foreign currency translation reserve	792,068	217,094	306,694
General provision	11,810,238	5,687,247	3,432,885
Long Term Debt	19,367,757	-	-
Derivative Liability	13,248,585	-	-
Less: Deferred tax and Intangible Assets	(9,100,169)	(13,182,318)	(8,277,101)
Total qualifying Tier 2 capital	35,079,029	(8,475,781)	(2,395,556)
Total regulatory capital	144,182,133	78,485,944	100,466,463
Risk-weighted assets:			
On-balance sheet	696,795,075	483,949,858	401,294,862
Off-balance sheet	135,783,240	98,886,040	124,335,440
Total risk-weighted assets	832,578,315	582,835,899	525,630,303
Risk-weighted Capital Adequacy Ratio (CAR)	17.3%	13.5%	19.1%

DIAMOND BANK PLC

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Bank	31 December 2012	31 December 2011	1 January 2011
Tier 1 capital			
Share capital	7,237,622	7,237,622	7,237,622
Share premium	89,629,324	89,629,324	89,629,324
Statutory reserves	14,650,515	11,189,501	11,189,501
SMEIS reserve	3,966,628	2,812,957	2,812,957
Retained earnings	(6,851,491)	(25,310,234)	(270,693)
Total qualifying Tier 1 capital	108,632,598	85,559,170	110,598,711
Tier 2 capital			
Fair value Reserve	(1,316,183)	(1,422,736)	665,652
General provision	10,584,137	4,674,151	3,114,154
Long Term debt	19,367,757	-	-
Derivative Liability	13,248,585	-	-
Less: Investment in subsidiary, deferred tax and intangible assets	(17,061,759)	(21,026,635)	(25,759,262)
Total qualifying Tier 2 capital	24,822,537	(17,775,220)	(21,979,456)
Total regulatory capital	133,455,135	67,783,950	88,619,255
Risk-weighted assets:			
On-balance sheet	633,992,112	439,858,449	385,678,421
Off-balance sheet	128,145,775	89,264,985	124,335,440
Total risk-weighted assets	762,137,887	529,123,434	510,013,861
Risk-weighted Capital Adequacy Ratio (CAR)	17.5%	12.8%	17.4%

The decrease in the regulatory capital in 2011 is mainly due to the contribution of the current-period loss arising from significant provisions for loans losses.

The Group strategic risk management focus is to proactively identify, understand, promptly analyse and appropriately manage strategic risks that could affect the achievement of the Group's strategic intent. In the process the Group:

- Ensures that exposures reflect strategic goals that are not overly aggressive and are also compatible with developed business strategies.
- Avoids products, markets and business for which it cannot objectively measure and manage their associated risk; and
- Strives to maintain a balance between risk/opportunities and revenue consideration with the Group's risk appetite. Thus, risk-related issues are considered in all business decisions.

The Board of directors has the ultimate responsibility for establishing and approving the Group's strategy in an integrated manner that aligns strategies, goals, tactics and resources. The Board members participate in the Bank's Annual Strategy Session towards the review of the Strategic Plan. When approved, such plans are cascaded to the various business units/subsidiaries for creating business unit/subsidiary plans and budgets. It is the responsibilities of the Executive Management Committee to assist the board in developing and formulating strategies to meet the Group's strategic goals and objectives, and ensuring adequate implementation of the Group's strategic plan as approved by the board.

The Group Risk Management Committee is responsible for establishing a suitable reporting system which will ensure timely monitoring of strategic risk exposures, and undertaking measures for the elimination of any possible problems pertaining to internal and external factors. The strategic planning group has the primary responsibility for supporting the board and senior management in managing the Group's strategic risk and facilitating change in corporate strategic plan that contribute to the Group's organizational development and continuous improvement.

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.2 Financial instruments

Financial Instruments are categorised as follows:

Group

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
31 December 2012							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	132,196,061	-	-
Loans to banks	-	-	-	-	139,803,281	-	-
Loans and advances to customers	-	-	-	-	585,200,158	-	-
Financial assets held for trading	90,111,236	-	-	-	-	-	-
Investment securities	-	10,601,609	65,762,681	-	-	-	-
Assets pledged as collateral	26,277,305	475,607	52,549,620	-	-	-	-
Other assets	-	-	-	-	6,576,257	-	-
Total financial assets	116,388,541	11,077,216	118,312,301	-	863,775,757	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	31,207,298
Deposit from Customers	-	-	-	-	-	-	910,234,444
Derivative Liability	-	-	-	-	-	13,248,585	-
Borrowings	-	-	-	-	-	-	49,966,360
Other liabilities	-	-	-	-	-	-	25,794,788
Long Term Debt	-	-	-	-	-	-	19,367,757
Total financial liabilities	-	-	-	-	-	13,248,585	1,036,570,647

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
31 December 2011							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	55,784,079	-	-
Loans to banks	-	-	-	-	90,648,011	-	-
Loans and advances to customers	-	-	-	-	388,136,486	-	-
Financial assets held for trading	8,041,618	-	-	-	-	-	-
Investment securities	-	85,990,731	61,712,761	-	-	-	-
Assets pledged as collateral	-	2,200,000	32,740,000	-	-	-	-
Other assets	-	-	-	-	5,995,262	-	-
Total financial assets	8,041,618	88,190,731	94,452,761	-	540,563,838	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	20,982,788
Deposit from Customers	-	-	-	-	-	-	603,003,229
Borrowings	-	-	-	-	-	-	54,877,883
Other liabilities	-	-	-	-	-	-	21,460,730
Total financial liabilities	-	-	-	-	-	-	700,324,630

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
1 January 2011							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	27,606,200	-	-
Loans to banks	-	-	-	-	72,155,340	-	-
Loans and advances to customers	-	-	-	-	307,212,457	-	-
Financial assets held for trading	1,345,552	-	-	-	-	-	-
Investment securities	-	19,891,359	56,977,064	-	-	-	-
Assets pledged as collateral	-	5,050,000	32,770,000	-	-	-	-
Insurance receivables	-	-	-	-	705,659	-	-
Other assets	-	-	-	-	14,153,230	-	-
Total financial assets	1,345,552	24,941,359	89,747,064	-	421,832,886	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	15,347,216
Deposit from customers	-	-	-	-	-	-	412,992,754
Borrowings	-	-	-	-	-	-	28,265,428
Other liabilities	-	-	-	-	-	-	15,584,368
Total financial liabilities	-	-	-	-	-	-	472,189,766

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Bank

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
31 December 2012							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	123,224,590	-	-
Loans to banks	-	-	-	-	113,384,200	-	-
Loans and advances to customers	-	-	-	-	523,374,608	-	-
Financial assets held for trading	90,111,236	-	-	-	-	-	-
Investment securities	-	10,555,061	64,751,769	-	-	-	-
Assets pledged as collateral	26,277,305	475,607	30,685,985	-	-	-	-
Other assets	-	-	-	-	5,163,883	-	-
Total financial assets	116,388,541	11,030,668	95,437,754	-	765,147,281	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	8,173,286
Deposit from Customers	-	-	-	-	-	-	823,090,787
Borrowings	-	-	-	-	-	-	49,966,360
Derivative liability	-	-	-	-	-	13,248,585	-
Other liabilities	-	-	-	-	-	-	22,970,520
Long Term Debt	-	-	-	-	-	-	19,367,757
Total financial liabilities	-	-	-	-	-	13,248,585	923,568,710

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
31 December 2011							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	54,396,524	-	-
Loans to banks	-	-	-	-	72,098,846	-	-
Loans and advances to customers	-	-	-	-	344,397,331	-	-
Financial assets held for trading	8,041,618	-	-	-	-	-	-
Investment securities	-	76,762,309	52,253,105	-	-	-	-
Assets pledged as collateral	-	2,200,000	32,740,000	-	-	-	-
Other assets	-	-	-	-	4,217,338	-	-
Total financial assets	8,041,618	78,962,309	84,993,105	-	475,110,039	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	8,173,286
Deposit from Customers	-	-	-	-	-	-	823,090,787
Borrowings	-	-	-	-	-	-	49,966,360
Other liabilities	-	-	-	-	-	-	10,553,034
Total financial liabilities	-	-	-	-	-	-	891,783,467

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

	Financial assets				Financial liabilities		
	Held for trading	Available for sale	Held to maturity	FV through Profit or loss (designated)	Loans and receivables	FV through Profit or loss	Amortised cost
1 January 2011							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	17,871,129	-	-
Loans to banks	-	-	-	-	61,620,185	-	-
Loans and advances to customers	-	-	-	-	299,534,692	-	-
Financial assets held for trading	1,109,080	-	-	-	-	-	-
Investment securities	-	11,095,806	43,978,424	-	-	-	-
Assets pledged as collateral	-	5,050,000	32,770,000	-	-	-	-
Other assets	-	-	-	-	9,736,908	-	-
Total financial assets	1,109,080	16,145,806	76,748,424	-	388,762,914	-	-
Financial liabilities							
Deposits from banks	-	-	-	-	-	-	4,104,098
Deposit from customers	-	-	-	-	-	-	379,344,019
Borrowings	-	-	-	-	-	-	28,031,831
Other liabilities	-	-	-	-	-	-	15,589,411
Total financial liabilities	-	-	-	-	-	-	427,069,359

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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3.3.2 Credit quality

(a) Financial assets neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

Group

31-Dec-12	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	78,613,345	484,111,917	1,390,894	11,226,064	-	575,342,221
Total	78,613,345	484,111,917	1,390,894	11,226,064	-	575,342,221

Bank

31-Dec-12	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	69,698,842	435,123,969	-	11,042,071	-	515,864,883
Total	69,698,842	435,123,969	-	11,042,071	-	515,864,883

Group

31-Dec-11	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	65,377,175	305,113,397	1,288,493	9,307,166	-	381,086,232
Total	65,377,175	305,113,397	1,288,493	9,307,166	-	381,086,232

DIAMOND BANK PLC

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Bank

31-Dec-11	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	62,634,455	266,667,912	-	9,307,164	-	338,609,531
Total	62,634,455	266,667,912	-	9,307,164	-	338,609,531

Group

31-Dec-10	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	62,844,097	226,961,290	393,511	4,858,949	-	295,057,847
Total	62,844,097	226,961,290	393,511	4,858,949	-	295,057,847

Bank

31-Dec-10	Overdrafts	Term loans	CP	Finance lease	Other	Total
Grades: [Investment grade] (D1-D4)	67,543,421	218,709,319	393,511	4,858,949	-	291,505,200
Total	67,543,421	218,709,319	393,511	4,858,949	-	291,505,200

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.3.3 Credit concentrations

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 1 January 2011, 31 December 2011 and 31 December 2012. For this table, the Group has allocated exposures to regions based on the region of domicile of the counterparties.

Group

31 December 2012	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
In Nigeria:								
North East	-	-	-	-	-	-	2,402,201	2,402,201
North Central	-	-	-	-	-	-	25,467,215	25,467,215
North West	-	-	-	-	-	-	20,575,002	20,575,002
South East	-	-	-	-	-	-	51,872,449	51,872,449
South South	-	-	-	-	-	-	64,858,608	64,858,608
South West	123,224,590	90,111,236	67,179,403	57,438,896	5,178,864	29,289,045	358,199,133	730,621,167
Outside Nigeria	8,971,471.00	-	1,010,912	21,863,635	1,397,392	110,514,236	61,825,551	205,583,197
Total	132,196,061	90,111,236	68,190,315	79,302,531	6,576,256	139,803,281	585,200,159	1,101,379,839

Bank

31 December 2012

In Nigeria:

North East	-	-	-	-	-	-	2,402,201	2,402,201
North Central	-	-	-	-	-	-	25,467,215	25,467,215
North West	-	-	-	-	-	-	20,575,002	20,575,002
South East	-	-	-	-	-	-	51,872,449	51,872,449
South South	-	-	-	-	-	-	64,858,608	64,858,608
South West	123,224,590	90,111,236	67,179,403	57,438,896	5,163,883	29,289,045	358,199,133	730,606,186
Outside Nigeria	-	-	-	-	-	84,095,155	-	84,095,155
Total	123,224,590	90,111,236	67,179,403	57,438,896	5,163,883	113,384,200	523,374,608	979,876,816

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Group	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
31 December 2011								
In Nigeria:								
North East	-	-	-	-	-	-	2,871,934	2,871,934
North Central	-	-	-	-	-	-	27,349,920	27,349,920
North West	-	-	-	-	-	-	11,642,440	11,642,440
South East	-	-	-	-	-	-	44,806,035	44,806,035
South South	-	-	-	-	-	-	35,570,688	35,570,688
South West	54,396,524	8,041,618	120,064,854	34,940,000	5,648,897	25,163,928	222,156,314	470,412,134
Outside Nigeria	1,387,555	-	18,664,985	-	346,365	65,484,083	43,739,155	129,622,143
Total	55,784,079	8,041,618	138,729,839	34,940,000	5,995,262	90,648,011	388,136,485	722,275,294
Bank								
31 December 2011								
In Nigeria:								
North East	-	-	-	-	-	-	2,871,934	2,871,934
North Central	-	-	-	-	-	-	27,349,920	27,349,920
North West	-	-	-	-	-	-	11,642,440	11,642,440
South East	-	-	-	-	-	-	44,806,035	44,806,035
South South	-	-	-	-	-	-	35,570,688	35,570,688
South West	54,396,524	8,041,618	120,064,854	34,940,000	4,217,338	25,163,928	222,156,314	247,320,242
Outside Nigeria	-	-	-	-	-	46,934,918	0	46,934,918
Total	54,396,524	8,041,618	120,064,854	34,940,000	4,217,338	72,098,846	344,397,330	416,496,176

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

Group	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
1 January 2011								
In Nigeria:								
North East	-	-	-	-	-	-	2,091,119	2,091,119
North Central	-	-	-	-	-	-	22,294,301	22,294,301
North West	-	-	-	-	-	-	17,957,305	17,957,305
South East	-	-	-	-	-	-	23,490,495	23,490,495
South South	-	-	-	-	-	-	27,288,367	27,288,367
South West	18,268,338	1,345,552	51,736,254	37,820,000	13,227,383	47,713,473	206,413,105	254,126,578
Outside Nigeria	9,337,862	-	12,946,425	-	925,847	24,441,867	7,677,765	32,119,632
Total	27,606,200	1,345,552	64,682,679	37,820,000	14,153,230	72,155,340	307,212,457	379,367,797
Bank								
1 January 2011								
In Nigeria:								
North East	-	-	-	-	-	-	2,091,119	2,091,119
North Central	-	-	-	-	-	-	22,294,301	22,294,301
North West	-	-	-	-	-	-	17,957,305	17,957,305
South East	-	-	-	-	-	-	23,490,495	23,490,495
South South	-	-	-	-	-	-	27,288,367	27,288,367
South West	17,871,129	1,109,080	51,223,713	37,820,000	9,736,908	42,242,896	206,413,105	248,656,001
Outside Nigeria	-	-	-	-	-	19,377,289	-	19,377,289
Total	17,871,129	1,109,080	51,223,713	37,820,000	9,736,908	61,620,185	299,534,692	361,154,877

DIAMOND BANK PLC

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(b) Industry sectors

Group

31 December 2012	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
Agriculture	-	-	-	-	-	-	11,772,454	11,772,454
Capital markets	-	-	-	-	-	-	1,003,235	1,003,235
Communication	-	-	-	-	-	-	22,467,926	22,467,926
Consumer credit	-	-	-	-	-	-	19,075,598	19,075,598
Education	-	-	-	-	-	-	5,552,492	5,552,492
Finance and insurance	132,196,061	90,111,236	68,190,315	79,302,531	-	139,803,281	4,075,847	143,879,128
General commerce	-	-	-	-	-	-	118,881,615	118,881,615
Government	-	-	-	-	-	-	33,333,879	33,333,879
Manufacturing	-	-	-	-	-	-	76,958,601	76,958,601
Mining & Quarrying	-	-	-	-	-	-	39,686	39,686
Mortgage	-	-	-	-	-	-	9,891,742	9,891,742
Oil and gas	-	-	-	-	-	-	148,476,267	148,476,267
Other	-	-	-	-	6,576,256	-	38,608,455	38,608,455
Power	-	-	-	-	-	-	35,386,280	35,386,280
Real estate and construction	-	-	-	-	-	-	43,608,353	43,608,353
Transportation	-	-	-	-	-	-	16,067,729	16,067,729
Total	132,196,061	90,111,236	68,190,315	79,302,531	6,576,256	139,803,281	585,200,159	725,003,440

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

Bank

	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
31 December 2012								
Agriculture	-	-	-	-	-	-	10,269,749	10,269,749
Capital markets	-	-	-	-	-	-	1,003,235	1,003,235
Communication	-	-	-	-	-	-	19,244,232	19,244,232
Consumer credit	-	-	-	-	-	-	15,510,758	15,510,758
Education	-	-	-	-	-	-	5,552,492	5,552,492
Finance and insurance	123,224,590	90,111,236	67,179,403	57,438,896	-	113,384,200	2,443,894	115,828,094
General commerce	-	-	-	-	-	-	107,070,772	107,070,772
Government	-	-	-	-	-	-	26,982,286	26,982,286
Manufacturing	-	-	-	-	-	-	65,505,729	65,505,729
Mining & Quarrying	-	-	-	-	-	-	39,686	39,686
Mortgage	-	-	-	-	-	-	9,891,742	9,891,742
Oil and gas	-	-	-	-	-	-	143,474,503	143,474,503
Other	-	-	-	-	5,163,883	-	30,273,029	30,273,029
Power	-	-	-	-	-	-	35,386,280	35,386,280
Real estate and construction	-	-	-	-	-	-	43,589,361	43,589,361
Transportation	-	-	-	-	-	-	7,136,861	7,136,861
Total	123,224,590	90,111,236	67,179,403	57,438,896	5,163,883	113,384,200	523,374,608	636,758,808

Group

31 December 2011								
Agriculture	-	-	-	-	-	-	7,265,698	7,265,698
Capital markets	-	-	-	-	-	-	1,692,581	1,692,581
Communication	-	-	-	-	-	-	16,572,767	16,572,767
Consumer credit	-	-	-	-	-	-	25,376,294	25,376,294
Education	-	-	-	-	-	-	872,687	872,687
Finance and insurance	55,784,079	8,041,618	138,729,839	34,940,000	-	90,648,011	3,589,816	94,237,827
General commerce	-	-	-	-	-	-	101,857,993	101,857,993
Government	-	-	-	-	-	-	18,966,279	18,966,279
Manufacturing	-	-	-	-	-	-	44,585,496	44,585,496
Mining & Quarrying	-	-	-	-	-	-	24,496	24,496
Mortgage	-	-	-	-	-	-	11,107,361	11,107,361
Oil and gas	-	-	-	-	-	-	64,206,218	64,206,218
Other	-	-	-	-	5,995,262	-	23,175,116	23,175,116
Power	-	-	-	-	-	-	23,901,386	23,901,386
Real estate and construction	-	-	-	-	-	-	30,809,700	30,809,700
Transportation	-	-	-	-	-	-	14,132,596	14,132,596
Total	55,784,079	8,041,618	138,729,839	34,940,000	5,995,262	90,648,011	388,136,485	478,784,496

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

Bank	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
31 December 2011								
Agriculture	-	-	-	-	-	-	5,781,448	5,781,448
Capital markets	-	-	-	-	-	-	1,692,581	1,692,581
Communication	-	-	-	-	-	-	16,572,767	16,572,767
Consumer credit	-	-	-	-	-	-	21,735,455	21,735,455
Education	-	-	-	-	-	-	872,687	872,687
Finance and insurance	54,396,524	8,041,618	120,064,854	34,940,000	-	72,098,846	2,119,735	74,218,581
General commerce	-	-	-	-	-	-	83,518,106	83,518,106
Government	-	-	-	-	-	-	17,727,677	17,727,677
Manufacturing	-	-	-	-	-	-	42,824,248	42,824,248
Mining & Quarrying	-	-	-	-	-	-	24,496	24,496
Mortgage	-	-	-	-	-	-	11,107,361	11,107,361
Oil and gas	-	-	-	-	-	-	64,186,303	64,186,303
Other	-	-	-	-	4,217,338	-	16,243,582	16,243,582
Power	-	-	-	-	-	-	23,901,386	23,901,386
Real estate and construction	-	-	-	-	-	-	30,383,828	30,383,828
Transportation	-	-	-	-	-	-	5,705,668	5,705,668
Total	54,396,524	8,041,618	120,064,854	34,940,000	4,217,338	72,098,846	344,397,330	416,496,176
Group								
1 January 2011								
Agriculture	-	-	-	-	-	-	4,686,736	4,686,736
Capital markets	-	-	-	-	-	-	7,438,089	7,438,089
Communication	-	-	-	-	-	-	18,637,322	18,637,322
Consumer credit	-	-	-	-	-	-	21,671,410	21,671,410
Education	-	-	-	-	-	-	1,166,894	1,166,894
Finance and insurance	27,606,200	1,345,552	64,682,679	37,820,000	-	72,155,340	4,675,385	76,830,725
General commerce	-	-	-	-	-	-	62,108,286	62,108,286
Government	-	-	-	-	-	-	49,119	49,119
Manufacturing	-	-	-	-	-	-	47,047,317	47,047,317
Mining & Quarrying	-	-	-	-	-	-	14,882	14,882
Mortgage	-	-	-	-	-	-	3,259,425	3,259,425
Oil and gas	-	-	-	-	-	-	48,332,581	48,332,581
Other	-	-	-	-	14,153,230	-	19,584,329	19,584,329
Power	-	-	-	-	-	-	28,366,236	28,366,236
Real estate and construction	-	-	-	-	-	-	35,646,001	35,646,001
Transportation	-	-	-	-	-	-	4,528,446	4,528,446
Total	27,606,200	1,345,552	64,682,679	37,820,000	14,153,230	72,155,340	307,212,457	379,367,797

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

Bank								
1 January 2011	Cash and balances with Central Bank	Financial assets held for trading	Investment securities	Assets pledged as collateral	Other assets	Loans & Advances to Banks	Loans & Advances to Customers	Total
Agriculture	-	-	-	-	-	-	4,581,700	4,581,700
Capital markets	-	-	-	-	-	-	7,259,378	7,259,378
Communication	-	-	-	-	-	-	18,200,025	18,200,025
Consumer credit	-	-	-	-	-	-	21,177,214	21,177,214
Education	-	-	-	-	-	-	1,141,487	1,141,487
Finance and insurance	17,871,129	1,109,080	51,223,713	37,820,000	-	61,620,185	4,573,490	66,193,675
General commerce	-	-	-	-	-	-	60,498,520	60,498,520
Government	-	-	-	-	-	-	48,034	48,034
Manufacturing	-	-	-	-	-	-	45,884,748	45,884,748
Mining & Quarrying	-	-	-	-	-	-	14,558	14,558
Mortgage	-	-	-	-	-	-	3,188,457	3,188,457
Oil and gas	-	-	-	-	-	-	46,909,635	46,909,635
Other	-	-	-	-	9,736,908	-	19,099,263	19,099,263
Power	-	-	-	-	-	-	27,748,615	27,748,615
Real estate and construction	-	-	-	-	-	-	34,864,419	34,864,419
Transportation	-	-	-	-	-	-	4,345,150	4,345,150
Total	17,871,129	1,109,080	51,223,713	37,820,000	9,736,908	61,620,185	299,534,692	361,154,877

DIAMOND BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.4.2 Maturity analysis

The table below analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table includes both principal and interest cash flows.

Group

31 December 2012	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with central banks	132,196,061	-	-	-	-	-	132,196,061
Loans to banks	132,733,972	5,973,820	1,095,489	-	-	-	139,803,281
Loans and advances to customers	79,751,510	121,116,251	22,444,535	60,771,308	220,310,821	106,325,877	610,720,303
Financial assets held for trading	17,902,394	40,711,061	27,919,479	4,250,000	-	1,850,000	92,632,934
Investments securities	1,903,870	163,553	-	13,268,899	48,306,909	27,891,272	91,534,502
Assets pledged as collateral	-	24,541,750	11,874,500	5,714,272	25,470,668	12,377,742	79,978,932
Other assets	6,576,257	-	-	-	-	-	6,576,257
Total financial assets	371,064,064	192,506,435	63,334,003	84,004,479	294,088,398	148,444,891	1,153,442,271
Financial liabilities							
Deposit from Banks	29,118,198	2,089,100	-	-	-	-	31,207,298
Deposit from Customers	282,001,580	234,160,179	10,470,507	13,915,522	34,406,633	335,280,022	910,234,444
Borrowings	184,076	-	5,521,298	702,960	11,198,953	32,359,073	49,966,360
Other liabilities	34,451,808	-	-	-	-	-	34,451,808
Long Term Debt	-	-	25,288	-	-	26,741,809	26,767,097
Total financial liabilities	345,755,662	236,249,279	16,017,093	14,618,483	45,605,586	394,380,905	1,052,627,007
Off balance-sheet							
Performance bonds and financial guarantees	5,073,191	19,869,856	22,327,876	31,171,007	14,590,095	184,800	93,216,826
Unconfirmed and unfunded Letters of Credit	3,399,621	24,272,923	14,392,963	33,362,578	24,575,617	-	100,003,702
Capital commitments	453,411	328,957	1,142,928	410,492	66,440	-	2,402,228
Total	8,926,223	44,471,736	37,863,767	64,944,077	39,232,152	184,800	195,622,756
Total	354,681,885	280,721,016	53,880,861	79,562,560	84,837,737	394,565,705	1,248,249,763

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

31 December 2011	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with CBN	55,784,079	-	-	-	-	-	55,784,079
Loans to banks	88,783,452	18,186	645,742	-	1,200,631	-	90,648,011
Loans and advances to customers	71,929,467	84,279,139	34,953,880	49,178,968	115,739,378	64,376,014	420,456,845
Financial assets held for trading	-	3,238,114	3,589,633	250,000	540,377	1,100,000	8,718,125
Investments Securities	11,197,928	11,452,553	48,520,137	20,034,247	65,550,847	26,072,700	182,828,412
Assets pledged as collateral	-	-	6,270,000	16,470,000	9,650,000	2,550,000	34,940,000
Other assets	5,995,262	-	-	-	-	-	5,995,262
Total financial assets	233,690,188	98,987,992	93,979,392	85,933,216	192,681,232	94,098,714	799,370,733
Financial liabilities							
Deposits from banks	19,268,798	-	210,490	-	1,503,500	-	20,982,788
Deposits from customers	237,433,193	109,881,634	14,986,443	8,519,612	108,729,862	123,452,485	603,003,229
Borrowings	6,120,000	-	2,736,003	3,960,000	-	42,061,880	54,877,883
Other liabilities	23,668,590	-	-	-	-	-	23,668,590
Total financial liabilities	286,490,581	109,881,634	17,932,936	12,479,612	110,233,362	165,514,365	702,532,490
Off balance-sheet							
Performance bonds and financial guarantees	1,631,624	9,916,120	17,718,825	19,208,097	10,359,862	24,664,133	83,498,661
Contingent letters of credit	631,603	4,382,049	6,654,128	28,380,111	15,601,169	-	55,649,059
Capital commitments	129,392	80,870	113,218	-	-	-	323,480
Total	2,392,619	14,379,039	24,486,171	47,588,207	25,961,031	24,664,133	139,471,200

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

1 January 2011	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with CBN	27,606,200	-	-	-	-	-	27,606,200
Loans to banks	70,460,669	503,305	-	1,191,366	-	-	72,155,340
Loans and advances to customers	64,786,367	58,404,117	29,086,338	34,111,910	106,015,761	55,850,049	348,254,542
Financial assets held for trading					950,000	424,142	1,374,142
Investment securities	1,371,649	7,233,333	9,532,521	18,422,787	26,434,337	18,511,869	81,506,496
Asset pledged as collateral	4,750,000	5,150,000	10,250,000	3,250,000	5,020,000	9,400,000	37,820,000
Other assets	14,153,230						14,153,230
Total financial assets	183,128,115	71,290,754	48,868,858	56,976,064	138,420,098	84,186,060	582,869,949
Financial liabilities							
Deposit from Banks	15,347,216	-	-	-	-	-	15,347,216
Deposit from Customers	213,289,511	50,497,740	16,084,352	31,760,731	101,136,523	223,897	412,992,754
Borrowings	4,620,960	3,750,917	5,158,351	6,688,937	8,046,263	-	28,265,428
Other liabilities	25,800,887						25,800,887
Total financial liabilities	259,058,574	54,248,657	21,242,703	38,449,668	109,182,786	223,897	482,406,285
Off-balance sheet							
Performance bonds and financial guarantees	1,610,128	12,238,160	20,820,989	19,400,711	18,267,343	696,854	73,034,185
Contingent letters of credit	10,646,746	22,155,576	10,928,063	6,877,947	6,727,566	-	57,335,898
	12,256,874	34,393,736	31,749,052	26,278,658	24,994,909	696,854	130,370,083
Total	271,315,448	88,642,393	52,991,755	64,728,326	134,177,695	920,751	612,776,368

DIAMOND BANK PLC

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**(All amounts in thousands of Nigeria Naira unless otherwise stated)
Bank**

31 December 2012	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with central banks	123,224,590	-	-	-	-	-	123,224,590
Loans to banks	106,314,891	5,973,820	1,095,489	-	-	-	113,384,200
Loans and advances to customers	82,021,665	106,736,228	17,953,983	51,718,109	182,627,050	106,088,922	547,145,956
Financial assets held for trading	17,902,394	40,711,061	27,919,479	4,250,000	-	1,850,000	92,632,934
Investments securities	1,903,870	163,553	-	13,268,899	47,396,409	27,711,654	90,444,385
Assets pledged as collateral	-	24,390,000	9,750,000	800,000	14,800,000	8,052,867	57,792,867
Other assets	5,163,883	-	-	-	-	-	5,163,883
Total financial assets	336,531,292	177,974,662	56,718,950	70,037,008	244,823,459	143,703,443	1,029,788,814
Financial liabilities							
Deposit from Banks	6,084,186	2,089,100	-	-	-	-	8,173,286
Deposit from Customers	268,704,960	214,626,992	4,068,454	6,076,033	18,035,130	311,579,219	823,090,788
Borrowings	184,076	-	5,521,298	702,960	11,198,953	32,359,073	49,966,360
Other liabilities	27,828,789	-	-	-	-	-	27,828,789
Long Term Debt	-	-	25,288	-	-	26,741,809	26,767,097
Total financial liabilities	302,802,011	216,716,092	9,615,040	6,778,993	29,234,082	370,680,102	935,826,321
Off-balance sheet							
Performance bonds and financial guarantees	3,488,295	18,724,223	20,327,239	30,131,294	14,589,284	184,976	87,445,311
Contingent letters of credit	1,223,038	23,235,001	14,126,604	33,101,912	24,585,247	-	96,271,802
Capital commitments	-	-	-	-	-	-	2,402,228
Total	4,711,333	41,959,224	34,453,843	63,233,206	39,174,531	184,976	186,119,341
Total	307,513,345	258,675,316	44,068,883	70,012,199	68,408,613	370,865,078	1,121,945,662

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

31 December 2011	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with CBN	54,396,524	-	-	-	-	-	54,396,524
Loans to banks	71,453,104	-	645,742	-	-	-	72,098,846
Loans and advances to customers	61,345,958	69,526,220	19,773,025	54,386,991	107,415,621	65,320,381	377,768,196
Financial assets held for trading	- 652,862	3,890,976	3,589,633	250,000	540,377	1,100,000	8,718,125
Investments Securities	10,054,473	10,283,097	43,565,595	17,988,488	58,857,246	23,373,482	164,122,381
Assets pledged as collateral	-	1,750,000	4,520,000	8,750,000	17,370,000	2,550,000	34,940,000
Other assets	4,217,338	-	-	-	-	-	4,217,338
Total financial assets	200,814,536	85,450,294	72,093,995	81,375,479	184,183,244	92,343,863	716,261,410
Financial liabilities							
Deposits from banks	3,939,956	-	-	-	-	-	3,939,956
Deposits from customers	197,261,014	119,572,002	2,917,318	5,135,454	109,856,755	110,418,603	545,161,145
Borrowings	6,114,978	-	2,733,757	3,956,750	7,913	42,064,485	54,877,883
Other liabilities	19,129,194	-	-	-	-	-	19,129,194
Total financial liabilities	226,445,142	119,572,002	5,651,075	9,092,204	109,864,668	152,483,088	623,108,178
Off-balance sheet							
Performance bonds and financial guarantees	4,544,294	17,798,357	20,000,121	27,921,326	13,069,029	165,534	83,498,661
Contingent letters of credit	1,891,787	13,507,153	8,009,252	18,565,273	13,675,593	-	55,649,058
Total	6,436,081	31,305,510	28,009,373	46,486,599	26,744,622	165,534	139,147,719
Total	232,881,223	150,877,512	33,660,447	55,578,803	136,609,289	152,648,622	762,255,897

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

1 January 2011	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial assets							
Cash and balances with CBN	17,871,129	-	-	-	-	-	17,871,129
Loans to banks	61,620,185	-	-	-	-	-	61,620,185
Loans and advances to customers	58,845,935	48,643,100	28,375,242	27,049,989	86,838,401	98,947,625	348,700,292
Financial assets held for trading					950,000	424,142	1,374,142
Investment securities	965,800	5,093,105	6,712,000	12,971,779	18,612,839	13,034,503	57,390,026
Asset pledged as collateral	4,750,000	5,150,000	9,000,000	4,500,000	11,870,000	2,550,000	37,820,000
Other assets	9,736,908						9,736,908
Total financial assets	153,789,957	58,886,205	44,087,242	44,521,768	118,271,240	114,956,269	534,512,682
Financial liabilities							
Deposit from Banks	4,104,098	-	-	-	-	-	4,104,098
Deposit from Customers	183,876,464	49,693,070	15,168,345	29,008,981	44,725,147	56,872,012	379,344,019
Borrowings	4,595,691	3,717,868	5,112,901	6,630,002	7,975,369	-	28,031,831
Other liabilities	16,335,259						16,335,259
Total financial liabilities	208,911,512	53,410,938	20,281,246	35,638,982	52,700,516	56,872,012	427,815,207
Off-balance sheet							
Performance bonds and financial guarantees	1,610,128	12,238,160	20,820,989	19,400,711	18,267,343	696,854	73,034,185
Contingent letters of credit	10,646,746	22,155,576	10,928,063	6,877,947	6,727,566	-	57,335,898
Capital commitments	319,377	159,688	239,533	79,844	-	-	798,442
Total	12,576,251	34,553,425	31,988,585	26,358,502	24,994,909	696,854	131,168,525
	221,487,763	87,964,363	52,269,831	61,997,485	77,695,425	57,568,866	558,983,732

DIAMOND BANK PLC

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3.5.3 Foreign exchange risk

Structural FX exposures arise because of balance sheet mismatches between foreign currency assets and foreign currency liabilities. These are mainly foreign currency loans and deposits, balances with foreign banks, customers' FX transactions, and borrowings in foreign currencies. FX trading exposures are discretionary (intentional) and typically short term FX exposures resulting from Treasury trades to profit from currency movements. They contribute to the Bank's overall trading risk and are managed under the trading risk management framework.

The group structural foreign currency exposure is managed by the group ALCO. The primary objectives of the Banks foreign exchange risk management are to protect the Bank's capital base and earnings from fluctuations caused by currency rates movements in excess of approved limits, and to ensure that our open position limit is managed within existing regulatory guidelines. This is done by setting exposure limits, gap analysis, sensitivity and what-if analysis and value at risk.

The following shows the Group and the Bank's structural foreign currency exposures for the period.

Group

	31 December 2012					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	119,086,051	2,870,447	463,988	925,497	8,850,078	132,196,061
Loans to banks	22,004,191	84,937,497	1,041,260	23,369,165	8,451,168	139,803,281
Loans and advances to customers	519,778,132	112,955	6	2,053,019	63,256,047	585,200,159
Financial assets held for trading	90,111,236	-	-	-	-	90,111,236
Investment securities	73,797,377	-	-	-	2,566,913	76,364,290
Assets pledged as collateral	58,633,859	-	-	-	20,668,672	79,302,531
Other assets	6,379,601	196,495	161	-	-	6,576,257
Total	889,790,446	88,117,394	1,505,415	26,347,681	103,792,878	1,109,553,815
Financial liabilities						
Deposits from banks	27,143,058	132,336	1,684	2,897,781	1,032,439	31,207,298
Deposit from Customers	660,362,438	154,392,676	2,125,631	12,165,304	81,188,395	910,234,444
Derivative Liability		13,248,585				13,248,585
Borrowings	27,000,613	5,132,652	80	6	17,833,009	49,966,360
Other liabilities	10,167,556	11,991,624	86,373	3,501,506	47,729	25,794,788
Long Term Debt	-	19,367,757	-	-	-	19,367,757
Total	724,673,665	204,265,631	2,213,768	18,564,596	100,101,572	1,049,819,232

DIAMOND BANK PLC

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	31 December 2011					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	45,623,877	951,983	170,862	199,991	8,837,366	55,784,079
Loans to banks	31,373,150	36,611,099	2,095,381	12,282,738	8,285,643	90,648,011
Loans and advances to customers	346,342,616	517	6	-	41,793,345	388,136,485
Financial assets held for trading	8,041,618	-	-	-	-	8,041,618
Investment securities	146,572,495	-	-	-	1,130,997	147,703,492
Assets pledged as collateral	17,397,988	-	-	-	17,542,012	34,940,000
Other assets	5,811,582	183,520	161	-	-	5,995,262
Total	601,163,326	37,747,119	2,266,410	12,482,729	77,589,362	731,248,947
Financial liabilities						
Deposit from Customers	470,970,270	63,680,815	1,613,332	6,810,645	59,928,167	603,003,229
Deposits from banks	17,319,154	350,662	2,592	775,555	2,534,825	20,982,788
Borrowings	24,672,729	12,805,484	-	-	17,399,670	54,877,883
Other liabilities	6,064,457	9,849,817	558,490	3,533,232	3,662,593	23,668,590
Total	519,026,610	86,686,779	2,174,414	11,119,432	83,525,255	702,532,490

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

	1 January 2011					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	16,216,922	1,172,864	219,466	217,547	9,779,400	27,606,200
Loans to banks	46,135,699	15,761,101	2,460,302	3,350,748	4,447,490	72,155,340
Loans and advances to customers	278,355,940.40	492	-	-	28,856,024	307,212,457
Financial assets held for trading	1,345,552	-	-	-	-	1,345,552
Investment securities	76,842,892	-	-	-	25,531	76,868,423
Assets pledged as collateral	24,010,738	-	-	-	13,809,262	37,820,000
Other assets	14,153,230	-	-	-	-	14,153,230
Total	457,060,974	16,934,458	2,679,768	3,568,295	56,917,708	537,161,202

Financial liabilities						
Deposit from Customers	14,889,696	249,456	4,341	92,666	111,056	15,347,216
Deposits from banks	334,763,441	31,067,789	1,239,145	1,183,051	44,739,328	412,992,754
Borrowings	2,177,600	14,285,309	-	-	11,802,518	28,265,428
Other liabilities	11,351,230	9,621,984	1,411,810	1,278,540	103,213	23,766,777
Total	363,181,967	55,224,538	2,655,297	2,554,257	56,756,115	480,372,175

	31 December 2012					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	119,086,055	2,861,523	463,969	812,043	1,000	123,224,590
Loans to banks	21,838,716	84,676,539	1,040,332	5,729,562	99,052	113,384,200
Loans and advances to customers	521,208,628	112,955	6	2,053,019	-	523,374,608
Financial assets held for trading	90,111,236	-	-	-	-	90,111,236
Investment securities	75,306,830	-	-	-	-	75,306,830
Assets pledged as collateral	57,438,896	-	-	-	-	57,438,896
Other assets	4,967,227	196,495	161	-	-	5,163,883
Total	889,957,588	87,847,512	1,504,467	8,594,623	100,052	988,004,243

Financial liabilities						
Deposits from banks	8,027,295	132,336	1,684	11,971	-	8,173,286
Deposit from Customers	664,694,026	154,201,509	2,125,630	2,068,934	688	823,090,788
Derivative Liability	13,248,585	-	-	-	-	13,248,585
Borrowings	44,833,622	5,132,652	80	6	-	49,966,360
Other liabilities	12,201,557	11,991,624	86,373	3,501,506	47,729	27,828,789
Long Term Debt	-	19,367,757	-	-	-	19,367,757

Total	743,005,085	190,825,879	2,213,767	5,582,416	48,417	941,675,565
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DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

	31 December 2011					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	53,117,382	920,839	170,676	187,243	385	54,396,524
Loans to banks	24,049,976	36,017,793	2,090,948	9,759,577	180,552	72,098,846
Loans and advances to customers	344,396,807	517	6	-	-	344,397,331
Financial assets held for trading	8,041,618					8,041,618
Investment securities	129,015,414					129,015,414
Assets pledged as collateral	34,940,000					34,940,000
Other assets	4,033,658	183,520	161	-	-	4,217,338
Total	597,594,855	37,122,668	2,261,791	9,946,820	180,936	647,107,071
Financial liabilities						
Deposit from Customers	3,859,644	50,659	2,592	27,061	-	3,939,956
Deposits from banks	473,919,543	63,286,020	1,613,332	6,342,095	155	545,161,145
Borrowings	42,072,399	12,805,484	-	-	-	54,877,883
Other liabilities	13,658,140	9,849,817	558,490	3,533,232	229,110	27,828,789
Total	533,509,725	85,991,980	2,174,414	9,902,388	229,265	631,807,773
	1 January 2011					
	Naira '000	Dollar '000	GBP '000	Euro'000	Others'000	Total '000
Financial assets						
Cash and balances with Central Bank	16,324,294	1,168,160	218,675	159,587	413	17,871,129
Loans to banks	41,132,175	15,692,242	2,450,263	2,326,449	19,055	61,620,185
Loans and advances to customers	299,534,200	492	-	-	-	299,534,692
Financial assets held for trading	1,109,080					1,109,080
Investment securities	55,074,230					55,074,230
Assets pledged as collateral	37,820,000					37,820,000
Other assets	9,736,908	-	-	-	-	9,736,908
Total	460,730,887	16,860,895	2,668,938	2,486,036	19,468	482,766,224
Financial liabilities						
Deposit from Customers	3,997,678	102,027	4,341	52	-	4,104,098
Deposits from banks	346,526,524	30,395,206	1,239,145	1,182,950	194	379,344,019
Borrowings	13,746,522	14,285,309	-	-	-	28,031,831
Other liabilities	3,919,712	9,621,984	1,411,810	1,278,540	103,213	16,335,259
Total	368,190,435	54,404,527	2,655,297	2,461,541	103,406	427,815,207

DIAMOND BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.5.4 Interest rate risk

The tables below summarise the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts (non-derivatives), categorised by the earlier of contractual repricing.

Group

31 December 2012	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank	10,000,000					122,196,061	132,196,061
Loans to banks	132,733,912	5,973,871	1,095,498				139,803,281
Loans and advances to customers	87,409,115	111,916,293	90,373,896	188,542,305	106,958,551		585,200,159
Financial assets held for trading	17,420,335	39,599,924	31,291,470	-	1,799,508	-	90,111,236
Investment securities:							-
– Available-for-sale	-	-	-	2,343,922	83,712	8,173,975	10,601,609
– Loans and receivables							-
– Held-to-maturity	5,188,891.27	114,312	9,274,048	41,837,194	9,348,235	-	65,762,681
Assets pledged as collateral		24,487,280	17,549,734	25,414,137	11,851,380		79,302,531
Other assets						6,576,257	6,576,257
Total	252,752,253	182,091,680	149,584,646	258,137,558	130,041,384	136,946,293	1,109,553,815
Financial liabilities							
Deposits from banks	29,118,198	2,089,100					31,207,298
Deposits from customers	147,891,314	100,398,286	24,208,455	34,156,090	68,725,010	534,855,289	910,234,444
Derivative Liability					13,248,585		13,248,585
Borrowing	184,076	0	6,224,258	11,198,953	32,359,073		49,966,360
Other liabilities	-	-	-	-	-	34,451,808	34,451,808
Long term debt					19,367,757		19,367,757
Total	177,193,588	102,487,386	30,432,713	45,355,043	133,700,425	569,307,097	1,058,476,252
Total interest repricing gap	75,558,665	79,604,294	119,151,933	212,782,516	(3,659,041)	(432,360,804)	51,077,563

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

31 December 2011	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank						55,784,079	55,784,079
Loans to banks	88,783,452	18,186	645,742	1200631.407			90,648,011
Loans and advances to customers	66,400,276	77,800,633	77,665,588	106,842,535	59,427,453		388,136,485
Financial assets held for trading	-	602,201	3,589,045	498,445	1,014,642		8,041,618
Investment securities:							-
– Available-for-sale		10,277,425	63,167,671	3,057,287	514,695	8,973,653	85,990,731
– Held-to-maturity	144,727	1,482,800	9,740,047	42,744,481	7,600,706	-	61,712,761
Assets pledged as collateral			22,740,000	9,650,000	2,550,000		34,940,000
Other assets						5,995,262	5,995,262
Total	154,726,254	93,168,089	177,500,734	163,993,380	71,107,497	14,968,915	731,248,947
Financial liabilities							
Deposits from banks	19,268,798	-	210,490	-	1,503,500		20,982,788
Deposits from customers	115,336,024	63,501,133	9,033,926	70,262,072	273,556	344,596,517	603,003,229
Borrowings	6,114,978	0	6,690,507	7,913	42,064,485	-	54,877,883
Other liabilities	-	-	-	-	-	23,668,590	23,668,590
Total	140,719,800	63,501,133	15,934,923	70,269,985	43,841,541	368,265,107	702,532,490
Total interest repricing gap	14,006,454	29,666,956	161,565,811	93,723,394	27,265,956	(353,296,192)	28,716,457

DIAMOND BANK PLC

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1 January 2011	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank						27,606,200	27,606,200
Loans to banks	70,460,669	503,305	-	1,191,366			72,155,340
Loans and advances to customers	57,151,240	51,521,144	55,750,282	93,521,716	492,680,745		307,212,457
Financial assets held for trading	-	-	-	926,383	195,028	224,142	1,345,552
Investment securities:							-
– Available-for-sale				5,154,962	2,550,653	12,185,744	19,891,359
– Held-to-maturity	4,069,850	7,293,450	23,628,015	16,984,771	5,000,978	-	56,977,064
Assets pledged as collateral	4,750,000	5,150,000	13,500,000	5,020,000	9,400,000		37,820,000
Other assets						14,153,230	14,153,230
Total	136,431,759	64,467,899	92,878,298	122,799,198	66,414,733	54,169,316	537,161,202
Financial liabilities							
Deposits from banks	15,347,216						15,347,216
Deposits from customers	98,175,413	50,585,510	11,076,739	49,286,349	-	203,868,743	412,992,754
Borrowings	4,620,960	3,750,917	11,847,288	8,046,263			28,265,428
Other liabilities	-	-	-	-	-	23,766,777	23,766,777
Total	118,143,589	54,336,427	22,924,027	57,332,612	-	227,635,520	480,372,175
Total interest repricing gap	18,288,170	10,131,472	69,954,270	65,466,586	66,414,733	(173,466,204)	56,789,027

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in thousands of Nigeria Naira unless otherwise stated)

Bank

31 December 2012	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank	10,000,000					113,224,590	123,224,590
Loans to banks	106,314,891	5,973,820	1,095,489				113,384,200
Loans and advances to customers	78,458,145	102,098,957	66,645,112	174,692,620	101,479,774		523,374,608
Financial assets held for trading	17,420,335	39,599,924	31,291,470	-	1,799,508		90,111,236
Investment securities:							0
– Available-for-sale				1,938,172	489,462	8,127,427	10,555,061
– Held-to-maturity	393,029	12,285,855	11,918,257	29,720,167	10,434,461		64,751,769
Assets pledged as collateral		24,240,616	10,485,383	14,709,353	8,003,545		57,438,896
Other assets						5,163,883	5,163,883
Total	212,586,400	184,199,172	121,435,710	221,060,312	122,206,749	126,515,900	988,004,243
Financial liabilities							
Deposits from banks	6,084,186	2,089,100					8,173,286
Deposits from customers	145,567,874	91,489,905	10,144,487	18,035,130	65,305,046	492,548,346	823,090,788
Derivative Liability					13,248,585		13,248,585
Borrowings	184,076	-	6,224,258	11,198,953	32,359,073		49,966,360
Other liabilities	-	-	-	-	-	27,828,789	27,828,789
Long term debt					19,367,757		19,367,757
Total	151,836,136	93,579,005	16,368,745	29,234,082	110,912,704	520,377,135	941,675,565
Total interest repricing gap	60,750,264	90,620,167	105,066,965	191,826,229	11,294,045	(393,861,235)	46,328,678

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

31 December 2011	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank						54,396,524	54,396,524
Loans to banks	71,453,104	-	645,742				72,098,846
Loans and advances to customers	55,926,847	63,384,491	67,608,952	97,926,860	59,550,182		344,397,331
Financial assets held for trading	-	3,355,764	3,283,199	462,066	940,589		8,041,618
Investment securities:							-
– Available-for-sale	-	9,049,034	55,617,667	2,691,870	453,177	8,950,561	76,762,309
– Held-to-maturity	122,543	1,255,508	8,247,041	36,192,383	6,435,630		52,253,105
Assets pledged as collateral		1,750,000	13,270,000	17,370,000	2,550,000		34,940,000
Other assets						4,217,338	4,217,338
Total	127,502,494	78,794,797	148,672,600	154,643,179	69,929,578	67,564,423	647,107,071
Financial liabilities							
Deposits from banks	3,939,956						3,939,956
Deposits from customers	102,809,639	56,604,418	8,052,772	62,631,067	243,846	314,819,403	545,161,145
Borrowings	6,114,978	-	6,690,507	7,913	42,064,485		54,877,883
Other liabilities	-	-	-	-	-	27,828,789	27,828,789
Total	112,864,573	56,604,418	14,743,279	62,638,980	42,308,331	342,648,192	631,807,773
Total interest repricing gap	14,637,921	22,190,378	133,929,321	92,004,199	27,621,247	(275,083,769)	15,299,298

DIAMOND BANK PLC

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1 January 2011	Up to 1 month N'000	1-3 months N'000	3-12 months N'000	1-5 years N'000	Over 5 years N'000	Non- interest bearing N'000	Total N'000
Financial assets							
Cash and balances with Central Bank						17,871,129	17,871,129
Loans to banks	61,620,185	-	-	-	-	-	61,620,185
Loans and advances to customers	50,548,851	41,784,582	47,610,455	74,594,471	84,996,333		299,534,692
Financial assets held for trading				916,197	192,883		1,109,080
Investment securities:							-
– Available-for-sale				4,847,010	2,398,279	3,850,517	11,095,806
– Held-to-maturity	4,738,792	8,492,239	24,493,144	3,852,244	2,402,005	-	43,978,424
Assets pledged as collateral	4,750,000	5,150,000	13,500,000	11,870,000	2,550,000		37,820,000
Other assets						9,736,908	9,736,908
Total	121,657,828	55,426,822	85,603,599	96,079,921	92,539,501	31,458,554	482,766,224
Financial liabilities							
Deposits from banks	4,104,098	-	-	-	-	-	4,104,098
Deposits from customers	89,120,283	40,228,172	15,746,710	44,740,462	-	189,508,392	379,344,019
Borrowings	4,595,691	3,717,868	5,112,901	6,630,002	7,975,369		28,031,831
Other liabilities	-	-	-	-	-	16,335,259	16,335,259
Total	97,820,072	43,946,040	20,859,611	51,370,464	7,975,369	205,843,651	427,815,207
Total interest repricing gap	23,837,755	11,480,782	64,743,988	44,709,457	84,564,132	(174,385,097)	54,951,017

DIAMOND BANK PLC
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FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.6 Fair value of financial assets and liabilities
(a) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

Group

	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and balances with Central banks	132,196,061	132,196,061	55,784,079	55,784,079	27,606,200	27,606,200
- Cash	16,380,761	16,380,761	11,878,439	11,878,439	9,433,800	9,433,800
- Balances with central banks other than mandatory reserve deposits	42,463,968	42,463,968	11,525,939	11,525,939	14,795,632	14,795,632
- Mandatory reserve deposits with central banks	73,351,332	73,351,332	32,379,701	32,379,701	3,376,768	3,376,768
Loans to banks	139,803,281	139,803,281	90,648,011	90,648,011	72,155,340	72,155,340
- Current balances with banks within Nigeria	-	-	-	-	18,647	18,647
- Current balances with banks outside Nigeria	103,242,076	103,242,076	57,816,233	57,816,233	24,441,867	24,441,867
- Placements with banks and discount houses	36,561,205	36,561,205	32,831,778	32,831,778	47,694,826	47,694,826
Loans and advances to customers	585,200,158	578,073,442	388,136,485	332,435,825	307,212,457	267,612,679
- Overdrafts	99,836,276	103,527,951	74,482,979	67,141,536	51,651,416	62,323,748
- Term loans	467,780,931	457,190,845	300,903,001	254,231,611	245,089,400	196,129,273
- Staff loans	4,665,811	4,594,137	3,934,452	3,350,946	5,838,058	5,078,053
- Commercial papers	1,390,894	1,390,894	1,273,031	1,273,031	393,511	393,511
- Advances under finance lease	11,526,247	11,369,615	7,543,021	6,438,701	4,240,072	3,688,094
Asset pledged as collateral	52,549,620	49,504,819	32,740,000	28,071,180	32,770,000	30,394,364
Other assets	6,576,257	6,576,257	5,995,262	5,995,262	14,153,230	14,153,230
Investment securities	65,762,681	73,265,592	61,712,761	48,988,032	43,978,424	54,597,190
- Held to maturity	65,762,681	73,265,592	61,712,761	48,988,032	43,978,424	54,597,190
Insurance receivables	-	-	-	-	705,659	705,659
Total financial assets	982,088,058	979,419,452	635,016,597	561,922,389	498,581,310	467,224,662
Financial liabilities						
Deposits from banks	31,207,298	31,207,298	20,982,788	20,982,788	15,347,216	15,347,216
- Items in the course of collection	7,207,067	7,207,067	4,468,893	4,468,893	14,158,684	14,158,684
- Interbank takings within Nigeria	24,000,231	24,000,231	16,513,895	16,513,895	1,188,532	1,188,532
Deposits from customers	910,234,444	910,234,444	603,003,229	603,003,229	412,992,754	412,992,754
- Current	534,855,289	534,855,289	344,596,517	344,596,517	203,868,743	203,868,743
- Savings	153,755,865	153,755,865	125,002,987	125,002,987	97,692,352	97,692,352
- Term	221,623,290	221,623,290	133,403,725	133,403,725	111,431,659	111,431,659
Other liabilities	25,794,788	25,794,788	21,460,730	21,460,730	15,584,368	15,584,368
Long term debt	19,367,757	19,353,778	-	-	-	-
Borrowings	49,966,360	49,966,360	54,877,883	54,877,883	28,265,428	28,265,428
Total financial liabilities	1,036,570,647	1,036,556,668	700,324,630	700,324,630	472,189,766	472,189,766
Off-balance sheet financial instruments	193,684,399	193,684,399	139,147,719	139,147,719	155,424,498	155,424,498
Performance bonds and guarantees	93,680,697	93,680,697	83,498,661	83,498,661	129,809,177	129,809,177
Unconfirmed and unfunded Letters of Credit	100,003,702	100,003,702	55,649,058	55,649,058	25,615,321	25,615,321

DIAMOND BANK PLC

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Bank

	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and balances with Central banks	123,224,590	123,224,590	54,396,524	54,396,524	17,871,129	27,606,200
- Cash	13,671,268	13,671,268	10,490,884	10,490,884	6,528,485	6,528,485
- Balances with central banks other than mandatory reserve deposits	39,435,175	39,435,175	11,525,939	11,525,939	7,965,876	7,965,876
- Mandatory reserve deposits with central banks	70,118,147	70,118,147	32,379,701	32,379,701	3,376,768	3,376,768
Loans to banks	113,384,200	113,384,200	72,098,846	72,098,846	61,620,185	61,620,185
- Current balances with banks within Nigeria	-	-	-	-	0	0
- Current balances with banks outside Nigeria	84,095,155	84,095,155	46,934,918	46,934,918	19,377,289	19,377,289
- Placements with banks and discount houses	29,289,045	29,289,045	25,163,928	25,163,928	42,242,896	42,242,896
Loans and advances to customers	523,374,608	516,109,378	344,397,330	335,700,748	299,534,692	294,859,429
- Overdrafts	88,835,313	91,823,145	68,969,257	71,399,957	51,830,044	70,708,861
- Term loans	418,823,005	408,795,008	263,950,602	253,119,972	237,233,006	214,229,740
- Staff loans	4,370,624	4,303,049	3,934,452	3,828,273	5,838,058	5,746,936
- Commercial papers	-	-	-	-	393,511	-
- Advances under finance lease	11,345,665	11,188,176	7,543,019	7,352,546	4,240,072	4,173,892
Asset pledged as collateral	30,685,985	27,641,184	32,740,000	28,071,180	32,770,000	30,394,364
Other assets	5,163,883	5,163,883	4,217,338	4,217,338	9,736,908	9,736,908
Investment securities	64,751,769	72,254,679	61,712,761	59,288,116	56,977,064	55,612,833
- Held to maturity	64,751,769	72,254,679	52,253,105	48,979,437	43,978,424	41,598,549
Total financial assets	855,421,152	852,614,031	626,223,201	619,139,678	493,284,057	489,524,506
Financial liabilities						
Deposits from banks	8,173,286	8,173,286	3,939,956	3,939,956	4,104,098	4,104,098
- Items in the course of collection	6,077,279	6,077,279	3,939,956	3,939,956	2,916,163	2,916,163
- Interbank takings within Nigeria	2,096,007	2,096,007	-	-	1,187,935	1,187,935
Deposits from customers	823,090,787	823,090,787	545,161,145	545,161,145	379,344,019	379,344,019
- Current	492,548,344	492,548,344	314,819,403	314,819,403	189,508,392	189,508,392
- Savings	144,587,642	144,587,642	112,406,671	112,406,671	98,271,357	98,271,357
- Term	185,954,801	185,954,801	117,935,071	117,935,071	91,564,270	91,564,270
Other liabilities	22,970,520	22,970,520	10,553,034	10,553,034	15,589,411	15,589,411
Long term debt	19,367,757	19,353,778	-	-	-	-
Borrowings	49,966,360	49,966,360	54,877,883	54,877,883	28,031,831	28,031,831
Total financial liabilities	923,568,710	923,554,731	614,532,018	614,532,018	427,069,359	427,069,359
Off-balance sheet financial instruments	184,180,984	184,180,984	130,370,083	130,370,083	155,424,498	155,424,498
Performance bonds and guarantees	87,909,182	87,909,182	73,034,185	73,034,185	129,809,177	129,809,177
Unconfirmed and unfunded Letters of Credit	96,271,802	96,271,802	57,335,898	57,335,898	25,615,321	25,615,321

DIAMOND BANK PLC

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(All amounts in thousands of Nigeria Naira unless otherwise stated)

3.6 Fair value of financial assets and liabilities (cont'd)

(i) Cash and balances with CBN include cash and restricted and non - restricted deposits with Central Bank of Nigeria.

The carrying amount of balances with other banks is a reasonable approximation of fair value which is the amount receivable on demand.

(ii) Loans to banks

Loans to banks include balances with other banks within and outside Nigeria and short term placements.

The carrying amount of balances with other banks is a reasonable approximation of fair value which is the amount receivable on demand.

The estimated fair value of fixed interest bearing placement is based on discounted cash flows using prevailing money-market interest rates for the debts. The carrying amount represents the fair value which is receivable on maturity.

(iii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the market value of the loans, arrived at by recalculating the carrying amount of the loans using the estimated market rate for the various loan types

(iv) Deposits from banks and customers

The estimated fair value of deposits, with no stated maturity, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Carrying amounts of all other financial liabilities are reasonable approximation of their fair values which are payable on demand.

(vi) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

DIAMOND BANK PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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4. Critical accounting judgements in applying the Bank's accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger. The trigger may include observable data indicating that the borrower is unable to fulfil the repayment obligations as per contractual terms e.g significant financial difficulty being experienced by the borrower, occurrence of default/delays in interest or principal repayments, restructuring of the credit facilities by giving extraordinary concessions to borrower or national or local economic conditions that correlate with defaults on assets in the Bank. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Had there been no expected cashflows from all the significant impaired loans, there would have been an additional impairment of N3.7b in the 2012 financial statements relating to this. In addition, if the PDs and LGDs of the different buckets into which the loans have been classified into increased by 2%, there would have been an additional impairment charge of N3.1 billion and if the PDs and LGDs decreased by 2%, there would have been a write back of impairment of N2.7 billion.

(b) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement relating to the period over which the losses occur. Significant losses occurring in three or more consecutive years is considered significant. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would have recognised an additional N1,98b loss in its 2012 financial statements.

(c) Fair value of financial instruments

Fair values are subject to a control framework that aims to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, ultimate responsibility for the determination of fair values lies within the Market Risk function, which reports functionally to the CRO. Financial Control establishes the accounting policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards. Fair value activities/processes are carried out by Market Risk Management. The revaluation process are carried out independent of Treasury or other risk-takers in the front office. The pricing factors used for revaluation are also obtained from a source which is independently verifiable. Market Risk Management revalue all exposures categorized under the trading and available for sale portfolio. The revaluation gain or loss are communicated to management at every ALCO meeting

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. See also note 3.6c.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. For example, to the extent that the directors used a tightening of 100 basis points in the credit spread, the fair values of financial assets held for trading will be estimated at N90,086,683 as against the fair value of N90,111,236 reported as at 31 December 2012

(d) Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would decrease by N1.76bn with a corresponding entry in the fair value reserve in shareholders' equity.

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5 Interest and Similar Income

Group

	31 December 2012	31 December 2011
Loans to banks	8,487,160	4,914,522
Loans and advances to customers	88,197,538	69,303,566
Investment securities	15,667,257	9,142,374
	112,351,955	83,360,462

Bank

	31 December 2012	31 December 2011
Loans to banks	8,219,025	4,768,242
Loans and advances	82,899,107	67,300,708
Investment securities	14,393,455	7,819,581
	105,511,587	79,888,531

Interest income loans and advances to customers includes interest income on impaired financial assets, recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss amounting to N4.7 billion (Dec 2011: N10.2 billion)

Interest income earned outside Nigeria amounted to Group: N7.0 billion Bank: N41.8 million (Dec 2011 Group: N7.3. billion Bank: N49.1 million).

6 Interest expense

Group

	31 December 2012	31 December 2011
Deposits from banks	1,205,908	670,525
Deposits from customers	20,533,702	10,877,192
Borrowings	614,228	954,824
Long term debt	676,595	-
	23,030,433	12,502,541

Bank

	31 December 2012	31 December 2011
Deposits from banks	531,036	120,963
Deposits from customers	18,888,870	9,609,730
Borrowings	614,228	954,824
Long term debt	676,595	-
	20,710,729	10,685,517

7 Impairment charge for credit losses

Group

	31 December 2012	31 December 2011
Loans and advances to customers (refer to note 21)		
Increase in collective impairment	7,991,581	38,355,656
Increase in specific impairment	10,346,793	1,043,639
Amounts written off in the year as uncollectible	219,667	18,117,198
Income received on claims previously written off	(1,552,893)	(1,414,013)
Reversal of impairment	-	(735,904)
Advances under finance leases (refer to note 21.2)		
Increase in impairment	23,142	42,115
	17,028,290	55,408,691

Bank

	31 December 2012	31 December 2011
Loans and advances to customers (refer to note 21)		
Increase in collective impairment	5,886,844	48,859,567
Increase in specific impairment	10,367,515	1,231,705
Amounts written off in the year as uncollectible	219,667	4,177,005
Income received on loans previously written off	(1,552,893)	(1,414,013)
Reversal of impairment	-	-
Advances under finance leases (refer to note 21.2)		
Increase in impairment	23,142	94,767
	14,944,275	52,949,031

The The high impairment charge in 2011 was due to the sale of non-performing loans (NPLs) to the Asset Management Company of Nigeria (AMCON) at significant discounts to book values (carrying amounts). As part of the overall clean up strategy by the Central Bank of Nigeria (CBN), a company called AMCON was established to buy up all bad assets (non-performing loans) in the books of banks. The purchases by AMCON was based on the value of underlying collaterals of the loans. Where a loan collateral is not perfected, such a loan will be bought at 5% of the book value or carrying amount. The balance of 95% will be provided for by the Bank.

DIAMOND BANK PLC

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8 Net fee and commission income

Group

	31 December 2012	31 December 2011
Commission on turnover	4,869,693	3,960,910
Letter of credit commission	2,471,324	1,359,660
Service fees & charges	14,189,030	7,521,231
Collection & agency charges	231,264	245,125
Bonds and guarantees issuance fees	743,357	403,402
Funds transfer commission	1,332,151	840,877
Corporate finance fees	276,432	17,313
Others	2,383,463	5,013,027
Fee and commission income	26,496,714	19,361,545
Fee and commission expense	(1,311,710)	(350,228)
Net fee and commission income	25,185,004	19,011,317

Bank

	31 December 2012	31 December 2011
Commission on turnover	4,826,753	3,966,417
Letter of credit commission	2,291,331	1,253,722
Service fees & charges	14,189,030	10,719,356
Collection & agency charges	102,068	74,962
Bonds, guarantees issuance fees	743,357	403,402
Funds transfer commission	637,663	436,808
Corporate finance fees	480,889	-
Others	2,383,463	1,419,897
Fee and commission income	25,654,554	18,274,564
Fee and commission expense	(1,311,710)	(348,223)
Net fee and commission income	24,342,844	17,926,341

Trust and fiduciary fees relates to fees earned by the Bank and Group on trust and fiduciary activities where the Bank and Group hold or invest assets on behalf of its customers. Of this, N129.2m in Dec 2012 (N107.2m : Dec 2011) relates to fees earned from holding Pension Fund Assets.

9

Net gains from financial instruments held for trading

Group

	31 December 2012	31 December 2011
Equity securities	-	505,778
Debt securities	1,025,151	727,128
	1,025,151	1,232,906

Bank

	31 December 2012	31 December 2011
Equity securities	-	439,591
Debt securities	1,025,151	727,128
	1,025,151	1,166,719

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10

Net losses on available for sale investment securities

Group

	31 December 2012	31 December 2011
Fair value movement on disposed AFS investment securities	(996,493)	-
Fair value loss on AFS investment securities	-	(514,766)
	<u>(996,493)</u>	<u>(514,766)</u>

Bank

	31 December 2012	31 December 2011
Fair value movement on disposed AFS investment securities	(996,312)	-
Fair value loss on AFS investment securities	-	(513,539)
	<u>(996,312)</u>	<u>(513,539)</u>

11 Foreign exchange income

Group

	31 December 2012	31 December 2011
Revaluation gain/loss	2,371,175	1,688,829
Other foreign exchange income	698,308	331,445
	<u>3,069,483</u>	<u>2,020,274</u>

Bank

	31 December 2012	31 December 2011
Revaluation gain/loss	2,371,175	1,688,829
Other foreign exchange income	403,409	317,857
	<u>2,774,584</u>	<u>2,006,686</u>

12 Dividend income

Group

	31 December 2012	31 December 2011
Dividend income	<u>281,253</u>	<u>508,704</u>

Bank

	31 December 2012	31 December 2011
Dividend income	<u>281,253</u>	<u>51,462</u>

Dividend income represents income earned from holding unquoted securities.

13 Other income

Group

	31 December 2012	31 December 2011
Recoveries	630,760	81,146
Others	245,682	587,760
	<u>876,442</u>	<u>668,906</u>

Bank

	31 December 2012	31 December 2011
Recoveries	455,347	81,146
Others	103,357	35,835
	<u>558,704</u>	<u>116,981</u>

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14 Employee benefit expenses

Group	31 December 2012	31 December 2011
Wages and salaries	19,951,324	15,194,715
Pension costs:		
- Defined contribution plans	762,163	236,024
Productivity expense	3,442,548	696,958
Other benefits costs	1,807,165	602,945
	<u>25,963,200</u>	<u>16,730,642</u>
Bank		
	31 December 2012	31 December 2011
Wages and salaries	18,544,500	14,165,618
Pension costs:		
- Defined contribution plans	428,671	232,175
Productivity expense	3,427,035	692,218
Other benefits costs	1,813,224	2,603,086
	<u>24,213,430</u>	<u>17,693,097</u>

15 Other operating expenses

Group	31 December 2012	31 December 2011
Financial charges	2,159,805	1,147,279
Operation write-off	386,643	2,801,060
Outsourcing expenses	3,108,787	1,071,097
Product promotion	42,895	1,156,618
AMCON Resolution Fund	4,749,203	1,645,208
NDIC Premium	2,966,604	2,005,662
Donations and subscriptions	270,574	739,450
Net restructuring expense (note 14b)	-	305,330
General and administrative expenses (note 14a)	20,332,183	24,674,638
Others	8,568,050	4,195,149
Total	42,584,744	39,741,491
Bank		
	31 December 2012	31 December 2011
Financial charges	2,157,077	1,035,668
Operation write-off	386,643	2,801,060
Outsourcing expenses	3,102,842	1,071,097
Product promotion	42,895	884,383
AMCON Resolution Fund	4,749,203	1,645,208
NDIC Premium	2,966,604	2,005,662
Donations and subscriptions	270,574	739,450
Net restructuring expense (note 14b)	-	305,330
General and administrative expenses (note 14a)	17,402,536	20,239,395
Others	8,470,760	4,138,481
Total	39,549,134	34,865,734

15a General and administrative expenses

Group	31 December 2012	31 December 2011
Business travels	2,709,789	777,897
Communication	383,412	410,265
Computer/network maintenance	835,139	1,667,845
Contractor compensation	1,683,047	4,017,038
Marketing & business communication	2,271,629	1,863,318
Repairs & maintenance	1,458,511	1,228,090
Security	1,065,354	3,213,172
Transport	986,436	747,259
Power	1,348,463	1,310,178
Rent on property under lease	960,898	1,151,119
Depreciation	4,513,960	4,684,571
Amortisation	426,212	431,376
Others	1,689,333	3,172,510
	<u>20,332,183</u>	<u>24,674,638</u>

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Operating lease rentals:

The Group usually pays lease rentals in advance and amortizes the cost over the tenor of the lease. The unexpired portion of the prepaid lease rentals are reported in the statement of Financial Position as other assets - prepayments. At 31 December 2012 N1.3 billion (December 2011 N2.0 billion) was unamortized lease rentals

	31 December 2012	31 December 2011	1 January 2011
Within one year	334,157	138,485	114,672
Between two and five years	573,310	1,306,925	1,809,479
More than five years	2,274,905	2,452,968	2,247,299
	3,182,372	3,898,378	4,171,450

Bank

	31 December 2012	31 December 2011
Business travels	840,822	777,897
Communication	381,821	410,265
Computer/network maintenance	834,872	1,667,845
Contractor compensation	1,671,449	4,017,038
Marketing & business communication	2,266,077	2,063,318
Repairs & maintenance	1,455,742	1,228,090
Security	1,061,811	951,497
Transport	984,195	747,259
Power	1,343,207	1,310,178
Rent on property under lease	952,098	1,151,119
Depreciation	4,032,358	4,093,627
Amortisation	357,622	325,044
Others	1,220,462	1,496,218
	17,402,536	20,239,395

Operating lease rentals:

The Bank usually pays lease rentals in advance and amortizes the cost over the tenor of the lease. The unexpired portion of the prepaid lease rentals are reported in the statement of Financial Position as other assets - prepayments. At 31 December 2012 N1.3 billion (December 2011 N2.0 billion) was unamortized lease rentals

	31 December 2012	31 December 2011	1 January 2011
Within one year	215,467	55,886	99,865
Between two and five years	459,032	1,210,608	1,786,039
More than five years	613,041	740,202	820,243
	1,287,540	2,006,696	2,706,147

15b Net restructuring expense

This represents the net restructuring expense from the absorption of the operations of non banking subsidiaries. In year 2011, Diamond Mortgage Limited (DML) and Diamond Capital Markets Limited (DCL) were wound up during the period and their operations were transferred to the Bank.

Group and Bank

	DML 31 Dec 2011	DCL 31 Dec 2011	Total 31 Dec 2011
Redundancy payments	(155,000)	(132,330)	(287,330)
Consultancy	-	(43,000)	(43,000)
Proceeds from license sold	-	25,000	25,000
Total	(155,000)	(150,330)	(305,330)

16 Taxation
Group

	31 December 2012	31 December 2011
Corporate tax	744,904	693,904
Education tax	530,134	4,832
Capital gains tax	532	-
Over provision in prior years	-	(40,514)
Current income tax - current period	1,275,570	658,222
Origination and reversal of temporary deferred tax differences	4,097,888	(4,682,166)
Income tax expense	5,373,458	(4,023,944)

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The movement in the current income tax liability is as follows:

At start of the period	1,346,904	1,995,250
Tax paid	(649,934)	(1,106,844)
Liabilities on Subsidiaries Disposed	-	(199,724)
Income tax charge	1,275,570	658,222
At 31 December	1,972,540	1,346,904
Current	1,972,008	1,346,904
Non-current	532	-
	1,972,540	1,346,904

Reconciliation of effective tax rate

	31 December 2012	31 December 2011
Profit before income tax	27,481,541	(17,964,929)
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	8,244,462	(5,389,479)
Capital gains tax	532	-
Education tax levy	530,134	-
Minimum tax	684,786	552,662
Prior year provision	952,880	6,893,090
Disallowed permanent differences	598,549	108,903
Exempted permanent differences	(5,637,887)	(6,148,606)
Over provision in prior year		(40,514)
Total income tax expense in income statement	5,373,456	(4,023,944)

Bank

	31 December 2012	31 December 2011
Corporate tax	684,786	552,662
Education tax	525,113	-
Capital gains tax	532	-
Current income tax - current period	1,210,431	552,662
Origination and reversal of temporary deferred tax differences	4,081,107	(4,816,617)
Income tax expense	5,291,538	(4,263,955)

The movement in the current income tax liability is as follows:

	31 December 2012	31 December 2011	1 January 2011
At start of the period	1,249,616	1,649,557	3,360,544
Tax paid	(581,167)	(952,603)	(2,727,611)
Liabilities on Subsidiaries Disposed	-	-	-
Income tax charge	1,210,431	552,662	1,016,624
At 31 December	1,878,880	1,249,616	1,649,557
Current	1,878,348	1,249,616	1,649,557
Non-current	532	-	-
	1,878,880	1,249,616	1,649,557

Reconciliation of effective tax rate

	31 December 2012	31 December 2011
Profit before income tax	28,364,965	(27,132,209)
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	8,509,490	(8,122,105)
Capital gains tax	532	-
Education tax levy	525,113	-
Minimum tax	684,786	552,662
Prior year provision	1,070,664	9,355,847
Disallowed permanent differences	219,974	-
Exempted permanent differences	(5,719,021)	(6,050,359)
Total income tax expense in income statement	5,291,538	(4,263,955)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

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17 Discontinued operations
Group
17a (Loss)/ profit from discontinued operations

In line with the Central Bank of Nigeria's directive on disposal of non banking subsidiaries in year 2011, the Bank disposed its equity investment in its non banking subsidiaries: ADIC Insurance Limited (ADIC), Diamond Registrars Limited (DRL) and Diamond Securities Limited (DSL).

Group

	ADIC	DRL	DSL	Total
	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011
Revenues	311,338	118,226	24,689	454,253
Expenses	(434,950)	(31,432)	(41,752)	(508,134)
(Loss)/ profit before tax of discontinued operations	(123,612)	86,794	(17,063)	(53,881)
Tax	(57,053)	-	-	(57,053)
(Loss)/ profit from discontinued operations after tax	(180,665)	86,794	(17,063)	(110,934)

17b Gain/ (loss) on the disposal of non banking subsidiaries investment

	ADIC	DRL	DSL	Total
	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011
Group				
Proceeds on disposal	6,750,000	90,000	110,000	6,950,000
Incidental expenses	(162,780)	(1,000)	(23,000)	(186,780)
Net proceeds on disposal	6,587,220	89,000	87,000	6,763,220
Group's share of net assets as at date of disposal	(6,138,156)	(28,933)	(267,999)	(6,435,088)
Gain/(loss) on disposal	449,064	60,067	(180,999)	328,132
Profit from discontinued operations				217,198

The aggregate book values of the net assets for the three subsidiaries disposed at the respective dates of disposal were as follows:

	ADIC	DRL	DSL	Total
	Jun 2011	Jun 2011	Jun 2011	Jun 2011
Cash	106,234	-	-	106,234
Due from banks	-	1,992,243	247,594	2,239,837
Dealing securities	-	-	69,463	69,463
Loans and advances	-	-	11,455	11,455
Long term investment	6,542,422	-	2,080	6,544,502
Deferred tax asset	335,405	3,393	1,059,199	1,397,997
Other assets	698,411	148,049	499,550	1,346,010
Property plant and equipment	746,872	11,886	3,654	762,412
Premium receivable	175,649	-	-	175,649
Deferred acquisition cost	125,802	-	-	125,802
Statutory deposit	500,000	-	-	500,000
Total assets	9,230,795	2,155,571	1,892,995	13,279,361
Due to customers	-	-	547,274	547,274
Current income tax	182,857	7,043	9,824	199,724
Other liabilities	400,839	2,118,529	1,067,286	3,586,654
Retirement benefits	-	1,066	612	1,678
Deposit administered funds	3,066	-	-	3,066
Outstanding claims	12,099	-	-	12,099
Insurance funds	2,247,996	-	-	2,247,996
Total liabilities	2,846,857	2,126,638	1,624,996	6,598,491
Net asset	6,383,938	28,933	267,999	6,680,870
Group's share of net assets	6,138,156	28,933	267,999	6,435,088

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Analysis of proceeds on sale of non banking subsidiaries

Cash consideration received	6,750,000	90,000	110,000	6,950,000
Cash paid to sell	(162,780)	(1,000)	(23,000)	(186,780)
Net proceeds on disposal (Bank)	6,587,220	89,000	87,000	6,763,220
Cash & cash equivalent disposed	(106,234)	(1,992,243)	(247,594)	(2,346,071)
Net sales proceeds on disposal (Group)	6,480,986	(1,903,243)	(160,594)	4,417,149

Bank

	ADIC Jun 2011	DRL Jun 2011	DSL Jun 2011	Total Jun 2011
Loss on disposal of subsidiaries				
Proceeds on disposal	6,750,000	90,000	110,000	6,950,000
Incidental expenses	(162,780)	(1,000)	(23,000)	(186,780)
Net proceeds on disposal	6,587,220	89,000	87,000	6,763,220
Cost of investments	(6,307,959)	(50,000)	(3,378,000)	(9,735,959)
Profit/(loss) on disposal	279,261	39,000	(3,291,000)	(2,972,739)

Write down/losses on restructuring of subsidiaries

	DML	DCL	Total
Total loss on absorption	(2,432,236)	(6,177,036)	(8,609,272)
Loss on disposal and absorption of Subsidiaries			(11,582,011)

Cashflows attributable to discontinued operations

Net cash flow from Operating activities	213,978	(429,885)	(480,781)	(696,688)
Net cash flow from Investing activities	255,969	(2,522)	1,281	254,728
Net cash flow from Financing activities	1,000,000	-	418,478	1,418,478
Net cashflow inflow/outflow	1,469,947	(432,407)	(61,022)	976,518

18 Earnings per share
a. Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

Group

	31 December 2012	31 December 2011
Profit attributable to equity holders of the Company	22,141,378	(13,137,498)
From continuing operations	22,141,378	(13,361,652)
From discontinued operations	-	224,154
Weighted average number of ordinary shares in issue (in million)	14,475,243	14,475,243
Basic earnings per share (expressed in Kobo per share)	152.96	(90.76)
From continuing operations	152.96	(92.31)
From discontinued operations	-	1.55

Bank

	31 December 2012	31 December 2011
Profit for the period	23,073,427	(22,868,254)
Weighted average number of ordinary shares in issue (in million)	14,475,243	14,475,243
Basic earnings per share (expressed in Kobo per share)	159.40	(157.98)

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares excluding treasury shares.

The effect of the conversion of the convertible borrowings to shares has been assessed and it has been determined that it has a non-dilutive effect.

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19 Cash and balances with central banks
Group

	31 December 2012	31 December 2011	01 January 2011
Cash	16,380,761	11,878,439	9,433,800
Balances with central banks other than mandatory reserve deposits	42,463,968	11,525,939	14,795,632
Included in cash and cash equivalents	58,844,729	23,404,378	24,229,432
Mandatory reserve deposits with central banks	73,351,332	32,379,701	3,376,768
	<u>132,196,061</u>	<u>55,784,079</u>	<u>27,606,200</u>

Bank

	31 December 2012	31 December 2011	01 January 2011
Cash	13,671,268	10,490,884	6,528,485
Balances with central banks other than mandatory reserve deposits	39,435,175	11,525,939	7,965,876
Included in cash and cash equivalents	53,106,443	22,016,823	14,494,361
Mandatory reserve deposits with central banks	70,118,147	32,379,701	3,376,768
	<u>123,224,590</u>	<u>54,396,524</u>	<u>17,871,129</u>

Mandatory reserve deposits are not available for use in the Group and Bank's day-to-day operations. The Group had restricted cash balances of N73 billion with the Central Banks as at 31 December 2012 (December 2011: N32 billion).

20 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months. For the purpose of the statement of cash flows, cash and cash equivalents include:

Group

	31 December 2012	31 December 2011	01 January 2011
Cash and balances with central banks (Note 18)	58,844,729	23,404,378	24,229,432
Loans to banks (Note 20)	139,803,281	90,648,011	72,155,340
Treasury bills and eligible bills (with original maturity of 3 months or less)	29,500,000	-	2,000,000
	<u>228,148,010</u>	<u>114,052,389</u>	<u>98,384,772</u>

Bank

	31 December 2012	31 December 2011	01 January 2011
Cash and balances with central banks (Note 18)	53,106,443	22,016,823	14,494,361
Loans to banks (Note 20)	113,384,200	72,098,846	61,620,185
Treasury bills and eligible bills (with original maturity of 3 months or less)	29,500,000	-	2,000,000
	<u>195,990,643</u>	<u>94,115,669</u>	<u>78,114,546</u>

21 Loans to banks
Group

	31 December 2012	31 December 2011	01 January 2011
Current balances with banks within Nigeria	-	-	18,647
Current balances with banks outside Nigeria	103,242,076	57,816,233	24,441,867
Placements with banks and discount houses	36,561,205	32,831,778	47,694,826
Carrying amount	<u>139,803,281</u>	<u>90,648,011</u>	<u>72,155,340</u>
Current	139,803,281	90,648,011	72,155,340
Non-current	-	-	-
	<u>139,803,281</u>	<u>90,648,011</u>	<u>72,155,340</u>

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Bank

	31 December 2012	31 December 2011	01 January 2011
Current balances with banks within Nigeria	-	-	-
Current balances with banks outside Nigeria	84,095,155	46,934,918	19,377,289
Placements with banks and discount houses	29,289,045	25,163,928	42,242,896
Carrying amount	113,384,200	72,098,846	61,620,185

Balances with banks outside Nigeria include Group: N17.1 billion Bank: N15.2 billion (Dec 2011 Group: N15 billion Bank: N12.7 billion) which represents the naira value of foreign currency bank balance held on behalf of customers in respect of Letters of Credit transactions. The corresponding liability is included in other liabilities (see note 39). The amount is not available for the day-to-day operations of the Group.

Included in placements with banks and discount houses are placements with banks within Nigeria, N2 billion (Dec 2011: N7.5b).

Current	113,384,200	72,098,846	61,620,185
Non-current	-	-	-
	113,384,200	72,098,846	61,620,185

22 Loans and advances to customers
Group

	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2012					
Overdrafts	108,493,823	5,591,817	3,065,730	8,657,547	99,836,276
Term loans	484,273,967	7,887,048	8,605,988	16,493,036	467,780,931
Staff loans	4,910,944	226,585	18,548	245,133	4,665,811
Commercial papers ('CP')	1,390,894	-	-	-	1,390,894
	599,069,628	13,705,450	11,690,266	25,395,716	573,673,912
Advances under finance lease (Note 22.2)	11,650,676	4,457	119,972	124,429	11,526,247
	610,720,304	13,709,907	11,810,238	25,520,146	585,200,158

31 December 2011					
Overdrafts	96,733,343	20,728,067	1,522,296	22,250,363	74,482,979
Term loans	311,286,384	6,354,678	4,028,705	10,383,383	300,903,001
Staff loans	3,950,898	2,270	14,176	16,446	3,934,452
Commercial papers ('CP')	1,288,493	-	15,462	15,462	1,273,031
	413,259,119	27,085,015	5,580,639	32,665,654	380,593,465
Advances under finance lease (Note 22.2)	9,315,543	1,665,914	106,608	1,772,522	7,543,021
	422,574,662	28,750,929	5,687,247	34,438,176	388,136,486

	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
1 January 2011					
Overdrafts	76,730,091	24,230,291	848,384	25,078,675	51,651,416
Term loans	260,140,846	12,540,702	2,510,744	15,051,446	245,089,400
Staff loans	5,850,733	-	12,675	12,675	5,838,058
Commercial papers ('CP')	393,511	-	-	-	393,511
	343,115,181	36,770,993	3,371,803	40,142,796	302,972,385
Advances under finance lease (Note 22.2)	4,951,205	650,051	61,082	711,133	4,240,072
	348,066,386	37,421,044	3,432,885	40,853,929	307,212,457

Cash collateral against advances is N1.56 billion (31 December 2011: N2.63 billion)

	31 December 2012	31 December 2011	01 January 2011
Current	312,218,355	210,669,171	170,245,966
Non-current	272,981,803	177,467,315	136,966,491
	585,200,158	388,136,486	307,212,457

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Bank	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2012					
Overdrafts	96,311,023	5,331,000	2,144,710	7,475,710	88,835,313
Term loans	434,752,491	7,625,168	8,304,318	15,929,486	418,823,005
Staff loans	4,615,759	226,586	18,548	245,134	4,370,624
	535,679,273	13,182,754	10,467,576	23,650,330	512,028,942
Advances under finance lease (Note 22.2)	11,466,683	4,457	116,561	121,018	11,345,665
	547,145,956	13,187,211	10,584,137	23,771,348	523,374,608
31 December 2011					
Overdrafts	91,244,100	21,524,400	750,443	22,274,843	68,969,257
Term loans	273,257,657	5,504,131	3,802,924	9,307,055	263,950,602
Staff loans	3,950,898	2,270	14,176	16,446	3,934,452
	368,452,655	27,030,801	4,567,543	31,598,344	336,854,311
Advances under finance lease (Note 22.2)	9,315,541	1,665,914	106,608	1,772,522	7,543,019
	377,768,196	28,696,715	4,674,151	33,370,866	344,397,331
1 January 2011					
Overdrafts	76,725,903	24,230,291	665,568	24,895,859	51,830,044
Term loans	251,297,990	11,690,154	2,374,829	14,064,984	237,233,006
Staff loans	5,850,733	-	12,675	12,675	5,838,058
Commercial papers ('CP')	393,511	-	-	-	393,511
	334,268,137	35,920,445	3,053,072	38,973,517	295,294,620
Advances under finance lease (Note 22.2)	4,951,205	650,051	61,082	711,133	4,240,072
	339,219,342	36,570,496	3,114,154	39,684,650	299,534,692

	31 December 2012	31 December 2011	01 January 2011
Current	271,651,505	185,852,962	162,568,201
Non-current	251,723,103	158,544,369	136,966,491
	523,374,608	344,397,331	299,534,692

Group	Advances under finance lease					
	Overdrafts	Term loans	CP		Staff loans	Total
Balance at 1 January 2012						
Specific impairment	20,728,067	6,354,678	-	1,665,914	2,270	28,750,929
Collective impairment	1,522,296	4,028,705	15,462	106,608	14,176	5,687,247
	22,250,363	10,383,383	15,462	1,772,522	16,446	34,438,176
Additional provision						
Specific impairment	4,680,633	1,532,370	-	(1,661,457)	224,316	4,775,861
Collective impairment	1,543,434	4,577,283	(15,462)	13,364	4,372	6,122,991
Provision no longer required	(114,819)					(114,819)
Amounts written off	(19,702,064)		-	-		(19,702,064)
Specific impairment	5,591,817	7,887,048	-	4,457	226,585	13,709,907
Collective impairment	3,065,730	8,605,988	0	119,972	18,548	11,810,238
Balance at 31 December 2012	8,657,547	16,493,036	0	124,428	245,133	25,520,145

	Overdrafts	Term loans	CP	Advances under finance lease	Staff loans	Total
Balance at 1 January 2011						
Specific impairment	24,230,291	12,540,702		650,051	-	37,421,044
Collective impairment	848,384	2,510,744	-	61,082	12,675	3,432,885
	25,078,675	15,051,446	-	711,133	12,675	40,853,929
Additional provision						
Specific impairment	37,243,071	10,007	-	1,015,863	2,270	38,271,210
Collective impairment	673,913	1,517,960	15,462	45,526	1,501	2,254,362
Loans written off during the year as uncollectible	(40,009,390)	(6,196,031)			-	(46,205,421)
Amounts recovered during the year	(735,904)		-	-	-	(735,904)
Specific impairment	20,728,067	6,354,678	-	1,665,914	2,270	28,750,929
Collective impairment	1,522,296	4,028,705	15,462	106,608	14,176	5,687,247
Balance at 31 December 2011	22,250,363	10,383,383	15,462	1,772,522	16,446	34,438,176

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Bank

	Overdrafts	Term loans	CP	Advances under finance lease	Staff loans	Total
Balance at 1 January 2012						
Specific impairment	21,524,400	5,504,130	-	1,665,914	2,270	28,696,714
Collective impairment	750,443	3,802,924	-	106,608	14,176	4,674,151
	22,274,843	9,307,054	-	1,772,522	16,446	33,370,865
Additional provision						
Specific impairment	2,220,951	2,121,038	-	(1,661,457)	224,316	2,904,848
Collective impairment	1,394,267	4,501,394	-	9,953	4,372	5,909,986
Provision no longer required	(114,819)					(114,819)
Amounts written off	(18,299,532)		-	-		(18,299,532)
Specific impairment	5,331,000	7,625,168	-	4,457	226,585	13,187,211
Collective impairment	2,144,710	8,304,318	-	116,561	18,548	10,584,137
Balance at 31 December 2012	7,475,710	15,929,486	-	121,018	245,134	23,771,348
Balance at 1 January 2011						
Specific impairment	24,230,291	11,690,154		650,051	-	36,570,496
Collective impairment	665,568	2,374,829	-	61,082	12,675	3,114,154
	24,895,859	14,064,984		711,133	12,675	39,684,650
Additional provision						
Specific impairment	35,477,776	10,007	-	1,015,863	2,270	36,505,915
Collective impairment	84,875	1,428,095	-	45,526	1,501	1,559,997
Loans written off during the year as uncollectible	(37,447,762)	(6,196,031)		-	-	(43,643,794)
Amounts recovered during the year	(735,904)	-	-	-	-	(735,904)
Specific impairment	21,524,400	5,504,130	-	1,665,914	2,270	28,696,714
Collective impairment	750,443	3,802,924	-	106,608	14,176	4,674,151
Balance at 31 December 2011	22,274,843	9,307,054	-	1,772,522	16,446	33,370,865

22.2 Advances under finance lease may be analysed as follows:

Group

	31 December 2012	31 December 2011	01 January 2011
Gross investment			
- No later than 1 year	9,554,636	3,431,919	2,828,762
- Later than 1 year and no later than 5 years	4,065,407	7,418,964	2,788,668
	13,620,043	10,850,883	5,617,430
Unearned future finance income on finance leases	(1,969,367)	(1,535,340)	(666,225)
Present value of minimum lease payments, receivable	11,650,676	9,315,543	4,951,205
Less provision	(124,429)	(1,769,111)	(711,133)
	11,526,247	7,546,432	4,240,072

Bank

	31 December 2012	31 December 2011	01 January 2011
Gross investment			
- No later than 1 year	9,340,749	3,431,919	2,828,762
- Later than 1 year and no later than 5 years	3,974,400	7,418,962	2,788,668
	13,315,149	10,850,881	5,617,430
Unearned future finance income on finance leases	(1,848,465)	(1,535,340)	(666,225)
Present value of minimum lease payments, receivable	11,466,684	9,315,541	4,951,205
Less provision	(121,018)	(1,772,522)	(711,133)
	11,345,665	7,543,019	4,240,072

22.3 The net investment may be analysed as follows:

Group

- No later than 1 year	8,796,722	2,314,312	2,288,825
- Later than 1 year and no later than 5 years	2,853,954	7,001,229	2,662,380
- Later than 5 years	-	-	-
	11,650,676	9,315,541	4,951,205

Bank

- No later than 1 year	8,046,290	2,314,312	2,288,825
- Later than 1 year and no later than 5 years	3,420,393	7,001,229	2,662,380
- Later than 5 years	-	-	-
	11,466,683	9,315,541	4,951,205

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22.4 Nature of security in respect of loans and advances:

Group	31 December 2012	31 December 2011	01 January 2011
Secured against real estate	375,370,862	226,411,748	221,944,849
Secured by shares of quoted companies	1,059,597	1,572,694	5,875,036
Otherwise secured	230,497,407	164,492,262	101,569,344
Unsecured	<u>2,257,042</u>	<u>29,201,862</u>	<u>18,865,313</u>
	<u>609,184,908</u>	<u>421,678,566</u>	<u>348,254,542</u>

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

Bank	31 December 2012	31 December 2011	01 January 2011
Secured against real estate	361,114,663	226,267,081	221,348,071
Secured by shares of quoted companies	1,059,597	1,572,694	5,875,036
Otherwise secured	182,714,654	149,913,974	119,476,219
Unsecured	<u>2,257,042</u>	<u>14,447</u>	<u>2,000,966</u>
	<u>547,145,956</u>	<u>377,768,196</u>	<u>348,700,292</u>

Group and Bank

During the period, the Group obtained assets by realising the following collateral held as security:

Nature of assets and carrying amount:

Real estate	54,000	190,132	131,355
Shares	-	-	1,085,316
Debentures	<u>287,208</u>	<u>105,319</u>	<u>198,536</u>
	<u>341,208</u>	<u>295,451</u>	<u>1,415,207</u>

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

23 Financial assets held for trading

Group	31 December 2012	31 December 2011	01 January 2011
Government bonds	2,183,513	1,257,075	1,121,410
Treasury bills	<u>87,927,723</u>	<u>6,784,543</u>	<u>-</u>
Total debt securities	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,121,410</u>
Listed equity securities	-	-	224,142
Total equity securities	<u>-</u>	<u>-</u>	<u>224,142</u>
Total assets held for trading	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,345,552</u>
Current	87,927,723	6,784,543	-
Non Current	<u>2,183,513</u>	<u>1,257,075</u>	<u>1,345,552</u>
	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,345,552</u>
	31 December 2012	31 December 2011	01 January 2011
Bank			
Government bonds	2,183,513	1,257,075	1,109,079
Treasury bills	<u>87,927,723</u>	<u>6,784,543</u>	<u>-</u>
Total debt securities	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,109,079</u>
Listed equity securities	-	-	-
Total equity securities	<u>-</u>	<u>-</u>	<u>-</u>
Total assets held for trading	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,109,079</u>
Current	87,927,723	6,784,543	-
Non Current	<u>2,183,513</u>	<u>1,257,075</u>	<u>1,109,079</u>
	<u>90,111,236</u>	<u>8,041,618</u>	<u>1,109,079</u>

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24 Investment Securities

24.1 Group

Available for sale investments	31 December 2012	31 December 2011	01 January 2011
Debt securities – at fair value:			
– Treasury bills and government bonds	2,427,634	77,017,078	7,705,615
Equity securities – at fair value:			
– Listed	5,584,464	5,561,212	5,559,629
– Unlisted	7,806,800	7,856,975	9,680,898
Equity securities – at cost:			
– Unlisted	984,055	1,142,841	1,142,841
Fair value movement/ allowance for impairment	(6,201,344)	(5,587,375)	(4,197,624)
	8,173,975	8,973,653	12,185,744
Total securities available for sale	10,601,609	85,990,731	19,891,359
Held to maturity investments			
Debt securities – at amortised cost:			
– Listed	65,762,681	61,712,761	56,977,064
Total investment securities	76,364,290	147,703,492	76,868,423
Current	15,301,850	88,179,706	21,841,359
Non-current	61,062,440	59,523,786	55,027,064
	76,364,290	147,703,492	76,868,423

24.2 Bank

	31 December 2012	31 December 2011	01 January 2011
Debt securities – at fair value:			
– Treasury bills and government bonds	2,427,634	67,811,749	7,245,289
Equity securities – at fair value:			
– Listed	5,520,167	5,520,167	1,280,073
– Unlisted	7,806,800	7,856,975	2,916,090
Equity securities – at cost:			
– Unlisted	984,055	1,142,841	1,084,841
Fair value movement/ allowance for impairment	(6,183,595)	(5,569,422)	(1,430,487)
	8,127,427	8,950,561	3,850,517
Total securities available for sale	10,555,061	76,762,310	11,095,806
Held to maturity investments			
Debt securities – at amortised cost:			
– Listed	64,751,769	52,253,105	43,978,424
Total investment securities	75,306,830	129,015,415	55,074,230
Current	15,301,850	65,438,218	21,721,477
Non-current	60,004,980	63,577,197	33,352,753
	75,306,830	129,015,415	55,074,230

All debt securities have fixed coupons. Listed debt securities available for sale at fair value of N0.5billion (December 2011: N2.2 billion) were pledged. These have been reclassified as assets pledged as collateral on the face of the consolidated statement of financial position.

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24.3 The reconciliation of the allowance account for losses on securities classified as available for sale is as follows:

Group	Specific allowance for impairment
Available for sale- unlisted equity securities	
Balance at 1 January 2011	4,197,624
Write back on disposed investment	(3,231)
Fair value movement for the period	876,632
Increase in impairment allowance	516,350
At 31 December 2011	5,587,375
Balance at 1 January 2012	5,587,375
Write back of impairment	(137,059)
Fair value movement for the period	960,192
At 31 December 2012	6,201,344
Bank	
Available for sale- unlisted equity securities	
Balance at 1 January 2011	1,482,862
Fair value movement/impairment losses from subsidiaries absorbed	1,373,145
Increase in impairment allowance	513,539
Fair value movement for the period	2,199,876
At 31 December 2011	5,569,422
Balance at 1 January 2012	5,569,422
Write back of impairment	(137,059)
Fair value movement for the period	960,192
Provision no longer required	(208,960)
At 31 December 2012	6,183,595

25 Asset pledged as collateral

Treasury bills and bonds are pledged to the Nigerian Inter Bank Settlement System Company (NIBSS) and Federal Inland Revenue Service (FIRS) in respect of the Bank's ongoing participation in the Nigerian settlement system and as an agent in respect of tax collection for FIRS respectively. Treasury bills and bonds are also pledged as collateral to other financial institutions on amounts borrowed .

The nature and carrying amounts of the assets pledged as collaterals are as follows:

Group	31 December 2012	31 December 2011	01 January 2011
Investments - Bonds	43,520,516	21,420,000	16,670,000
Investments - Treasury Bills	35,782,015	13,520,000	21,150,000
	79,302,531	34,940,000	37,820,000
Current	35,850,500	15,020,000	23,400,000
Non-current	43,452,031	19,920,000	14,420,000
	79,302,531	34,940,000	37,820,000
The related liability for assets pledged as collateral include:			
Bank of Industry (BOI)	11,211,465	19,337,400	15,510,000
African Export Import Bank (AFREXIM)	3,933,250	-	-
Deposit from Banks	-	16,513,895	-
Central Bank	17,832,993	-	-
	32,977,708	35,851,295	15,510,000

The Assets pledged as collateral were pledged to third parties under secured borrowing with the related liability disclosed above. In addition, there were assets pledged as collateral for security deposit for clearing house and payment agencies of N51.9bn (2011:N16 bn) for which there is no related liability.

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Bank

	31 December 2012	31 December 2011	01 January 2011
Investments - Bonds	31,161,591	21,420,000	16,670,000
Investments - Treasury Bills	26,277,305	13,520,000	21,150,000
	<u>57,438,896</u>	<u>34,940,000</u>	<u>37,820,000</u>
Current	35,688,697	15,020,000	23,400,000
Non-current	21,750,199	19,920,000	14,420,000
	<u>57,438,896</u>	<u>34,940,000</u>	<u>37,820,000</u>
The related liability for assets pledged as collateral include:			
Bank of Industry (BOI)	11,211,465	19,337,400	15,510,000
African Export Import Bank (AFREXIM)	3,933,250	-	-
Deposit from Banks	-	16,513,895	-
	<u>15,144,715</u>	<u>35,851,295</u>	<u>15,510,000</u>

The Assets pledged as collateral were pledged to third parties under secured borrowing with the related liability disclosed above. In addition, there were assets pledged as collateral for security deposit for clearing house and payment agencies of N42.3bn (2011:N16 bn) for which there is no related liability. The Bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

26 Insurance receivables
Group

	31 December 2012	31 December 2011	01 January 2011
Due from Contract Holders	-	-	105,373
Due from Agents and Stock Brokers	-	-	742,271
Reinsurance Assets			518,083
			<u>1,365,727</u>
Provision for Doubtful Receivables	-	-	(660,068)
	<u>-</u>	<u>-</u>	<u>705,659</u>

27 Other assets
Group

	31 December 2012	31 December 2011	01 January 2011
Prepayments	8,475,445	6,206,531	11,882,873
Accounts receivable	6,576,257	5,995,262	14,153,230
Others	102,060	172,600	146,404
	<u>15,153,762</u>	<u>12,374,393</u>	<u>26,182,507</u>
Less specific allowances for impairment	(1,360,657)	(1,710,948)	(9,533,065)
	<u>13,793,105</u>	<u>10,663,445</u>	<u>16,649,442</u>
Reconciliation of impairment account			
At start of period	1,710,948	9,533,065	9,050,029
Increase in impairment	-	1,084,164	3,691,746
Amount reclassified to Investments	-	-	(1,167,938)
Amounts written off	(350,291)	(8,906,281)	(2,040,772)
At end of period	<u>1,360,657</u>	<u>1,710,948</u>	<u>9,533,065</u>
Current	11,328,153	9,539,357	14,681,072
Non-current	2,464,952	1,124,087	1,968,370
	<u>13,793,105</u>	<u>10,663,444</u>	<u>16,649,442</u>

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Bank	31 December 2012	31 December 2011	01 January 2011
Prepayments	6,334,923	3,841,604	6,907,388
Accounts receivable	5,163,883	4,217,338	9,736,908
Others	102,060	172,600	146,404
	11,600,866	8,231,542	16,790,700
Less specific allowances for impairment	(1,360,657)	(1,702,245)	(8,126,335)
	10,240,209	6,529,297	8,664,365
Reconciliation of impairment account			
At start of period	1,702,245	8,126,335	8,484,880
Increase in impairment	-	1,051,735	2,819,792
Amount reclassified to Investments	-	-	(1,167,938)
Amounts written off	(341,588)	(7,475,825)	(2,010,399)
At end of period	1,360,657	1,702,245	8,126,335
Current	7,861,239	5,841,012	7,640,026
Non-current	2,378,970	688,285	1,024,339
	10,240,209	6,529,297	8,664,365

28 Investment in Subsidiaries

	31 December 2012	31 December 2011	01 January 2011
Diamond Bank du Benin (S.A)	5,865,622	5,865,622	3,135,020
Diamond Pension Fund Custodian Ltd (DPFC)	2,000,000	2,000,000	2,000,000
Diamond Mortgages Limited (DML)	-	-	1,000,000
Adic Insurance Limited (ADIC)	-	-	6,307,960
Diamond Capital and Financial Markets Limited (DCL)	-	-	5,000,000
	7,865,622	7,865,622	17,442,980

The subsidiary companies comprise the following:

	Ownership interest (%)		
	31 December 2012	31 December 2011	1 January 2011
Diamond Bank du Benin (S.A)	97.07	97.07	95.38
Diamond Pension Fund Custodian Ltd (DPFC)	100.00	100.00	100.00
Diamond Securities Limited (DSL)	-	-	100.00
Diamond Mortgages Limited (DML)	-	-	100.00
Adic Insurance Limited (ADIC)	-	-	96.15
Diamond Capital and Financial Markets Limited (DCL)	-	-	100.00
Diamond Registrars Limited (DRL)	-	-	100.00

All subsidiaries are incorporated in Nigeria with the exception of Diamond Bank du Benin S.A which is incorporated in the Republic of Benin. Diamond Bank du Benin has 100% holding in Diamond Bank Togo, Diamond Bank Senegal, and Diamond Bank Cote d'Ivoire. The transactions and financial performance of these subsidiaries are consolidated with the results of Diamond Bank du Benin, and then consolidated with the bank.

The bank divested its interest in the non-banking subsidiaries with effect from July 31, 2011 following a directive by the CBN to the effect that the universal banking model has been discontinued.

29 Investment in associates

Group	31 December 2012	31 December 2011	01 January 2011
Balance at beginning of period	3,184,549	3,502,339	3,502,339
Disposals	-	(312,594)	-
Share of profit before tax	(1,431)	(1,499)	-
Share of tax	(868)	(3,697)	-
(Impairment)/Write-back of excess loss of Associates	-	(26,661)	-
Acquisitions	-	26,661	-
Dividends paid	-	-	-
At end of period	3,182,250	3,184,549	3,502,339

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The group's gross investment in associates is shown below.

	% Holding			
Flavours Foods Limited	40.0%	50,000	50,000	50,000
PCI Resins Limited	7.6%	52,500	52,500	52,500
PCI Paints Limited	33.0%	35,000	35,000	35,000
Savannah Chum Chum & Fries Limited	41.3%	45,000	45,000	45,000
Pek Industries Limited	34.0%	34,000	34,000	34,000
Credit Ref. Company Nigeria Limited	7.6%	96,661	96,661	70,000
APL Electric Limited	25.0%	426,587	426,587	426,587
Health Partners Limited	17.8%	114,777	112,753	107,464
ALVAC Company Limited	29.0%	-	-	312,595
Geometrics - Power Aba Limited	25.0%	2,491,413	2,491,413	2,491,413
Landmark Limited	11.2%	149,473	153,796	164,280
		3,495,411	3,497,710	3,788,839
		(313,161)	(313,161)	(286,500)
		3,182,250	3,184,549	3,502,339

Bank

The Bank's gross investment in associates is shown below.

	% Holding			
Flavours Foods Limited	40.0%	50,000	50,000	50,000
PCI Resins Limited	7.6%	52,500	52,500	52,500
PCI Paints Limited	33.0%	35,000	35,000	35,000
Savannah Chum Chum & Fries Limited	41.3%	45,000	45,000	45,000
Pek Industries Limited	34.0%	34,000	34,000	34,000
Credit Ref. Company Nigeria Limited	7.6%	96,661	96,661	70,000
APL Electric Limited	25.0%	426,587	426,587	-
Health Partners Limited	17.8%	60,000	60,000	-
ALVAC Company Limited	29.0%	-	-	-
Geometrics - Power Aba Limited	25.0%	2,491,413	2,491,413	-
Landmark Limited	11.2%	227,140	227,140	-
		3,518,301	3,518,301	286,500
		(313,161)	(313,161)	(286,500)
		3,205,140	3,205,140	-

Summarised financial information of the Group's associate accounted for using equity method are as follows:

	Total Assets	Total Liabilities	Revenues	Profit
December 2012	612,334	178,987	762,352	(28,137)
December 2011	13,533,295	4,658,501	599,666	(62,997)
January 2011	11,260,624	4,631,218	421,025	(28,888)

There were no published price quotations for any associate. There are no significant restrictions on the ability of the associates to transfer funds to the group in the form of cash dividends, or repayments of loans or advances.

The Bank exercises significant influence in PCI Resins Limited, Health Partners Limited, Landmark Limited and Credit Ref. Company Nigeria Limited even though its shareholding is less than 20%. This is based on representation of at least one director on the board of the companies and significant participation in the companies' operating and financial policies.

30 Investment property
Group

	31 December 2012	31 December 2011	01 January 2011
At beginning of the period	3,833,335	3,755,064	3,474,612
Additions arising from:			
- Additional expenditure	300,036	309,402	427,452
Disposals during the year	-	(231,131)	(147,000)
Fair value loss on investment property	(63,031)	-	-
At the end of the period	4,070,340	3,833,335	3,755,064

Bank

	31 December 2012	31 December 2011	01 January 2011
At beginning of the period	3,686,335	-	-
Additions arising from:			
- Additional expenditure	300,036	36,325	-
- Transfer from subsidiary	-	3,650,010	-
Fair value loss on investment property	(76,031)	-	-
Disposals during the year	-	-	-
At the end of the period	3,910,340	3,686,335	-

This represents the Bank and Group's investment in landed property held for the purpose of capital appreciation. Investment property of N436.5 million (2011: N436.5 million) represents land acquired for the purpose of subsequent disposal.

Investment property located in Owerri was valued by Chris Ogbonna and Partners, while the Investment Property located at Lagos and Abuja were valued by Jide Taiwo & Co both external accredited valuers. The Investment Property in Port Harcourt is under construction and management has assessed that the cost incurred to date is a reflection of the value of the property. Management has not decided on what it plans to do with this property. There is no rental income from investment property during the year and no restrictions on the realisability of the property. The method of valuation used is the market approach where the valuer's opinion of market value was derived from analysis of recent evidence of market transactions on comparable properties within the neighborhood

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32 Intangible assets

Group

	Computer Software
Year ended 31 December 2012	
Opening net book value	819,076
Additions	485,438
Exchange differences	(43,487)
Reclassification	-
Amortisation charge	(426,212)
Closing net book amount	834,815
Year ended 31 December 2011	
Opening net book value	596,025
Additions	555,752
Exchange differences	171,296
Disposals	(72,621)
Amortisation charge	(431,376)
Closing net book amount	819,076
At 1 January 2011	
Opening net book value	226,764
Additions	337,434
Disposals	(40,219)
Reclassification	273,828
Exchange difference	2,243
Amortisation charge	(204,025)
Closing net book amount	596,025

Bank

	Computer Software
Year ended 31 December 2012	
Opening net book value	624,139
Additions	473,853
Amortisation charge	(357,622)
Closing net book amount	740,370
Year ended 31 December 2011	
Opening net book value	596,024
Additions	353,159
Amortisation charge	(325,044)
Closing net book amount	624,139
At 1 January 2011	
Opening net book value	211,645
Additions	337,434
Reclassification	239,439
Amortisation charge	(192,493)
Closing net book amount	596,025

33 Deferred tax

Group

	31 December 2012	31 December 2011	01 January 2011
Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2011: 30%, 2010: 30%).			
Deferred income tax assets and liabilities are attributable to the following items:			
Deferred tax assets			
Allowance for loan losses	3,175,241	3,556,571	2,835,718
Tax losses carried forward	1,991,212	4,581,919	3,693,066
Depreciation of Property, Plant & Equipment	1,939,101	4,646,671	1,715,164
Other temporary difference	372,809	84,730	17,592
Derivative liability	1,691,774		
	9,170,137	12,869,891	8,261,540
Deferred tax liabilities			
Unrealized Exchange Gain	904,783	506,649	580,464
	904,783	506,649	580,464

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Deferred tax (net) assets	8,265,354	12,363,242	7,681,076
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Amount recognised in income statement

December 2012 December 2011

Movements in temporary differences during the year:

Allowance for loan losses	(381,330)	720,853
Tax losses carried forward	(2,590,707)	888,853
Non current assets	(2,707,570)	2,931,507
Derivative liability	1,691,774	-
Unrealized exchange gain	(398,134)	73,815
Other temporary difference	288,079	67,138
	(4,097,888)	4,682,166

Temporary difference relating to the Group's Investment in Subsidiaries is N3.7 billion (2011: N1.5 billion). As the Group exercises control over the Subsidiaries, it has the power to control the timing of the reversals of the temporary difference arising from its investments in them. The group has determined that the subsidiaries' profits and reserves will not be distributed in the foreseeable future and that the subsidiaries will not be disposed of. Hence, the deferred tax arising from the temporary differences above will not be recognised.

Temporary difference relating to the Group's Investment in Associates is N22.9 million (2011: N20.6 million). The group does not exercise control over the Investment in Associates and so, it does not control the timing of the reversal of the temporary differences. However, the deferred tax arising has not been recognised as it is considered immaterial.

Bank

31 December 2012 31 December 2011 01 January 2011

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2011: 30%, 2010: 30%).

Deferred income tax assets and liabilities are attributable to the following items:

Deferred tax assets

Allowance for loan losses	3,175,241	3,712,799	3,307,776
Tax losses carried forward	1,991,212	4,759,881	3,424,954
Depreciation of Property, Plant & Equipment	2,407,106	4,486,113	1,550,399
Investment property	22,809	84,730	17,592
Derivative liability	1,691,774	-	-
Equity securities at fair value			
	9,288,142	13,043,523	8,300,721

Deferred tax liabilities

Unrealized Exchange Gain	832,375	506,649	426,032
Depreciation of property, plant and equipment	-	-	154,432
	832,375	506,649	580,464

Deferred tax (net) assets	8,455,767	12,536,874	7,720,257
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Amount recognised in income statement

December 2012 December 2011

Movements in temporary differences during the year:

Allowance for loan losses	(537,558)	405,023
Tax losses carried forward	(2,768,669)	1,334,927
Non current assets	(2,079,007)	3,090,146
Derivative liability	1,691,774	-
Unrealized exchange gain	(325,726)	(80,617)
Other temporary difference	(61,921)	67,138
	(4,081,107)	4,816,617

Deferred tax has not been computed on items in the comprehensive income as gains and losses on treasury bills and government bonds and equity investments are exempt from tax.

34 Asset held for sale

Group and Bank

31 December 2012 31 December 2011 01 January 2011

Sun born yacht hotel	-	450,000	-
Total	-	450,000	-

The non current asset disclosed as held for sale is a mobile hotel "the sun born yacht" purchased in February 2008 by the Group's former subsidiary, Diamond Capital Limited. Assets of Diamond Capital were transferred to the Bank in 2011 on sale of the subsidiary. This asset was sold on 29 December 2012 for N885 million.

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35 Deposits from banks

Group

	31 December 2012	31 December 2011	01 January 2011
Items in the course of collection	7,207,067	4,468,893	14,158,684
Interbank takings	24,000,231	16,513,895	1,188,532
	<u>31,207,298</u>	<u>20,982,788</u>	<u>15,347,216</u>
Current	31,207,298	20,982,788	15,347,216
Non-current	-	-	-
	<u>31,207,298</u>	<u>20,982,788</u>	<u>15,347,216</u>

Bank

	31 December 2012	31 December 2011	01 January 2011
Items in the course of collection	6,077,279	3,939,956	2,916,163
Interbank takings within Nigeria	2,096,007	-	1,187,935
	<u>8,173,286</u>	<u>3,939,956</u>	<u>4,104,098</u>
Current	8,173,286	3,939,956	4,104,098
Non-current	-	-	-
	<u>8,173,286</u>	<u>3,939,956</u>	<u>4,104,098</u>

Deposits from banks only include financial instruments classified as liabilities at amortised cost.

36 Deposits from customers

Group

	31 December 2012	31 December 2011	01 January 2011
Current	534,855,289	344,596,517	203,868,743
Savings	153,755,865	125,002,987	97,692,352
Term	221,623,290	133,403,725	111,431,659
	<u>910,234,444</u>	<u>603,003,229</u>	<u>412,992,754</u>
Current	799,940,862	371,743,302	310,668,257
Non-current	110,293,582	231,259,927	102,324,497
	<u>910,234,444</u>	<u>603,003,229</u>	<u>412,992,754</u>

Bank

	31 December 2012	31 December 2011	01 January 2011
Current	492,548,344	314,819,403	189,508,392
Savings	144,587,642	112,406,671	98,271,357
Term	185,954,801	117,935,071	91,564,270
	<u>823,090,787</u>	<u>545,161,145</u>	<u>379,344,019</u>
Current	719,528,059	327,198,447	284,532,067
Non-current	103,562,728	217,962,698	94,811,952
	<u>823,090,787</u>	<u>545,161,145</u>	<u>379,344,019</u>

DIAMOND BANK PLC

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37 Derivative Liability

Group and Bank

	31 December 2012	31 December 2011	01 January 2011
Opening balance	7,609,338	-	-
Fair value loss	5,639,247	-	-
Closing balance	13,248,585	-	-

This relates to the portion of the convertible borrowing granted to the bank by International Finance Corporation. See further details in note 42.

38 Other Liabilities

Group

	31 December 2012	31 December 2011	1 January 2011
Customers deposit for letters of credit	17,343,021	15,055,283	13,649,471
Accounts payable	2,346,906	2,574,753	4,491,410
Accruals	7,643,288	6,319,775	3,996,390
Other payables	14,761,881	6,038,554	4,554,221
	42,095,096	29,988,365	26,691,492
Current	42,095,096	29,988,365	26,691,492
Non current	-	-	-
	42,095,096	29,988,365	26,691,492

Bank

	31 December 2012	31 December 2011	1 January 2011
Customers deposit for letters of credit	15,181,972	12,747,735	11,570,467
Accounts payable	1,683,687	1,604,087	875,985
Accruals	7,110,446	5,549,590	1,347,415
Other payables	10,963,130	4,777,372	3,888,807
	34,939,235	24,678,784	17,682,674
Current	34,939,235	24,678,784	17,682,674
Non current	-	-	-
	34,939,235	24,678,784	17,682,674

39 Retirement benefit obligations

Group

	31 December 2012	31 December 2011	1 January 2011
Defined contribution scheme	99,574	51,607	12,286
Gratuity scheme	-	-	17,080
	99,574	51,607	29,366

Bank

	31 December 2012	31 December 2011	1 January 2011
Defined contribution scheme	99,574	20,141	4,868
Gratuity scheme	-	-	17,080
	99,574	20,141	21,948

a. Defined contribution scheme

The group and its employees make a joint contribution of 15% basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

Total contributions to the scheme for the period were as follows:

Group

At start of the period	51,607	12,286	8,192
Charge / contributions for the period	331,788	524,220	460,789
Contributions remitted	(283,821)	(484,899)	(456,695)
At end of the period	99,574	51,607	12,286

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Bank

Total contributions to the scheme for the period were as follows:

At start of the period	20,141	4,868	1,627
Charge / contributions for the period	428,671	494,050	436,135
Contributions remitted	(349,238)	(478,777)	(432,894)
At end of the period	99,574	20,141	4,868

b. Gratuity scheme

The group had a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of periods are paid a sum based on their qualifying emoluments and the number of periods spent in service of the bank. With effect from October 2008, this scheme has been discontinued and payment to staff vested over a three-year period. The bank has discontinued its gratuity scheme and all outstanding entitlements have vested and fully paid as at date.

Group and Bank

	31 December 2012	31 December 2011	1 January 2011
Balance at start of period	-	17,080	185,670
Charged to profit or loss	-	-	1,170,200
Payments	-	(17,080)	(1,338,790)
At end of period	-	-	17,080

40 Provisions

Group

	31 December 2012	31 December 2011	1 January 2011
AMCON resolution fund	1,056,378	-	-
Total	1,056,378	-	-
Current	1,056,378	-	-
Non Current	-	-	-
1,056,378	-	-	-
Movement in provision			
Opening balance as at 1 January 2012	-		
Additional provisions	1,056,378		
Closing balance as at 31 December 2012	1,056,378		

Bank

	31 December 2012	31 December 2011	1 January 2011
AMCON resolution fund	1,056,378	-	-
Total	1,056,378	-	-
Current	1,056,378	-	-
Non Current	-	-	-
1,056,378	-	-	-
Movement in provision			
Opening balance as at 1 January 2012	-		
Additional provisions	1,056,378		
Closing balance as at 31 December 2012	1,056,378		

This provision for AMCON resolution fund represents 0.1% of the total assets of the Bank as at 31 December 2012. This provision was made in response to information received from the Banker's Committee that the usual accrual would increase from the required 0.3%. Payments are expected to be made by July 2013 and there are no expected reimbursements

DIAMOND BANK PLC

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41 Provision on Insurance Contracts

Group	31 December 2012	31 December 2011	1 January 2011
Life Insurance Contracts	-	-	1,073,947
Non-Life Insurance Contracts	-	-	1,145,631
	-	-	2,219,578

42 Borrowings

Group	31 December 2012	31 December 2011	01 January 2011
Borrowings comprise:			
Foreign financial Institutions	10,010,596	12,805,484	12,907,261
Local financial institutions	39,955,764	42,072,399	15,358,167
	49,966,360	54,877,883	28,265,428
Current	4,903,587	12,842,611	26,481,282
Non-current	45,062,773	42,035,272	1,784,146
	49,966,360	54,877,883	28,265,428
Bank			
Borrowings comprise:			
Foreign financial Institutions	10,010,596	12,805,484	12,907,261
Local financial institutions	39,955,764	42,072,399	15,124,570
	49,966,360	54,877,883	28,031,831
Current	4,903,587	12,842,611	26,247,685
Non-current	45,062,773	42,035,272	1,784,146
	49,966,360	54,877,883	28,031,831

Institutions	Amount	Tenor (Years)	Interest
Local Financial Institutions			
Bank of Industry (CBN Intervention Fund)	37,234,128	Varying for differing customers	1% payable to BOI
CBN Commercial Agricultural Credit Scheme	2,709,050	1 - 7	Zero interest rate
Enhanced Financial Innovation and Access Grant (EFINA)	12,586	Varying for differing customers	Varying interest
	39,955,764		
Foreign Financial Institutions			
International Finance Corporation	1,145,774	7	2.75% plus Libor
African Export-Import Bank	3,978,672	5	5% plus Libor
Standard Chartered Bank	4,886,150	1	3.12%
	10,010,596		
Total	49,966,360		

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2011: nil).

Borrowings from foreign financial institutions represent onlending facilities granted by multi-lateral and correspondence financial institutions to finance various trade and other transactions. Facilities are priced at LIBOR + a margin ranging from 2% to 5%. The foreign borrowing are disbursed by IFC, AFREXIM and FMO

Borrowings from local financial institutions are disbursements from banks within Nigeria of N39.96bn guaranteed by Diamond Bank Plc for specific customers. These facilities include the BOI intervention funds.

DIAMOND BANK PLC

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43 Long term debt

Group and Bank

	31 December 2012	31 December 2011	01 January 2011
African Export-Import Bank	15,620,190	-	-
International Finance Corporation	3,747,567	-	-
	19,367,757	-	-
Current	-	-	-
Non-current	19,367,757	-	-
	19,367,757	-	-

Company

African Export-Import Bank

International Finance Corporation

Tenor (yrs)	Interest Rate
7	5.75% + LIBOR
7	5% + LIBOR

The borrowing from International Finance Corporation relates to the liability component of the convertible loan agreement stated at its amortized cost. The loan (\$69.97m) was obtained on 19 July 2012 at an interest rate of 5% plus 6M Libor for a duration of 7 years. The loan has a conversion option whereby the each of the IFC entities have the right to convert all or a portion of the outstanding principal amount into the equivalent number of shares of the borrower. This option may be exercised 3 years from the agreement date or in the event of a change in control or sale of a substantial part of the borrower's assets or business. The derivative liability which is the other component of the convertible loan is as shown in note 36.

44 Share capital

Bank

Authorised

20 billion ordinary shares of 50k each

10,000,000	10,000,000	10,000,000
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Issued and fully paid

14.5 billion ordinary shares of 50k each

7,237,622	7,237,622	7,237,622
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45 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Undistributable earnings required to be kept by the nations central bank in accordance with BOFIA Section 16(1). Appropriation of 15% of Profit After Tax is made.

SSI reserve: 5% of Profit After Tax is appropriated from retained earnings by regulation for investment in small scale industries.

Fair value reserve: The fair value reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

Foreign currency translation reserve: Records exchange movements on the Group's net investment in foreign subsidiaries.

DIAMOND BANK PLC

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46 Reconciliation of profit before tax to cash generated from operations

Group	31 December 2012	31 December 2011
Profit/(loss) before tax including discontinued operations	27,481,545	(17,906,403)
Adjustments for:		
- Depreciation	4,513,960	4,684,571
- Amortisation	433,956	431,376
- Profit from disposal of property and equipment	-	-
- Foreign exchange losses / (gains) on operating activities	3,069,473	(2,020,274)
- Net gains/(losses) from financial assets classified as held for trading	1,025,151	1,232,906
- Impairment on loans and advances	23,984,749	33,542,081
- Net interest income	(60,065,697)	(45,243,763)
- Gain from disposal of subsidiaries	-	(226,478)
- Provision for value added tax	-	-
- Gratuity Charge and contribution to staff pension scheme	331,788	507,140
- Remittance to pension fund administrators	(283,821)	(484,899)
- Change in provision in other assets	-	7,822,117
- Share of loss/(profit) from associates	2,298	5,196
- Dividend income	(281,253)	(508,704)
- (Profit)/Loss on sale of Investment Property	-	-
- Loans Written Off	137,042	4,177,005
- Other Assets written off	-	-
- Operating losses on subsidiaries to be disposed	-	-
Increase/(decrease) in operating assets:		
- Loans and advances to banks	-	-
- Cash and balances with the Central Bank (restricted cash)	(40,971,631)	(29,002,933)
- Loans and advances to customers	(213,834,656)	(123,835,225)
- Financial assets held for trading	(56,664,242)	(5,908,698)
- Pledged Assets	(44,362,531)	2,880,000
- Other assets	(3,129,660)	(1,183,934)
- Insurance Receivable	-	705,659
- Due from Brokers	-	-
Increase/(decrease) in operating liabilities:		
- Deposit from Banks	10,211,822	5,632,387
- Deposit from Customers	305,896,922	190,884,350
- Provisions	1,056,378	-
- Other liabilities	12,106,731	3,296,873
- Provision for Insurance Contract	(0)	(2,219,578)
Cash generated from operations	(29,341,675)	27,260,773

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Bank

Profit/(loss) before tax including discontinued operations	28,364,966	(27,073,682)
Adjustments for:		
– Depreciation	4,233,178	4,093,627
– Amortisation	357,622	325,044
– Profit from disposal of property and equipment	(37,204)	-
– Foreign exchange losses / (gains) on operating activities	-	(2,006,686)
– Net gains/(losses) from financial assets classified as held for trading	(1,025,151)	1,166,719
– Impairment on loans and advances	(20,787,324)	33,595,403
– Net interest income	(57,578,778)	(43,030,892)
– Fair value loss on derivative	5,639,247	-
– Gratuity Charge and contribution to staff pension scheme	508,104	494,050
– Remittance to pension fund administrators	(428,671)	(495,857)
– Change in provision in other assets	350,291	6,424,090
– Dividend income	(281,253)	(51,462)
– Loans Written Off	(219,667)	44,562,440
Increase/(decrease) in operating assets:		
– Cash and balances with the Central Bank (restricted cash)	(37,738,446)	(29,002,933)
– Loans and advances to customers	(150,724,672)	(126,649,332)
– Financial assets held for trading	(51,544,467)	(6,092,571)
– Pledged Assets	(22,498,896)	2,880,000
– Other assets	(4,061,203)	(3,152,582)
Increase/(decrease) in operating liabilities:		
– Deposit from Banks	4,233,330	(164,142)
– Deposit from Customers	276,711,138	165,450,924
– Provisions	1,056,378	(890,605)
– Other liabilities	10,260,451	7,886,715
Cash generated from operations	(15,211,028)	28,268,268

47 Contingent liabilities and commitments

47.1 Capital commitments

At the balance sheet date, the bank had capital commitments amounting to N2.4 billion (Dec. 2011: N323 million) in respect of authorised and contracted capital projects.

47.2 Litigation

The Group is a party to numerous legal actions arising out of its normal business operations.

The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. Consequently, no provision has been made in these financial statements.

47.3 Credit related commitments

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

Group

	31 December 2012	31 December 2011	1 January 2011
Performance bonds and guarantees	93,680,697	83,498,661	129,809,177
Unconfirmed and unfunded Letters of Credit	100,003,702	55,649,058	25,615,321
	193,684,399	139,147,719	155,424,498

Bank

	31 December 2012	31 December 2011	1 January 2011
Performance bonds and guarantees	87,909,182	73,034,185	129,809,177
Unconfirmed and unfunded Letters of Credit	96,271,802	57,335,898	25,615,321
	184,180,984	130,370,083	155,424,498

48 Related party transactions

management includes the close members of family of key personnel and any entity over which key management exercise control. The key management of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

The volumes of related-party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

48.1 Loans and advances to related parties

The bank granted various credit facilities to other companies which have common directors with the bank and those that are members of the Group. The rates and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

	Key management personnel (close family members and related companies)	Subsidiaries	Associates	Total
Year ended December 2012				
Loans and advances to customers				
Loans outstanding at 1 January	26,250,852	-	34,525	26,285,377
Loans issued during the year	9,335,895	1,974,584	6,631	11,317,110
Loan repayments during the year	(1,144,591)	-	-	(1,144,591)
Loans outstanding at 31 December (note 46.4)	34,442,156	1,974,584	41,156	36,457,896
Interest income earned	299,051	-	-	299,051
Bad or doubtful debts due from related parties expense	2,243,331	-	-	2,243,331

The loans issued to directors and other key management personnel (and close family members) as at 31 December 2012 of N34.4bn (December 2011: N26.2) are repayable in various cycles ranging from monthly to annually over the tenor, and have average interest rates of 15.9% (December 2011: 17.3%). The loans advanced to the directors during the year are collateralised by a combination of lien on shares of quoted companies, fixed and floating debentures, legal mortgages and cash.

The loan to subsidiaries relates to a foreign currency term loan facility of EUR9.45M granted to Diamond Bank du Benin during the period. It is a non-collateralised loan advanced at an interest rate of 5%. This loan has been eliminated on consolidation and does not form part of the reported Group loans and advances balance.

48.2 Deposits from related parties

	Directors and other key management personnel (and close family members)	Subsidiaries	Associates	Total
Year ended 31 December 2012				
Deposits at 1 January	2,670,619	782,163	-	3,452,782
Deposits received during the year	3,176,080	277,812	-	5,954,204
Deposits repaid during the year	(2,636,093)	(745,554)	-	(3,381,647)
Deposits at 31 December 2012	3,210,606	2,814,733		6,025,339
Interest expenses on deposits	9,747	58,083	-	67,830

There are no special considerations for the related party deposits. Deposits from related parties are taken at arms length. The average rate on deposit from directors and other key management personnel which are majority demand deposit was approximately 6.04% while average rate on deposit from subsidiaries majority term deposits was approximately 13%.

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48.3 Other transactions with related parties

Bank

	Directors and other key management personnel (and close family members)	Subsidiaries	Associates	Total
Year ended 31 December 2012				
Fee and commission income	162,104	268,564	-	430,668

DIAMOND BANK PLC

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49 Key management personnel compensation

Group

Remuneration paid to the Bank's directors was:

	31 December 2012	31 December 2011
Fees and sitting allowances	114,300	123,800
Executive compensation	113,975	119,836
Pension cost	10,442	9,389
Other director expenses	74,508	34,404
	313,225	287,429

Fees and other emoluments disclosed above include amounts paid to:

Chairman	16,300	17,600
Highest paid director	24,952	23,526

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

	Number 31 December 2012	31 December 2011
Below N1,600,000	1	-
N3,400,001 and above	16	16
	17	16

50 Employees

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

	Group		Bank	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Executive directors	6	6	6	6
Management	144	201	137	180
Non-management	3,174	2,578	2,769	2,500
	3,324	2,785	2,912	2,686

See note 11.1 for compensation for the above staff

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and

N300,000 - N2,000,000	260	218	-	4
N2,000,001 - N2,800,000	75	314	14	704
N2,800,001 - N3,500,000	592	390	573	4
N3,500,001 - N4,000,000	16	32	-	-
N4,000,001 - N5,500,000	1,210	851	1,195	864
N5,500,001 - N6,500,000	10	405	-	429
N6,500,000 - N7,800,000	440	258	433	273
N7,800,001 - N9,000,000	304	120	297	131
N9,000,001 and above	411	191	394	211
	3,318	2,779	2,906	2,620

51 Compliance with banking regulation

During the year, the Bank contravened the following provisions:

(i) The CBN regulation on the scope of Banking Activities and Ancillary matters no. 3 2010. As a result of this, a fine of N2 million was imposed on the Bank by the Central Bank of Nigeria (CBN) for failure to comply with the regulation which required the Bank to dispose of its non-banking subsidiaries and their related investments.

(ii) Section 15 (iv) of the Commercial Agriculture Credit Scheme (CACS) – a fine of N764,829 was imposed on the Bank by the Central Bank of Nigeria (CBN) for delayed repatriation of funds beyond the 14 days windows allowed for participating banks.

DIAMOND BANK PLC

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52 Statement of Prudential Adjustments

Group	31 December 2012	31 December 2011	01 January 2011
Total Impairment based on IFRS	33,395,306	42,049,659	54,871,118
Total Provisions based on Prudential Guidelines	29,041,058	31,116,029	47,327,101
Difference	4,354,248	10,933,630	7,544,017
Bank			
Total Impairment based on IFRS	31,628,761	40,955,690	49,527,972
Total Provisions based on Prudential Guidelines	28,063,369	28,923,171	37,324,568
Difference	3,565,392	12,032,519	12,203,404
As the impairment based on IFRS was higher than the Provisions based on Prudential guidelines for all the years, no Credit risk reserve is required			

53 Events after statement of financial position date

The Bank received final approval of the Financial Services Authority (FSA) on 4 March 2013 to operate a subsidiary – Diamond Bank (UK) Plc, in the United Kingdom

DIAMOND BANK PLC

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GROUP

31	Property, plant and equipment	Work In Progress	Land	Leasehold Improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture, fittings & equipment	Total
Cost										
	At 1 January 2012	9,191,682	7,614,711	5,148,338	15,102,959	4,356,402	11,388,072	4,241,690	1,868,861	58,912,715
	Additions	5,306,099	331,713	218,505	1,216,779	1,571,326	1,813,587	261,612	144,321	10,863,944
	Reclassifications	-	-	-	-	-	7,515	(6,702)	(11,496)	(10,683)
	Write off	-	-	(1,698)	(2,486)	(4,305)	-	-	-	(8,490)
	Disposals	-	(4,400)	(95,842)	-	(809,688)	(1,280,381)	(636,115)	(253,041)	(3,079,467)
	Exchange difference	(972,181)	23,731	3,201	(21,976)	4,490	12,391	119,173	(55,825)	(886,996)
	At 31 December 2012	13,525,601	7,965,755	5,272,504	16,295,277	5,118,225	11,941,185	3,979,658	1,692,820	65,791,023
Accumulated depreciation										
	At 1 January 2012	-	-	2,686,896	1,904,277	2,555,143	7,801,001	3,089,134	1,211,806	19,248,257
	Charge for the year	-	-	443,695	832,557	849,055	1,554,325	585,778	248,281	4,513,690
	Reclassifications	-	-	-	-	-	7,515	(6,620)	(11,139)	(10,244)
	Write off	-	-	(690)	(472)	(89)	-	-	-	(1,251)
	Disposals	-	-	(95,378)	-	(733,863)	(1,236,210)	(629,782)	(238,447)	(2,933,681)
	Exchange differences	-	-	3,744	(43,598)	2,862	15,199	63,104	(47,391)	(6,081)
	At 31 December 2012	-	-	3,038,266	2,692,763	2,673,108	8,141,829	3,101,614	1,163,109	20,810,690
	Net book amount at 31 December 2012	13,525,601	7,965,755	2,234,237	13,602,513	2,445,117	3,799,356	878,044	529,710	44,980,333
Cost										
	At 1 January 2011	8,401,949	6,517,668	3,380,776	13,599,113	4,873,192	11,723,122	4,015,960	1,628,266	54,140,046
	Additions	3,883,287	1,097,043	787,928	222,664	1,339,639	858,559	1,088,549	324,203	9,601,872
	Reclassifications	(2,299,127)	-	195,282	1,777,761	23,480	259,432	4,707	38,465	-
	Write off	(652,186)	-	-	-	-	-	-	-	(652,186)
	Disposals	-	-	(2,373)	-	(1,627,588)	(283,512)	(160,640)	(130,468)	(2,204,581)
	Exchange difference	(142,241)	-	872,253	3,885	(100,626)	(1,099,445)	(467,332)	68,036	(865,470)
	On disposal of subsidiaries	-	-	(85,528)	(500,463)	(151,695)	(70,084)	(239,554)	(59,641)	(1,106,965)
	At 31 December 2011	9,191,682	7,614,711	5,148,338	15,102,959	4,356,402	11,388,072	4,241,690	1,868,861	58,912,716
Accumulated depreciation										
	At 1 January 2011	-	-	2,050,838	1,348,994	2,849,955	6,820,527	3,119,521	996,025	17,185,860
	Charge for the year	-	-	498,598	558,772	1,134,987	1,655,969	517,005	319,240	4,684,571
	Disposals	-	-	(1,937)	-	(1,279,354)	(270,076)	(163,375)	(103,352)	(1,818,094)
	Exchange differences	-	-	198,964	(107)	(30,213)	(361,899)	(310,125)	43,843	(459,537)
	On disposal of subsidiaries	-	-	(59,567)	(3,382)	(120,232)	(43,520)	(73,892)	(43,950)	(344,543)
	At 31 December 2011	-	-	2,686,896	1,904,277	2,555,143	7,801,001	3,089,134	1,211,806	19,248,257
	Net book amount at 31 December 2011	9,191,682	7,614,711	2,461,442	13,198,682	1,801,259	3,587,071	1,152,556	657,055	39,664,459

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	Work In Progress	Freehold Land	Leasehold Improvement	Leasehold Land & Building	Motor vehicles	Office equipment	Computer equipment	Furniture, fittings & equipment	Total
Cost									
At 1 January 2010	12,080,396	6,260,430	3,063,705	9,628,948	5,048,093	10,871,796	3,114,686	1,315,344	51,383,398
Additions	1,412,535	257,238	122,388	334,256	571,498	587,280	869,257	176,496	4,330,948
Reclassifications	(5,079,295)	-	194,701	3,636,406	23,295	398,932	53,581	228,729	(543,651)
Disposals	-	-	(18)	-	(756,321)	(128,336)	(10,712)	(47,829)	(943,216)
Exchange difference	(11,687)	-	-	(497)	(13,373)	(6,550)	(10,852)	(44,474)	(87,433)
At 1 January 2011	8,401,949	6,517,668	3,380,776	13,599,113	4,873,192	11,723,122	4,015,960	1,628,266	54,140,046
Accumulated depreciation									
At 1 January 2010	-	-	1,636,822	1,567,270	2,427,357	5,273,637	2,366,430	771,255	14,042,771
Reclassifications	-	-	(11,570)	(589,687)	(75,180)	58,945	250,799	(73,546)	(440,239)
Exchange differences	-	-	-	-	(11,494)	(5,507)	(10,208)	(19,866)	(47,075)
Charge for the year	-	-	428,945	371,411	1,018,886	1,619,230	523,364	348,005	4,309,841
Disposals	-	-	(3,359)	-	(509,614)	(125,778)	(10,864)	(29,823)	(679,438)
At 1 January 2011	-	-	2,050,838	1,348,994	2,849,955	6,820,527	3,119,521	996,025	17,185,860
				2,148,349					
Net book amount at 1 January 2011	8,401,949	6,517,668	1,329,938	12,250,119	2,023,237	4,902,595	896,439	632,241	36,954,186
Net book amount at 31 December 2011	9,191,682	7,614,711	2,461,442	13,198,682	1,801,259	3,587,071	1,152,556	657,055	39,664,459
Net book amount at 31 December 2012	13,525,601	7,965,755	2,234,237	13,602,513	2,445,117	3,799,356	878,044	529,710	44,980,333

The reclassification above relates to the movement of items of Property, Plant and equipment from work in progress to asset classes and other assets, computer equipment to intangible assets. The amounts reclassified are as seen in the movement schedule above. The reclassification is in line with the accounting policy.

DIAMOND BANK PLC

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BANK

31	Property, plant and equipment	Work In Progress	Land	Leasehold Improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture, fittings & equipment	Total
Cost										
	At 1 January 2012	7,655,891	7,622,995	3,700,412	14,906,341	3,838,674	11,186,654	3,615,396	1,520,708	54,047,071
	Additions	5,148,702	331,713	32,012	561,959	1,513,621	1,799,407	251,417	135,754	9,774,585
	Reclassifications					-	7,515	(6,620)	(8,639)	(7,744)
	Write off			(1,698)	(2,486)	(4,305)				(8,490)
	Disposals		(4,400)	(95,158)		(740,192)	(1,274,512)	(626,931)	(249,614)	(2,990,807)
	At 31 December 2012	12,804,593	7,950,308	3,635,568	15,465,814	4,607,798	11,719,064	3,233,262	1,398,209	60,814,615
Accumulated depreciation										
	At 1 January 2012	-	-	2,222,910	1,901,458	2,216,967	7,699,431	2,678,878	1,050,609	17,770,253
	Charge for the year	-	-	278,431	629,599	883,468	1,590,376	440,172	210,310	4,032,356
	Reclassifications	-	-			-	7,515	(6,620)	(8,639)	(7,744)
	Write off			(690)	(472)	(89)				(1,251)
	Disposals	-	-	(94,882)	-	(670,883)	(1,233,563)	(622,340)	(236,780)	(2,858,448)
	At 31 December 2012	-	-	2,405,769	2,530,585	2,429,463	8,063,759	2,490,090	1,015,500	18,935,166
	Net book amount at 31 December 2012	12,804,593	7,950,308	1,229,799	12,935,229	2,178,335	3,655,305	743,172	382,709	41,879,449
Cost										
	At 1 January 2011	8,276,714	6,525,953	3,138,098	13,090,365	4,314,805	10,444,633	2,881,408	1,427,278	50,099,254
	Additions	2,230,793	1,097,043	367,032	38,215	1,118,324	769,637	892,861	175,475	6,689,380
	Reclassifications	(2,299,127)	-	195,282	1,777,761	23,480	259,432	4,707	38,465	-
	Write off	(552,489)								(552,489)
	Disposals	-	-	-		(1,617,935)	(287,048)	(163,580)	(120,510)	(2,189,073)
	At 31 December 2011	7,655,891	7,622,995	3,700,412	14,906,341	3,838,674	11,186,654	3,615,396	1,520,708	54,047,072
Accumulated depreciation										
	At 1 January 2011	-	-	1,870,644	1,345,614	2,498,494	6,359,128	2,483,266	896,560	15,453,706
	Charge for the year	-	-	352,266	555,844	971,950	1,606,837	358,987	247,743	4,093,627
	Disposals	-	-	-		(1,253,477)	(266,534)	(163,375)	(93,694)	(1,777,080)
	At 31 December 2011	-	-	2,222,910	1,901,458	2,216,967	7,699,431	2,678,878	1,050,609	17,770,253
	Net book amount at 31 December 2011	7,655,891	7,622,995	1,477,502	13,004,883	1,621,707	3,487,223	936,518	470,099	36,276,819

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	Work In Progress	Land	Leasehold Improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture, fittings & equipment	Total
Cost									
At 1 January 2010	11,598,367	6,525,952	2,819,088	8,894,863	4,363,987	9,546,716	2,627,196	1,171,705	47,547,874
Additions	1,424,814	-	124,315	559,172	674,751	625,585	259,536	160,538	3,828,711
Reclassifications	(4,746,467)	-	194,695	3,636,330	10,959	393,973	2,785	121,883	(385,842)
Disposals	-	-	-	-	(734,892)	(121,641)	(8,109)	(26,848)	(891,490)
At 1 January 2011	8,276,714	6,525,953	3,138,098	13,090,365	4,314,805	10,444,633	2,881,408	1,427,278	50,099,253
Accumulated depreciation									
At 1 January 2010	-	-	1,488,644	1,530,283	2,070,886	4,897,820	2,114,527	708,081	12,810,241
Reclassifications	-	-	-	(799,353)	(3,570)	(6,975)	-	780	(809,118)
Charge for the year	-	-	382,000	614,684	874,833	1,570,326	376,847	208,231	4,026,921
Disposals	-	-	-	-	(443,655)	(102,043)	(8,108)	(20,532)	(574,338)
At 1 January 2011	-	-	1,870,644	1,345,614	2,498,494	6,359,128	2,483,266	896,560	15,453,706
Net book amount at 1 January 2011	8,276,714	6,525,953	1,267,454	11,744,751	1,816,311	4,085,505	398,142	530,718	34,645,547
Net book amount at 31 December 2011	7,655,891	7,622,995	1,477,502	13,004,883	1,621,707	3,487,223	936,518	470,099	36,276,819
Net book amount at 31 December 2012	12,804,593	7,950,308	1,229,799	12,935,229	2,178,335	3,655,305	743,172	382,709	41,879,450

The reclassification above relates to the movement of items of Property, Plant and equipment from work in progress to asset classes and other assets, computer equipment to intangible assets. The amounts reclassified are as seen in the movement schedule above. The reclassification is in line with the accounting policy.

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47.4 Details of loans to related parties

NAME OF LENDER	FACILITY TYPE	RELATIONSHIP	DIRECTOR	DATE_GRANTED	EXPIRY_DATE	AMOUNT GRANTED	OUTSTANDING BALANCE	STATUS	NATURE OF SECURITY/STATUS
FLOBY ENTERPRISES	OVERDRAFT	EX-DIRECTOR	MRS FLORENCE ANYAMENE	29-07-1998	29-10-1998	250,000,000	59,654,042	LOST	FLOATING DEBENTURE & LEGAL CHARGE ON CLIENTS ASSET
SIR OGBECHIE CHRIS IKE	TERM LOAN	DIRECTOR	SIR CHRIS OGBECHIE	06-05-2009	30-04-2024	60,000,000	35,838,384	PERFORMING	LEGAL MORTGAGE ON LAND & PROPERTY
MEDIA MONITORING SERV NIG LTD	LEASES	DIRECTOR	SIR CHRIS OGBECHIE	23-08-2012	22-08-2014	13,136,802	11,366,364	PERFORMING	LEGAL OWNERSHIP OF THE LEASED EQUIPMENTS
CONTACT MARKETING SERVICES LTD	LEASES	DIRECTOR	SIR CHRIS OGBECHIE	05-01-2012	04-01-2014	47,432,000	28,232,556	PERFORMING	LIEN ON 6M UNITS OF BANK PHB SHARES & PG OF THE CHARIMAN. SIR CHRIS OGBECHIE, OWNERSHIP OF LEASED VEHICLE
CONTACT MARKETING SERVICES LTD	OVERDRAFT	DIRECTOR	SIR CHRIS OGBECHIE	22-03-2012	21-03-2013	12,000,000	987,981	PERFORMING	LIEN ON 6M UNITS OF BANK PHB SHARES & PG OF THE CHARIMAN. SIR CHRIS OGBECHIE, OWNERSHIP OF LEASED VEHICLE
UCL-MODERN INDUSTRIES LIMITED	OVERDRAFT	DIRECTOR	UZOMA DOZIE	13-08-2010	13-08-2015	1,616,725,280	2,183,676,665	SUBSTANDARD	MORTGAGE DEBENTURE ON ASSETS & OWNERSHIP OF LEASED EQUIPMENT
GEOMETRIC POWER LIMITED	TERM LOAN	DIRECTOR	UZOMA DOZIE	14-11-2011	14-11-2024	30,226,474,301	30,226,474,301	PERFORMING	MORTGAGE DEBENTURE MANAGED BY FIRST TRUSTEE
ALUM. EXTRUSION IND. PLC	OVERDRAFT	DIRECTOR	UZOMA DOZIE	21-12-2012	20-12-2013	130,000,000	121,183,541	PERFORMING	FIXED & FLOATING CHARGE, DOMICILIATION, OWNERSHIP OF LEASED ASSETS
ALUM. EXTRUSION IND. PLC	LEASES	DIRECTOR	UZOMA DOZIE	31-03-2010	14-03-2015	87,166,400	38,001,891	PERFORMING	FIXED & FLOATING CHARGE, DOMICILIATION, OWNERSHIP OF LEASED ASSETS
SUMMIT HEALTHCARE HOSP. LTD	TERM LOAN	DIRECTOR	DR. OLUBUKOLA HASSAN	19-10-2011	13-04-2013	105,000,000	26,312,707	PERFORMING	THIRD PARTY LEGAL MORTGAGE
MARKET AUDIT & RESEARCH SERV. LTD	TERM LOAN	DIRECTOR	SIR CHRIS OGBECHIE	18-12-2012	15-02-2013	1,610,615	1,610,615	PERFORMING	DOMICILIATION OF CONTRACT PROCEEDS
LANDMARK 2007 GLOBAL REALITY LTD	TERM LOAN	DIRECTOR	UZOMA DOZIE	05-06-2012	30-08-2014	476,753,188	307,253,188	PERFORMING	LIEN ON FCY DEPOSIT, LEGAL MORTGAGE ON PROPERTY
SPECIAL BRANDS LIMITED	TERM LOAN	DIRECTOR	UZOMA DOZIE	03-07-2012	03-07-2017	250,000,000	229,166,667	PERFORMING	LIEN ON CURRENT ACCOUNT RECEIVABLES, IRREVOCABLE DOMICILIATION OF PROCEEDS FROM 19 UAC RESTAURANTS, TITLE TO 99% SHAREHOLDING OF KAIZEN VENTURES IN SPECIAL BRAND
HRM IGWE NNAEMEKA A. ACHEBE	TERM LOAN	DIRECTOR	HRM IGWE NNAEMEKA A. ACHEBE	07-08-2012	07-08-2016	148,772,710	148,772,710	PERFORMING	LEGAL MORTGAGE ON LAND & PROPERTY
TOTAL						33,425,071,296	33,418,531,612		

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54 Explanation of transition to IFRSs

As stated in note 2.1 on significant accounting policies, these are the Bank and Group's first consolidated financial statements prepared in accordance with IFRS1 - First Time Adoption of IFRS.

As the Bank and Group publishes comparative information for the year in its financial statements, the date of transition to IFRSs is effectively, 1 January 2011, which represents the start of the earliest period of comparative information presented. The opening balance sheet as at 1 January 2011 and comparative information have been restated accordingly. The accounting policies as set out in note 2 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Bank and Group entities.

An explanation of how the transition from Nigerian GAAP to IFRSs has affected the Bank and Group's financial position, financial performance and cash flows is set out in the accompanying notes and tables.

GROUP

Reconciliation of Equity as at:

		1 Jan. 2011	31 Dec. 2011
		107,084,863	93,332,827
	IFRS Adjustments		
(a)	Employee Benefit - staff Loans		
i	Amortization of prepaid payroll cost over the life of the loan	(423,179)	(458,675)
ii	Increase in interest income due to application of market interest rate on staff loans	508,266	540,964
(b)	Loan Loss Provision		
i	Additional specific impairment on loans based on PV of discounted recovery cash flows under incurred loss model	(13,900,610)	(16,708,553)
ii	Additional Collective impairment based on PD and LGD of segmented loans	(3,432,885)	(999,877)
iii	Recognition of Interest in Suspense in interest Income	9,071,765	5,323,455
(c)	Deferred Tax		
i	Deferred tax impact arising from the impact IFRS adjustments relating to specific and collective impairment as well as additional interest income recognized in income statement.	4,101,176	4,011,485
(d)	Fair Value of Financial Instruments		
i	Fair Value Loss on Held for Trading Instruments under IAS 39	(2,183,587)	4,282,601
ii	Recognizing Equity Gains/(Losses) of Associates	236,404	153,604
iii	Fair Value gains/ Loss on Equity Instruments (Available for Sale) under IAS 39	1,515,147	(2,781,914)
(e)	Application of Amortized cost and EIR on Loans and HTM Investments		
i	Fees that are considered as integral part of the loans such as processing, management and monitoring fees which are usually taken upfront and recognized in income statement at the inception of the loan under NGAAP, have been deferred and recognized over the life of the loans.	1,933,966	(1,770,333)
ii	Interest accrual on a corporate Bond which has been designated as HTM		4,819
(f)	Restatement of Landed Property		
	Reversal of Accumulated depreciation wrongly charged on Landed Property	799,354	1,050,611
	Total IFRS Adjustment	(1,774,184)	(7,351,813)
	Shareholders' equity under IFRS	105,310,679	85,981,014

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Reconciliation of Statement of Financial Position as at 1 January 2011

	Note	Nigerian GAAP	Adjustments	IFRS
Assets				
Cash and balances with central banks		27,606,200	-	27,606,200
Treasury Bills	a,a	51,302,987	(51,302,987)	-
Loans to banks	a,b	66,815,068	5,340,272	72,155,340
Loans and advances to customers	a,c	307,135,161	77,296	307,212,457
Advances under finance leases	a,d	5,071,279	(5,071,279)	-
Investment securities	a,e	73,491,632	(73,491,632)	-
Financial assets held for trading	a,f	-	1,345,552	1,345,552
Investment securities	a,g	-	-	-
-Available-for-sale investments	a,h	-	19,891,359	19,891,359
-Held to maturity investments	a,i	-	56,977,064	56,977,064
Pledged Assets	a,j	-	37,820,000	37,820,000
Investments in associates accounted for using the equity method	a,k	-	3,502,339	3,502,339
Insurance receivables	a,l	187,577	518,082	705,659
Investment property	a,m	3,755,064	-	3,755,064
Property, plant and equipment	a,n	36,750,856	203,330	36,954,186
Intangible Assets	a,o	-	596,025	596,025
Deferred tax	a,p	4,176,678	3,504,398	7,681,076
Other assets	a,q	17,922,171	(17,922,171)	16,649,442
Assets Classified as Held for sale	a,r	-	-	-
		594,214,673	(18,012,352)	592,851,763
Liabilities				
Deposits from banks	a,s	15,347,216	-	15,347,216
Deposits from customers	a,t	412,031,918	960,836	412,992,754
Financial liabilities held for trading		-	-	-
Borrowings	a,u	28,281,011	(15,583)	28,265,428
Provision for Insurance Contracts	a,w	1,688,982	530,596	2,219,578
Retirement benefit obligations	a,x	26,125	3,241	29,366
Provision		-	-	0
Current income tax liability	a,y	1,995,250	-	1,995,250
Dividend Payable	b,a	86,263	(86,263)	-
Other liabilities	b,b	27,673,045	(981,553)	26,691,492
		487,129,810	411,274	487,541,084
Total liabilities				
Share capital		7,237,622	-	7,237,622
Share premium		89,629,324	-	89,629,324
Retained earnings	b,c	(5,098,158)	(3,289,331)	(8,387,489)
Other reserves				
Statutory reserve	b,d	11,214,864	-	11,214,864
SSI Reserve	b,e	2,812,957	-	2,812,957
Contingency Reserve	b,f	354,741	-	354,741
Fair value reserve	b,g	-	1,686,305	1,686,305
Revaluation reserve	b,h	171,158	(171,158)	-
Foreign currency translation reserve	b,i	306,694	-	306,694
Total equity		106,629,202	(1,774,184)	104,855,018
Non Controlling Interest		455,661	-	455,661
		594,214,673	(1,362,910)	592,851,763
Total equity and liabilities				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Reconciliation of Statement of Comprehensive Income

	Note	For the year ended 31 December 2011		
		NGAAP	IFRS Adjustments	IFRS
Interest and similar income	c,a	67,935,924	15,424,538	83,360,462
Dividend Income		-	508,704	508,704
		67,935,924	15,933,242	83,869,166
Interest and similar expense	c,b	(12,285,666)	(216,875)	(12,502,541)
Net interest income		55,650,258	15,716,367	71,366,625
Provision for losses		(44,148,499)	44,148,499	-
Impairment charge for losses		-	(55,408,691)	(55,408,691)
Net interest income after impairment charge for credit losses		11,501,759	4,456,175	15,957,934
Net fee and commission income	c,c	24,097,756	(5,086,439)	19,011,317
Net gains/(losses) on investment securities		-	(514,766)	(514,766)
Net gains/(losses) from financial assets classified as held for trading	c,d	-	1,232,906	1,232,906
Foreign exchange income		2,020,274	-	2,020,274
Other income	c,e	1,676,007	(871,272)	804,735
Other operating expenses	c,f	(55,579,613)	(892,520)	(56,472,133)
Operating profit		(16,283,817)	(1,675,915)	(17,959,732)
Share of profit / (loss) of associates	c,g	-	(5,196)	(5,196)
Exceptional item		22,802	(22,802)	-
Profit before tax		(16,261,015)	(1,703,913)	(17,964,928)
Income tax expense		5,006,914	(982,970)	4,023,944
Profit/(Loss) from continuing Operation		(11,254,101)	(2,686,883)	(13,940,984)
Profit/(Loss) from discontinued Operation	c,h	-	328,132	217,198
Profit for the year	c,h	(11,254,101)	(2,358,751)	(13,723,786)
Profit attributable to:				
Owners of the parent		(11,214,508)	(2,515,598)	(13,730,106)
Non-controlling interests		(39,593)	45,912	6,319
Total Comprehensive Income for the period		(11,254,101)	(2,469,685)	(13,723,786)
Other comprehensive income:				
Foreign currency translation differences	c,i	-	(77,008)	(77,008)
Unrealised net gains arising during the period	c,j	-	(3,107,942)	(3,107,942)
Other comprehensive income for the period, net of tax		-	(3,184,950)	(3,184,950)
Total Comprehensive Income for the period		(11,254,101)	(5,654,635)	(16,908,736)

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Reconciliation of Statement of Financial Position as at 31 December 2011

	Note	Nigerian GAAP	Adjustments	IFRS
(b) Assets				
Cash and balances with central banks		55,784,079	-	55,784,079
Treasury Bills	a,a	94,588,452	(94,588,452)	-
Loans to banks	a,b	90,629,825	18,186	90,648,011.00
Loans and advances to customers	a,c	387,979,228	157,258	388,136,486
Advances under finance leases	a,d	9,381,908	(9,381,908)	-
Investment securities	a,e	103,170,397	(103,170,397)	-
Financial assets held for trading	a,f	-	8,041,618	8,041,618
Investment securities	a,g	-	-	-
-Available-for-sale investments	a,h	-	85,990,731	85,990,731
-Held to maturity investments	a,i	-	61,712,761	61,712,761
Pledged Assets	a,j	-	34,940,000	34,940,000
Investments in associates	a,k	-	3,184,549	3,184,549
Investment property	a,m	3,833,335	-	3,833,335
Property, plant and equipment	a,n	38,613,848	1,050,611	39,664,459
Intangible Assets	a,o	819,076	-	819,076
Deferred tax	a,p	8,351,757	4,011,485	12,363,242
Other assets	a,q	10,048,097	615,348	10,663,445
Assets Classified as Held for sale	a,r	-	450,000	450,000
		803,200,002	(7,418,210)	796,231,792
Liabilities				
Deposits from banks	a,s	20,982,788	-	20,982,788
Deposits from customers	a,t	601,695,732	1,307,497	603,003,229
Borrowings	a,u	54,840,757	37,126	54,877,883
Retirement benefit obligations	a,w	33,093	18,514	51,607
Current income tax liability	a,x	1,346,904	-	1,346,904
Dividend Payable	a,z	94,145	(94,145)	-
Other liabilities	b,a	30,873,756	(885,391)	29,988,365
Total liabilities	b,b	709,867,175	383,601	710,250,776
Share capital		7,237,622	-	7,237,622
Share premium		89,629,324	-	89,629,324
Retained earnings		(18,137,713)	(5,974,988)	(24,112,701)
Other reserves		-	-	-
Statutory reserve	b,c	11,394,523	-	11,394,523
SSI Reserve		2,812,957	-	2,812,957
Fair value reserve	b,d	-	(1,422,736)	(1,422,736)
Foreign currency translation reserve	b,g	217,094	-	217,094
Total equity	b,h	93,153,807	(7,397,724)	85,756,084
Non Controlling Interest	b,i	179,020	45,912	224,932
Total equity and liabilities		803,200,002	(6,968,210)	796,231,793

DIAMOND BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

BANK			
Reconciliation of Equity as at:		1 Jan. 2011	31 Dec. 2011
Shareholders' equity under NGAAP		116,881,159	92,522,024
IFRS Adjustments			
(a)	Employee Benefit - staff Loans	(a)	
i	Amortization of prepaid payroll cost over the life of the loan	(423,179)	(457,901)
ii	Increase in interest income due to application of Effective Interest Rate on staff loans	508,266	540,048
(b)	Loan Loss Provision	(b)	
i	Additional specific impairment on loans based on PV of discounted recovery cash flows under incurred loss model	(16,821,408)	(18,409,927)
ii	Additional Collective impairment based on PD and LGD of segmented loans	(3,114,154)	(1,293,507)
iii	Recognition of Interest in Suspense in interest Income	9,071,765	5,323,455
(c)	Deferred Tax	(c)	
i	Deferred tax on Income statement impact of the Employee Benefits and Loan loss provisions calculated above	3,553,052	4,199,447
(d)	Fair Value of Financial Instruments	(d)	
i	Fair Value Loss on Held for Trading Instruments under IAS 39	(930,462)	4,282,601
ii	Recognizing Equity Gains/(Losses) of Associates	(286,500)	(55,996)
iii	Fair Value Loss on Equity Instruments (Available for Sale) under IAS 39	665,652	(2,804,784)
(e)	Application of Amortized cost and EIR on Loans and HTM Investments	(e)	
i	Fees that are considered as integral part of the loans such as processing, management and monitoring fees which are usually taken upfront and recognized in income statement at the inception of the loan under NGAAP, have been deferred and recognized over the life of the loans.	1,360,817	(759,638)
(f)	Restatement of Landed Property	(f)	
	Reversal of Accumulated depreciation wrongly charged on Landed Property	799,355	1,050,611
Total IFRS Adjustment		(5,616,797)	(8,385,589)
Shareholders' equity under IFRS		111,264,362	84,136,435

DIAMOND BANK PLC
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
(All amounts in thousands of Nigeria Naira unless otherwise stated)
Reconciliation of Statement of Financial Position as at 1 January 2011

	Note	Nigerian GAAP	Adjustments	IFRS
Assets				
Cash and balances with central banks		17,764,318	106,811	17,871,129
Treasury Bills	a,a	43,063,637	(43,063,637)	-
Loans to banks	a,b	61,609,150	11,035	61,620,185
Loans and advances to customers	a,c	307,828,170	(8,293,478)	299,534,692
Advances under finance leases	a,d	5,071,279	(5,071,279)	-
Investment securities	a,e	49,528,513	(17,442,980)	-
Investment in subsidiaries		17,442,980		17,442,980
Financial assets held for trading	a,f	-	1,109,080	1,109,080
Investment securities	a,g		(49,528,513)	
-Available-for-sale investments	a,h		11,095,806	11,095,806
-Held to maturity investments	a,i		43,978,424	43,978,424
Pledged Assets	a,j		37,820,000	37,820,000
Property, plant and equipment	a,n	33,846,192	799,355	34,645,547
Intangible Assets	a,o	596,025	-	596,025
Deferred tax	a,p	2,684,966	5,035,291	7,720,257
Other assets	a,q	8,386,866	277,499	8,664,365
Assets Classified as Held for sale	a,r		-	
		547,822,096	(23,166,586)	542,098,490
Liabilities				
Deposits from banks	a,s	4,104,098	-	4,104,098
Deposits from customers	a,t	378,733,006	611,013	379,344,019
Borrowings	a,u	28,281,011	(249,180)	28,031,831
Retirement benefit obligations	a,x	18,707	3,241	21,948
Provision		-	-	0
Current income tax liability	a,y	1,649,557	-	1,649,557
Dividend Payable	b,a	86,263	(86,263)	-
Other liabilities	b,b	18,068,295	(385,621)	17,682,674
Total liabilities		430,940,937	(106,810)	430,834,127
Share capital		7,237,622	-	7,237,622
Share premium		89,629,324	-	89,629,324
Retained earnings	b,c	6,011,755	(6,282,448)	(270,693)
Other reserves				
Statutory reserve	b,d	11,189,501	-	11,189,501
SSI Reserve	b,e	2,812,957	-	2,812,957
Fair value reserve	b,g	-	665,652	665,652
Total equity		116,881,159	(5,616,796)	111,264,363
Total equity and liabilities		547,822,096	(5,723,606)	542,098,490

DIAMOND BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Reconciliation of Statement of Comprehensive Income

Reconciliation of Statement of Comprehensive Income		For the year ended 31 December 2011		
		Note	NGAAP	IFRS Adjustments
Interest and similar income	c,a	63,537,024	16,351,507	79,888,531
Dividend Income		-	51,462	51,462
		63,537,024	16,402,969	79,939,993
Interest and similar expense	c,b	(10,468,642)	(216,875)	(10,685,517)
Net interest income		53,068,382	16,186,094	69,254,476
Provision for losses		(43,336,291)	43,336,291	-
Impairment charge for credit losses		-	(52,949,031)	(52,949,031)
Net interest income after impairment charge for credit losses		9,732,091	6,573,354	16,305,445
Net fee and commission income	c,c	22,744,229	(4,817,888)	17,926,341
Net gains/(losses) on available for sale investment securities		-	(513,539)	(513,539)
Net gains/(losses) from financial assets classified as held for trading	c,d	(42,457)	1,209,176	1,166,719
Foreign exchange income		2,006,686	-	2,006,686
Other income	c,e	500,868	(383,887)	116,981
Loss on disposal and absorption of Subsidiaries		-	(11,582,011)	(11,582,011)
Other operating expenses	c,f	(50,351,723)	(2,207,108)	(52,558,831)
Operating profit		(15,410,306)	(11,721,903)	(27,132,209)
Exceptional item		(11,887,341)	11,887,341	-
Profit before tax		(27,297,647)	165,438	(27,132,209)
Income tax expense		5,109,799	(845,844)	4,263,955
Profit for the year	c,h	(22,187,848)	(680,406)	(22,868,254)
Total Comprehensive Income for the period		(22,187,848)	(680,406)	(22,868,254)
Other comprehensive income:				
Unrealised net gains arising during the period	c,j	-	(3,107,943)	(3,107,943)
		-	-	-
Other comprehensive income for the period		-	(3,107,943)	(3,107,943)
Total Comprehensive Income for the period		(22,187,848)	(3,788,349)	(25,976,197)

DIAMOND BANK PLC
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
(All amounts in thousands of Nigeria Naira unless otherwise stated)
Reconciliation of Statement of Financial Position as at 31 December 2011

	Note	Nigerian GAAP	Adjustments	IFRS
(b) Assets				
Cash and balances with central banks		54,396,524	-	54,396,524
Treasury Bills	a,a	85,383,123	(85,383,123)	-
Loans to banks	a,b	72,080,660	(13,284,277)	72,098,846
Loans and advances to customers	a,c	346,569,970	(2,172,639)	344,397,331
Advances under finance leases	a,d	9,381,908	(9,381,908)	-
Investment securities	a,e	93,875,005	(93,875,005)	-
Investment in subsidiaries		7,865,622	-	7,865,622
Financial assets held for trading	a,f	-	8,041,618	8,041,618
Investment securities	a,g	-	-	-
-Available-for-sale investments	a,h	-	76,762,309	76,762,309
-Held to maturity investments	a,i	-	52,253,105	52,253,105
Pledged Assets	a,j	-	34,940,000	34,940,000
Investments in associates	a,k	-	3,205,140	3,205,140
Investment property	a,m	3,686,335	-	3,686,335
Property, plant and equipment	a,n	35,226,207	1,050,612	36,276,819
Intangible Assets	a,o	624,139	-	624,139
Deferred tax	a,p	8,347,427	4,189,447	12,536,874
Other assets	a,q	5,022,408	1,506,889	6,529,297
Assets Classified as Held for sale	a,r	-	450,000	450,000
		722,459,328	(22,147,832)	714,063,959
Liabilities				
Deposits from banks	a,s	3,939,956	-	3,939,956
Deposits from customers	a,t	544,282,581	878,564	545,161,145
Borrowings	a,u	54,840,757	37,126	54,877,883
Retirement benefit obligations	a,w	1,626	18,515	20,141
Provision		-	-	0
Current income tax liability	a,x	1,249,616	-	1,249,616
Dividend Payable	a,z	94,146	(94,146)	-
Other liabilities	b,a	25,528,623	(849,839)	24,678,784
Total liabilities	b,b	629,937,305	(9,780)	629,927,525
Share capital		7,237,622	-	7,237,622
Share premium		89,629,324	-	89,629,324
Retained earnings		(18,347,381)	(6,962,853)	(25,310,234)
Other reserves				
Statutory reserve	b,c	11,189,501	-	11,189,501
SSI Reserve		2,812,957	-	2,812,957
Fair value reserve	b,d	-	(1,422,736)	(1,422,736)
Total equity	b,h	92,522,023	(8,385,589)	84,136,435
Total equity and liabilities		722,459,328	(8,395,369)	714,063,960

DIAMOND BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Significant changes to Statement of Cashflow

The significant changes made to the Cashflow for the year ended 31 Dec 2011 is as below:

- Cash and cash equivalents: treasury bills with original maturities of 90 days or less were included in this balance under IFRS, however under NGAAP, all treasury bills irrespective of the maturities were included.
- Interest Paid and Interest Received: These two items have been reflected on the face of the Statement of cashflows inline with IFRS. This was not required under NGAAP.

Notes to the reconciliation of equity

- a Employees were granted loans at a below market interest rate. Under IFRS, the difference between the rate granted and a market related rate is an employee benefit, which must be deferred and recognised as an employee expense over the period of the loan. For the year ended 31 December 2011 N458.6m (1 January 2011 N423.2m) was adjusted in equity. As at 31 December 2011, additional interest income amounting to N541.0m (1 January 2011, N508.3m) has been adjusted in retained earnings based on the market rate of interest.

b Loan Loss Provision - Specific Impairment

Under NGAAP, provision on loans is determined using the prudential guidelines which prescribes the percentage to be written down as soon as loan is designated as impaired, depending on whether the status of impairment is doubtful, substandard or lost. Under IFRS, a loan is assessed for impairment if there is objective evidence that an impairment has occurred since initial recognition. The group assesses for impairment all loans that are due or impaired for 90 days or more. Estimated revised cash flows from the loans including the collateral realization and timing are determined and discounted to present value. Application of IFRS to specific impairment calculation depleted Retained Earnings by N16,708.6m as at 31 December 2012 (1 January 2011 N13,900.6m).

- Collective Impairment

Under NGAAP, general provision was calculated as 1% of all performing loans. Under IFRS, the reporting entity is required to perform a collective impairment evaluation on all its insignificant loans as well as on its significant but non-impaired loans. The reporting entity determines by available history the Probability of Defaults (PD) and Loss Giving Default (LGD) by sectors and applies these ratios on the performing loans at each reporting date. The application of collective impairment procedures on the groups performing loans gave rise to a negative adjustment of approximately N999.9m as on 31, December 2011 (1 January 2011, N3,435.9m).

- Recognition of Interest on impaired loans

Under NGAAP, interest is accrued on Non-performing loans and advances at a default or contractual rate, but such interest is usually suspended and included as part of specific provision on the loans. Under IFRS, interest is accrued and recognized on impaired loans using effective interest rate. The recognition of Interest on impaired loans was a positive adjustment in retained earnings at 31 December 2011 of N5,323.5m, (1 January 2011, N9,071.8m)

c Deferred Tax

The implications of application of IFRS to loan losses provisioning and employee benefits increased Retained earnings by N4,011.5m as on 31 December 2011 (1 January 2011, N4,011.5m). Nominal tax rate of 30% was used in calculating the deferred tax adjustments which also increased the balance sheet carrying amount of deferred tax assets by same amounts.

d Fair Value of Financial Instruments

Under Nigerian GAAP, investment securities are either classified as short term or long term investments. Short-term investments are investments that management intends to hold for less than one year. These investments are measured at the lower of cost or net realisable value subsequent to initial recognition. Long term investments are investments other than short term investments and are carried at cost less impairment. Under IAS 39, investments are classified as Fair Value through profit or loss (Held for Trading), Fair Value through Other Comprehensive Income (Available for Sale), Held to Maturity (at Amortized Cost) and Loans and Receivables (at Amortized Cost). The application of fair value changes and its impact on the income statement or other comprehensive income resulted in an increase in equity of N1,654.3m at 31 December 2011 (1 January 2011, a write-down of N432.0m). Recognition of the groups share of comprehensive income of an Associate (Health Partners Limited) also was adjusted in Retained Earnings as at 31 December 2011 amounted to N153.6 (1 January 2011, N236.4m).

e Application of Effective Interest Rate

Under NGAAP, loan fees are taken upfront and recognized in come immediately. Under IFRS, credit fees that are considered an integral part of the loan are deferred and recognized over the life of the loan through the application of effective interest rate. Effective interest rate is the rate that exactly discounts all estimated future cash payment/receipts through the instruments expected life to the net carrying amount of the financial instrument. In addition, some investments have been reclassified to loans and receivables in the opening balance sheet. The application of effective interest rate on these instruments resulted in increase in retained earnings. At 31 December 2011, Retained earnings was written down by N1,770.3m (1 January 2011 increase of N1,934.0m)

f Restatement of Landed Property

The correction of accounting error relating to the wrong inclusion of landed property owned by the bank as part of depreciable asset of the bank gave rise to a write-back of N1,050.6m to equity in 2011 (1 January 2011, N799.3m).

Notes to the reconciliation of Statement of Financial Position

- a,a Under NGAAP, treasury bills (including the portion pledged to third parties), are reported as separate line from investments. Under IFRS, Treasury bills forms part of investment securities and must be properly classified in line with IAS 39. The treasury bill line has been reclassified to Investment securities and to assets pledged as collaterals. As at 31 December 2011, treasury bills reclassified to Investment securities was N94.6bn (1 January 2011, N51.3bn).
- a,b As at 1 January 2011, included in Investment Securities is a placement with other banks of N5.3bn. This has been reclassified to Loans to banks under IFRS.
- a,c Loan and Advances to Customers includes Loans and advances, Advances under Finance Leases and other facilities. Other Facilities include foreign currency denominated loans and advances. The difference of N1.0bn at 31 December 2011 (1 January 2011, N0.5bn) between the NGAAP and IFRS balances for loans to customers is a result of the reclassifications, the impact of additional impairment losses, and write-downs in respect of staff loans in order to reflect the correct amortized cost based on market rate. IFRS requires financial assets carried at amortised cost to be measured using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

DIAMOND BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

- a,d Advances under finance lease are reported separately in the balance sheet under Nigerian GAAP. Given the size of this portfolio, management has reclassified the total balance of N9.4bn as at 31 December 2011 (1 January 2011, N5.1 bn) from Advances under finance lease to Loans and Advances to Customers. In addition, the sum of N12.9 billion reported under Nigerian GAAP as other facilities, which are foreign currency denominated term loans have been classified to Loans and Advances to Customers.
- a,e IAS 39 has four clearly defined categories of financial assets, namely (1) Financial assets 'at fair value through profit or loss' [measured at fair value with fair value gain or loss recognised in profit or loss] (2) Held-to-maturity investments [measured at amortised cost] (3) Loans and receivables [measured at amortised cost]; and (4) Available-for-sale financial assets [measured at fair value with fair value gain or loss recognised in other comprehensive income]. Furthermore there are two defined categories of financial liabilities, namely: (1) Financial liabilities 'at fair value through profit or loss' and (2) Other liabilities (measured at amortised cost). The application of IFRS classification and measurement increased investment securities by N7.4bn as at 1 January 2011. The increase came from reclassification of N51.3bn from Treasury bills, and reclassifications from Investment securities to loan and advances to banks, Pledged Assets and fair value changes.
- a,n Under NGAAP for period beginning before 1 January 2011, Intangible assets were usually reported as part of property plant and equipment. The application of IFRS on 1 January 2011 required that these be separated. The sum of N0.6bn has been reclassified to Intangible asset. The balance represents the net book value of computer softwares being used in the group. There were no patents, trademarks or any other form of intangibles as of this date.
- a,p The implications of application of IFRS to loan losses provisioning and employee benefits increased Retained earnings by N4.0bn as on 31 December 2011 (1 January 2011, N4.1bn). Nominal tax rate of 30% was used in calculating the deferred tax adjustments which also increased the balance sheet carrying amount of deferred tax assets by same amounts.
- a,q The change in other assets on application of IFRS is accounted for by the reclassification of accrued interest receivable to the underlying assets in line with IAS 39 definition of amortized cost of financial instruments, as well as the recognition of additional staff benefit arising from restating staff loans carrying amount using the market rate. The recognized embedded prepaid staff benefits are carried in other asset, and amortized over the remaining expected life of the loans.
- a,t Under NGAAP, deposits are stated at exclusive of all accrued interest payable. Under IFRS, amortized cost of financial liability should include interest accrued on the basis of EIR that have not been settled by the customer. In order to apply IAS 39 to the financial liabilities at amortized cost, at 31 December 2011 the sum of N1.3bn (1 January 2011, N0.9bn) was reclassified from other liabilities to deposit from customers.
- a,u Borrowings were restated to include accrued interest in order to present the amortized cost of the financial liability measured at amortized cost
- b,a Dividend payable has been reclassified to other liabilities. Management believes that the amount is immaterial to remain a separate line item.
- b,b Other liabilities were affected by the reclassification to deposit from customers and borrowings, as well as the reclassification from dividend payable

Notes to the reconciliation of Statement of Comprehensive Income

- ca The application of effective interest rate to loans and advances resulted in reclassification from fee income to interest income. In addition, additional interest raised on staff loans on application of market rate, as well as recognition of interest on impaired loans in line with IFRS gave rise to an increase in interest income.
- c,b,1 Impairment charges increased due to the application of the incurred loss model and the collective impairment on performing loans.
- c,c Net fees and commission was adjusted to recognise fees that are integral part of the the loan in interest income. IFRS requires that interest income on loans are accrued using Effective Interest Rate. Effective interest rate is the rate that exactly discounts the contractual cashflows to zero. In order to comply with this requirement, credit fees are considered as an integral part of the loans, and in line with IAS 18, they formed part of the EIR. Therefore, credit fees recognised under NGAAP as fees, were reclassified to interest income.
- c,d Under NGAAP, changes in market prices of short term investments were recognised as part of trading income or losses in the income statement. Under IFRS, & c,e financial instruments classified as held for trading, and those classified as available for sale are treated differently. Fair Value gains and losses on held for trading investments are recognized under net gains and losses on Financial Instruments. Adjustments were passed to reclassify mark-to-market losses on available for sale bonds to other comprehensive income.
- c,f Operating expense adjustments relate to amortization of staff benefits imbedded in staff loans granted at concessionary rates. The prepaid staff benefits are usually held as other assets in the statement of financial position, but amortized systematically to income as part of personnel expenses.
- c,h The exceptional item adjustment consist of gain on disposal (N328.1M) of non banking subsidiaries ADIC insurance Limited (ADIC), Diamond Registrars Limited (DRL) and Diamond Securities Limited (DSL) and net restructuring expenses (N305.3M) incurred on the absorption of the operations of other non banking subsidiaries Diamond Mortgage Limited (DML) and Diamond Capital Markets Limited (DCL). The gain on disposal of the subsidiaries have been disclosed as profit from discontinued operations in line with IFRS while the restructuring expense is reclassified to other operating expense.
- c,i Under NGAAP, foreign currency translation difference is not shown on the face of the income statement. The difference arising from the translation of income statement items using average rate, balance sheet items using closing rate and share capital using historical rates is reflected in equity as translation difference. Under IFRS, the movement between the opening and closing translation difference is shown as a component of other comprehensive income.
- c,j Under IFRS, the fair value changes of available for sale financial instruments are recognized in other comprehensive income and transferred to fair value reserve in the equity section of the statement of financial position.

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

55 Segment Reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Executive Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The group has four main reportable segments on a worldwide basis.

The Group's business is organized along the following business segments:

• **Retail Banking** – This covers all banking activities relating to individuals (consumer banking) and MSME banking. Small businesses with monthly turnover of not more than N40 million (or N480 million per annum) are also reported as Retail Banking. Products and services offered to this segment include: Privileged banking services, Private customer current accounts, Savings, Deposits, Investment savings products, Credit and Debit cards, Consumer loans and mortgages, Standing Order, Safe Keeping services, Exclusive Banking, MSME lending facilities, COT free current account services.

• **Corporate banking** – incorporating all banking activities relating to Multinationals; other large/well-structured companies in Oil & Gas, Power & Infrastructures, Maritime & Transportation, Telecomm./General Services, Manufacturing/Trade and Construction, having monthly business turnover of greater than N1.2 billion; Financial Institutions; Federal Government ministries and agencies; Embassies and Foreign Missions; and Subsidiary activities in Mortgage and Pension Custody. Products and services offered to this segment include: Current accounts, Overdrafts, Term loan and other credit facilities, Leasing, Deposits, Foreign currency Loan, Cash management and payment services, On-lending facilities, Structured Financing.

• **Business Banking** - These are all banking activities relating to medium scale enterprises with monthly business turnover of more than N40 million and up to N1 billion. It covers banking activities relating to the following entities: Tertiary Institution, government accounts and large local companies. It includes companies that are not multinationals, and are not audited by any of the top six international audit firms. Products and services offered to this segment include: Current accounts, Overdrafts, Term loan and other credit facilities, Leasing, Deposits, Cash management and payment services

• **Treasury** - The treasury department of the Group is responsible for the profitable management of the group's liquidity ensuring a balance between liquidity and profitability. Products and services offered to this segment include: Financial instruments trading, Money Market Products, Foreign Correspondence Banking, Interbank placements, Savings/Investment products.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is assessed based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed at individual company basis and are not allocated to operating segments.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Revenue sharing agreements are used to allocate external customer revenues to business segments on a reasonable basis.

No revenue from transaction with a single external customer or a group of connected economic entities or counterparty amounted to 10% or more of the group or Bank's total revenue in Dec 2011 and Dec 2012.

GROUP

At 31 December 2012

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Interest income derived from external customers	26,505,169	32,636,591	17,859,675	28,295,435	105,296,870
Interest income derived from other segments	445,340	20,382,876	25,461,719	2,130,181	48,420,116
Total interest income	26,950,510	53,019,467	43,321,394	30,425,615	153,716,986
Interest paid to external customers	(7,782,878)	(13,750,145)	(9,619,469)	(5,486,198)	(36,638,689)
Interest paid to other segments	(18,432,549)	(10,354,458)	(1,233,367)	(11,930,931)	(41,951,305)
Total interest expenses	(26,215,427)	(24,104,602)	(10,852,836)	(17,417,129)	(78,589,994)
Other income	4,233,076	11,554,809	18,090,132	8,524,103	42,402,120
Operating income	4,968,159	40,469,673	50,558,690	21,532,589	117,529,112
Impairment charges for credit losses	-	(7,605,208)	(4,242,457)	(1,191,706)	(13,039,372)
Operating expenses	(697,691)	(28,205,561)	(19,181,906)	(6,641,165)	(54,726,323)
Operating profit before tax	4,270,468	4,658,903	27,134,327	13,699,718	49,763,416
Profit for the period					49,763,416

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Segment assets - Loans to Customers		242,836,634	70,114,328	273,176,187	586,127,149
- Loans to banks/Investments in TBs & Bonds	306,912,123				306,912,123
Total Assets	306,912,123	242,836,634	70,114,328	273,176,187	893,039,273
Segment Liabilities - Deposit from Customers	2,155	466,015,103	305,265,508	147,795,392	919,078,159
Takings and Treasury bills sold - others	43,772,024				43,772,024
Total Liabilities	43,774,179	466,015,103	305,265,508	147,795,392	962,850,183
Other Segment Information					
Depreciation and Amortization	75,349	1,497,843	1,534,337	599,435	3,706,964

DIAMOND BANK PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(All amounts in thousands of Nigeria Naira unless otherwise stated)

At 31 December 2011	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Interest income derived from external customers	24,794,820	28,638,212	20,768,805	18,528,908	92,730,744
Interest income derived from other segments	753	10,937,897	14,667,569	1,084,827	26,691,045
Total interest income	24,795,573	39,576,109	35,436,373	19,613,734	119,421,789
Interest paid to external customers	(8,129,567)	(4,750,623)	(5,547,212)	(1,987,831)	(20,415,233)
Interest paid to other segments	(11,484,782)	(9,893,045)	(572,308)	(7,719,984)	(29,670,119)
Total interest expenses	(19,614,349)	(14,643,667)	(6,119,520)	(9,707,815)	(50,085,351)
Other income	1,808,126	9,180,676	13,477,198	5,136,163	29,602,163
Operating income	6,989,350	34,113,118	42,794,051	15,042,082	98,938,601
Impairment charges for credit losses	-	(33,367,716)	(6,259,940)	(2,175,928)	(41,803,584)
Operating expenses	(544,140)	(17,178,084)	(13,482,258)	(1,733,217)	(32,937,699)
Operating profit before tax	6,445,210	(16,432,682)	23,051,853	11,132,936	24,197,318
Profit for the period					24,197,318

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Segment assets - Loans to Customers		188,265,074	65,835,315	141,851,610	395,951,999
- Loans to banks/Investments in TBs & Bonds	341,894,048				341,894,048
Total Assets	341,894,048	188,265,074	65,835,315	141,851,610	737,846,047
Segment Liabilities - Deposit from Customers		317,155,017	229,649,128	54,891,587	601,695,732
Takings and Treasury bills sold - others	216,850,507				216,850,507
Total Liabilities	216,850,507	317,155,017	229,649,128	54,891,587	818,546,239
Other Segment Information					
Depreciation and Amortization	-	1,671,911	2,299,435	56,454	4,027,799

At 1 January 2011	Treasury	Business Banking	Retail Businesses	Corporate Banking	Others Segments	Group
Loans to Customers	-	157,349,817	40,969,285	113,802,009	85,329	312,206,440
- Loans to banks/Investments in TBs & Bonds	183,461,397	-	-	-	-	183,461,397
Total Assets	183,461,397	157,349,817	40,969,285	113,802,009	85,329	495,667,837
Deposit from Customers	-	178,439,403	180,817,152	52,775,363	-	412,031,918
Takings and Treasury bills sold - others	77,069,394					77,069,394
Total Liabilities	77,069,394	178,439,403	180,817,152	52,775,363	-	489,101,312

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Segment result of operations by Geography

The Group's three business segments operate in two main geographical areas.

Nigeria is the home country of the parent bank, which is also the main operating company. The areas of operation include all the primary business segments.

Revenue from external customers is based on the country in which the customer is located. Assets are shown by the geographical location of the assets.

At 31 December 2012	Nigeria	West Africa	Total
Interest revenue derived from external customers	99,320,986	5,975,884	105,296,870
Interest revenue derived from other segments	48,420,116	-	48,420,116
Total interest revenue	147,741,102	5,975,884	153,716,986
Interest paid to external customers	(33,898,717)	(2,739,972)	(36,638,689)
Interest paid to other segments	41,951,305	-	(41,951,305)
Total interest expenses	(75,850,023)	(2,739,972)	(78,589,994)
Other income	38,396,528	4,005,592	42,402,120
Operating income	110,287,607	7,241,505	117,529,112
Impairment charges for credit losses	(12,376,249)	(663,123)	(13,039,372)
Operating expenses	(48,715,715)	(6,010,608)	(54,726,323)
Operating profit before tax	49,195,643	567,774	49,763,416
	-	-	-
Profit for the period			49,763,416
	Nigeria	West Africa	Total
Segment assets	790,112,902	102,926,371	893,039,273
Unallocated Assets	-	-	-
Total Assets	790,112,902	102,926,371	893,039,273
Segment Liabilities	841,912,323	120,937,861	962,850,183
Unallocated Liabilities	-	-	-
Total Liabilities	841,912,323	120,937,861	962,850,183
Other Segment Information			
Depreciation and Amortization	2,703,144	1,003,819	3,706,964

At 31 December 2011	Nigeria	West Africa	Total
Interest income derived from external customers	88,028,083	4,702,661	92,730,744
Interest income derived from other segments	26,691,045	-	26,691,045
Total interest income	114,719,128	4,702,661	119,421,789
Interest paid to External Customers	-	(2,047,552)	(20,415,233)
Interest paid to other Segments	-	-	(29,670,119)
Total Interest Expenses	(48,037,799)	(2,047,552)	(50,085,351)
Other Income	28,297,778	1,304,385	29,602,163
Operating Income	94,979,107	3,959,494	98,938,601
Impairment charges for credit losses	-	(66,267)	(41,803,584)
Operating Expenses	-	(5,128,568)	(32,937,699)
Operating profit before tax	25,432,660	(1,235,342)	24,197,318
	-	-	-
Profit for the period	-	-	24,197,318
	Nigeria	West Africa	Total
Segment assets	680,337,750	58,917,434	-
Unallocated Assets	-	-	-
Total Assets	680,337,750	58,917,434	-
Segment Liabilities	756,439,212	62,107,027	-
Unallocated Liabilities	-	-	-
Total Liabilities	756,439,212	62,107,027	-
Other Segment Information			
Depreciation and Amortization	3,710,117	1,225,710	4,935,827

At 1 January 2011	Nigeria	West Africa	Total
Segment assets	536,076,885	58,718,250	594,795,135
Unallocated Assets	-	-	-
Total Assets	536,076,885	58,718,250	594,795,135
Segment Liabilities	433,640,834	54,069,440	487,710,274
Unallocated Liabilities	-	-	-
Total Liabilities	433,640,834	54,069,440	487,710,274

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)
BANK

At 31 December 2012

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Interest income derived from external customers	26,505,169	32,636,591	15,125,920	24,707,664	98,975,344
Interest income derived from other segments	445,340	20,382,876	25,461,719	2,130,181	48,420,116
Total interest income	26,950,510	53,019,467	40,587,639	26,837,845	147,395,460
Interest paid to external customers	(7,782,878)	(13,750,145)	(8,366,029)	(3,999,666)	(33,898,717)
Interest paid to other segments	(18,432,549)	(10,354,458)	(1,233,367)	(11,930,931)	(41,951,305)
Total interest expenses	(26,215,427)	(24,104,602)	(9,599,396)	(15,930,597)	(75,850,023)
Other income	4,233,076	11,554,809	16,257,716	6,223,123	38,268,723
Operating income	4,968,159	40,469,673	47,245,959	17,130,370	109,814,161
Impairment charges for credit losses	-	(7,605,208)	(3,939,102)	(831,939)	(12,376,249)
Operating expenses	(697,691)	(28,205,561)	(16,432,266)	(3,159,396)	(48,494,914)
Operating profit before tax	4,270,468	4,658,903	26,874,591	13,139,035	48,942,998
Profit for the period					48,942,998

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Segment assets - Loans to Customers		212,500,582	70,114,328	238,869,972	521,484,881
- Loans to banks/Investments in TBs & Bonds	264,611,774				264,611,774
Total Assets	264,611,774	212,500,582	70,114,328	238,869,972	786,096,655
Segment Liabilities - Deposit from Customers	2,155	414,799,541	305,265,508	87,055,693	807,122,897
Takings and Treasury bills sold - others	34,789,425				34,789,425
Total Liabilities	34,791,580	414,799,541	305,265,508	87,055,693	841,912,323

Other Segment Information

Depreciation and Amortization	75,349	1,497,843	1,075,125	42,301	2,690,618
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At 31 December 2011

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Interest income derived from external customers	24,794,820	24,411,551	12,999,650	15,613,637	77,819,658
Interest income derived from other segments	753	10,937,897	14,667,569	1,084,827	26,691,046
Total interest income	24,795,573	35,349,448	27,667,218	16,698,464	104,510,703
Interest paid to external customers	(8,129,567)	(5,854,928)	(4,798,149)	(2,449,912)	(21,232,556)
Interest paid to other segments	(11,484,782)	(9,893,045)	(572,308)	(7,719,984)	(29,670,119)
Total interest expenses	(19,614,349)	(15,747,973)	(5,370,457)	(10,169,896)	(50,902,675)
Other income	1,808,126	9,145,098	11,821,735	3,104,344	25,879,304
Operating income	6,989,350	28,746,573	34,118,496	9,632,912	79,487,331
Impairment charges for credit losses	-	(33,367,716)	(6,259,940)	(2,175,928)	(41,803,584)
Operating expenses	(544,140)	(25,508,526)	(13,267,684)	(1,025,877)	(40,346,226)
Operating profit before tax	6,445,210	(30,129,668)	14,590,873	6,431,106	(2,662,479)
Profit for the period					(2,662,479)

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Segment assets - Loans to Customers		154,991,373	65,835,315	144,382,468	365,209,156
- Loans to banks/Investments in TBs & Bonds	341,894,048				341,894,048
Total Assets	341,894,048	154,991,373	65,835,315	144,382,468	707,103,204
Segment Liabilities - Deposit from Customers	-	245,016,861	229,649,128	53,659,018	528,325,008
Takings and Treasury bills sold - others	216,850,507	-	-	-	216,850,507
Total Liabilities	216,850,507	245,016,861	229,649,128	53,659,018	745,175,515

Other Segment Information

Depreciation and Amortization	42,538	1,671,911	1,073,725	41,571	2,829,744
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At 1 January 2011

	Treasury	Business Banking	Retail Businesses	Corporate Banking	Total
Loans to Customers	-	153,635,978	15,049,652	110,968,769	279,654,400
- Loans to banks/Investments in TBs & Bonds	183,461,397	-	-	-	183,461,397
Total Assets	183,461,397	153,635,978	15,049,652	110,968,769	463,115,797
Deposit from Customers	-	175,484,829	140,448,590	51,901,517	367,834,936
Takings and Treasury bills sold - others	77,069,394	-	-	-	77,069,394
Total Liabilities	77,069,394	175,484,829	140,448,590	51,901,517	444,904,330

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Segment result of operations by Geography

The Bank's four business segments operate in two main geographical areas.

Nigeria is the home country of the parent bank, which is also the main operating company. The areas of operation include all the primary business segments.

Revenue from external customers is based on the country in which the customer is located. Assets are shown by the geographical location of the assets.

At 31 December 2012	Lagos	West	North	South	Total
Interest income derived from external customers	73,822,336	2,547,992	8,352,104	14,252,912	98,975,344
Interest income derived from other segments	14,464,349	1,100,868	17,180,788	15,674,111	48,420,116
Total interest income	88,286,685	3,648,860	25,532,893	29,927,022	147,395,460
Interest paid to external customers	(19,771,601)	(806,816)	(6,131,030)	(7,189,270)	(33,898,717)
Interest paid to other segments	(40,454,757)	(170,327)	(310,481)	(1,015,740)	(41,951,305)
Total interest expenses	(60,226,358)	(977,142)	(6,441,512)	(8,205,010)	(75,850,023)
Other income	21,101,713	1,473,049	6,875,002	8,818,959	38,268,723
Operating income	49,162,040	5,121,909	32,407,895	38,745,981	109,814,161
Impairment charges for credit losses	(7,259,366)	(471,105)	(3,065,692)	(1,580,086)	(12,376,249)
Operating expenses	(18,370,695)	(2,363,428)	(13,451,760)	(14,309,031)	(48,494,914)
Operating profit before tax	23,531,978	2,287,376	15,890,443	22,856,865	48,942,998
Income tax expense					-
Profit for the period					48,942,998

	Lagos	West	North	South	Total
Segment assets	627,345,607	15,006,197	46,425,831	97,319,019	786,096,655
Unallocated Assets			-	-	-
Total Assets	622,565,387	15,006,197	46,425,831	97,605,745	781,603,161
Segment Liabilities	311,694,339	26,527,519	292,191,267	211,499,198	841,912,323
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	311,694,339	26,527,519	292,191,267	211,499,198	841,912,323

Other Segment Information	Lagos	West	North	South	Total
Depreciation and Amortization	849,423	179,194	799,881	862,120	2,690,618

At 31 December 2011	Lagos	West	North	South	Total
Interest income derived from external customers	58,034,870	1,813,649	7,737,024	10,234,116	77,819,658
Interest income derived from other segments	10,153,258	565,804	8,611,185	7,360,799	26,691,046
Total interest income	68,188,128	2,379,453	16,348,208	17,594,915	104,510,705
Interest paid to External Customers	(15,960,448)	(367,784)	(2,554,326)	(2,350,001)	(21,232,559)
Interest paid to other Segments	(27,475,233)	(14,066)	(1,466,089)	(714,731)	(29,670,119)
Total Interest Expenses	(43,435,681)	(381,851)	(4,020,415)	(3,064,732)	(50,902,678)
Other Income	12,618,184	1,065,344	5,246,455	6,949,321	25,879,304
Operating Income	37,370,631	3,062,947	17,574,248	21,479,504	79,487,331
Impairment charges for credit losses	(30,522,936)	(1,034,084)	(4,411,401)	(5,835,163)	(41,803,584)
Operating Expenses	(13,495,277)	(1,882,576)	(12,202,489)	(12,765,884)	(40,346,226)
Operating profit before tax	(6,647,581)	1,180,370	5,371,759	8,713,620	(2,662,479)
Income tax expense					0
Profit for the period	(6,647,581)	1,180,370	5,371,759	8,713,620	(2,662,479)

	Lagos	West	North	South	Total
Segment assets	584,976,707	11,091,741	44,122,821	66,911,934	707,103,203
Unallocated Assets	-	-	-	-	-
Total Assets	584,976,707	11,091,741	44,122,821	66,911,934	707,103,203
Segment Liabilities	401,505,858	16,254,908	161,482,935	165,931,814	745,175,515
Unallocated Liabilities	-	-	-	-	-
Total Liabilities	401,505,858	16,254,908	161,482,935	165,931,814	745,175,515

At 1 January 2011	Lagos	West	North	South	Total
Segment assets	385,268,960	6,051,860	37,119,978	34,674,999	463,115,797
Unallocated Assets	57,940,560	-	-	-	57,940,560
Total Assets	443,209,520	6,051,860	37,119,978	34,674,999	521,056,357
Segment Liabilities	237,355,676	11,771,063	106,783,911	88,993,680	444,904,329
Unallocated Liabilities	12,055,865	-	-	-	12,055,865
Total Liabilities	249,411,541	11,771,063	106,783,911	88,993,680	456,960,195

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Reconciliation of segment results of operations to consolidated results of operations

GROUP

At 31 December 2012 (N' 000)

Interest income from external customers
Interest expense
Impairment charge for credit losses
Other Operating Income
Net gains/(losses) from financial assets held for trading
Operating Expenses
Operating profit
Taxation

Total management reporting	Differences	Total consolidated
153,716,986	(41,365,031)	112,351,955
(78,589,994)	55,559,561	(23,030,433)
(13,039,372)	(3,988,918)	(17,028,290)
42,402,120	(19,625,688)	22,776,432
-	1,025,151	1,025,151
(54,726,323)	(13,821,621)	(68,547,944)
49,763,416	(22,216,545)	27,546,871
-	(5,373,457)	(5,373,457)

At 31 December 2011 (N' 000)

Interest income from external customers
Interest expense
Impairment charge for credit losses
Other Operating Income
Net gains/(losses) from financial assets held for trading
Gains on disposal of discontinued operations
Operating Expenses
Operating profit
Taxation

Total management reporting	Differences	Total consolidated
119,421,789	(36,061,327)	83,360,462
(50,085,351)	37,582,811	(12,502,541)
(41,803,584)	(13,605,107)	(55,408,691)
29,602,163	(7,771,899)	21,830,264
-	1,232,906	1,232,906
-	-	-
(32,937,699)	(23,534,433)	(56,472,133)
24,197,318	(42,157,051)	(17,959,732)
-	4,023,944	4,023,944

BANK

At 31 December 2012 (N' 000)

Interest income from external customers
Interest expense
Impairment charge for credit losses
Other Operating Income
Net gains/(losses) from financial assets held for trading
Operating Expenses
Operating profit
Taxation

Total management reporting	Differences	Total consolidated
147,395,460	(41,883,873)	105,511,587
(75,850,023)	55,139,294	(20,710,729)
(12,376,249)	(2,568,026)	(14,944,275)
38,268,723	(16,946,897)	21,321,826
-	1,025,151	1,025,151
(48,494,914)	(15,267,650)	(63,762,564)
48,942,998	(20,502,002)	28,440,996
-	(5,291,538)	(5,291,538)

At 31 December 2011 (N' 000)

Interest income from external customers
Interest expense
Impairment charge for credit losses
Other Operating Income
Net gains/(losses) from financial assets held for trading
Operating Expenses
Operating profit
Taxation

Total management reporting	Differences	Total consolidated
104,510,703	(24,622,172)	79,888,531
(50,902,675)	40,217,158	(10,685,517)
(41,803,584)	(11,145,447)	(52,949,031)
25,879,304	(17,873,384)	8,005,920
-	1,166,719	1,166,719
(40,346,226)	(12,212,605)	(52,558,831)
(2,662,478)	(24,469,731)	(27,132,209)
-	4,263,955	4,263,955

Reconciliation of segment Assets and Liabilities to consolidated statement of Financial Position

GROUP

Segment assets (N'000)

Total Consolidated Assets (N'000)

Difference

31 Dec. 2012	31 Dec. 2011	1 Jan. 2011
893,039,273	737,846,047	495,667,837
1,178,103,754	796,231,792	592,851,763
(285,064,481)	(58,385,745)	(97,183,926)

Segment Liabilities (N'000)

Total Consolidated Liabilities (N'000)

Difference

31 Dec. 2012	31 Dec. 2011	1 Jan. 2011
962,850,183	818,546,239	489,101,312
1,069,248,032	710,250,776	487,541,084
(106,397,849)	108,295,463	1,560,228

BANK

Segment assets (N'000)

Total Consolidated Assets (N'000)

Difference

31 Dec. 2012	31 Dec. 2011	1 Jan. 2011
781,603,161	707,103,203	463,115,797
1,059,137,257	714,063,959	542,098,480
(162,245,634)	(89,169,627)	(128,380,792)

Segment Liabilities (N'000)

Total Consolidated Liabilities (N'000)

Difference

31 Dec. 2012	31 Dec. 2011	1 Jan. 2011
841,912,323	745,175,515	444,904,330
951,820,842	629,927,525	430,834,127
(1,907,464)	34,811,471	(43,217,218)

The Group's management reporting is based on Nigerian GAAP which differs from IFRS in treatment and in presentation. Therefore, these differences are as a result of the Group's conversion to IFRS. Please see below for an explanation of all material differences

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

PROFIT AND LOSS

Interest Income

Under Nigerian GAAP, interest on loans is recognized using the contractual rate on the outstanding balance of the loan. When a loan is classified as impaired, interest is usually accrued, but suspended. Under IFRS, interest is calculated on the amortized cost of the loans using effective interest rate method. Effective interest rate is the rate that exactly discounts the expected future cash flows of a loan to its carrying amount. When a loan is impaired, the carrying amount is reduced to the recoverable amount which is the future cash flow discounted at the original effective interest rate of the instrument. Interest is recognized on the loan by unwinding the discount. Interest on impaired loans is recognized using the original effective interest rate.

Reconciliation of Interest Income (N'000)

GROUP

Total Interest income earned by Reportable Segment	31 Dec 2012	31 Dec 2011
	153,716,986	119,421,789
Consolidation & Adjustments		
- Due to differences in accounting policies	7,055,085	(9,370,282)
- Due to Consolidation	(48,420,116)	(26,691,045)
Total Consolidated Revenue	<u>112,351,955</u>	<u>83,360,462</u>

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Total Interest income earned by Reportable Segment	147,395,460	104,510,703
Consolidation & Adjustments		
- Due to differences in accounting policies	6,536,244	2,068,876
- Due to Consolidation	(48,420,116)	(26,691,046)
Total Consolidated Revenue	<u>105,511,588</u>	<u>79,888,532</u>

Interest Expense

Under Nigerian GAAP, onlending fees relating to borrowings from foreign financial institutions are usually paid in advance, warehoused in a receivable account and amortized to operating expenses on a straightline bases over the tenor of the borrowing. Under IFRS, the amortized position of the upfront fees have been reclassified to interest expense since the liabilities are amortized cost financial liabilities and measured and to apply the effective interest rate method.

Reconciliation of Interest Expense (N'000)

GROUP

Total Interest expense incurred by Reportable Segments	31 Dec 2012	31 Dec 2011
	78,589,994	51,585,351
Consolidation & Adjustments		
- Due to differences in accounting policies	170,000.00	216,875
- Due to Consolidation	(55,729,561)	(39,299,685)
Total Consolidated Revenue	<u>23,030,433</u>	<u>12,502,541</u>

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Reconciliation of Interest Expense (N'000)

Total Interest expense incurred by Reportable Segments	31 Dec 2012	31 Dec 2011
	75,850,023	50,902,675
Consolidation & Adjustments		
- Due to differences in accounting policies	170,000	216,875
- Due to Consolidation	(96,730,752)	(61,805,066)
Total Consolidated Interest expense	<u>(20,710,729)</u>	<u>(10,685,517)</u>

Impairment charge for credit losses

Under Nigerian GAAP, impairment on loans and advances is determined using the Central Bank of Nigeria's Prudential Guidelines based on each customer's account and the number of days' interest/principal outstanding. IFRS requires the use of an incurred loss model where the loss event must have an effect on the estimated future cash flows of the financial asset.

Reconciliation of Interest Impairment Charges (N'000)

GROUP

Total impairment charges reported by Reportable Segments	31 Dec 2012	31 Dec 2011
	13,039,372	41,803,584
Consolidation & Adjustments		
- Due to differences in accounting policies	(3,703,816)	11,260,192
- Due to unallocated impairment charges	7,692,734	2,344,915
Total Consolidated Impairment charges	<u>17,028,290</u>	<u>55,408,691</u>

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Total impairment charges reported by Reportable Segments	31 Dec 2012	31 Dec 2011
	12,376,249	41,803,584
Consolidation & Adjustments		
- Due to differences in accounting policies	(4,887,282)	9,612,740
- Due to unallocated impairment charges	(22,433,242)	1,532,707
Total Consolidated Impairment charges	<u>(14,944,275)</u>	<u>52,949,031</u>

Fees and commission income

Under Nigeian GAAP, credit related fee income should be deferred and amortized over the life of the related credit in proportion to the outstanding credit risk. IFRS requires that credit related fees form part of the effective interest rate calculation of the related credit facility. Credited related fees reported under Nigerian GAAP as fees have been reclassified to Interest income.

DIAMOND BANK PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

(All amounts in thousands of Nigeria Naira unless otherwise stated)

Net gains/(losses) from financial assets held for trading

Financial assets held for trading is not a financial instrument category under Nigerian GAAP and there is no authoritative guidance available. Under IFRS, A financial asset is held for trading if acquired principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A portion of the income reported as trading income or profit on sale of investments relate to Held for Trading Financial Instruments, which have been reclassified under IFRS as Net gains/(losses) from financial assets held for trading.

Operating expenses

Under Nigerian GAAP, staff loans are usually granted at a concessionary rate, without recognizing the embeded staff benefit and amortizing it over the tenor of the loan. Under IFRS, such benefits are determined and amortized to staff expense over the life of the loan. In some cases where impairment charges for unrecoverable portion of "other assets" have been included in provision for losses, these were reclassified to operating expenses in IFRS.

Reconciliation of operating expenses (N'000)

GROUP

	31 Dec 2012	31 Dec 2011
Total Operating expenses incurred by Reportable Segments	54,726,323	32,937,699
Consolidation & Adjustments		
- Due to differences in accounting policies	313,126	892,520
- Due to unallocated impairment charges	13,508,494	18,728,612
Total Consolidated Operating expenses	<u>68,547,944</u>	<u>52,558,831</u>

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	31 Dec 2012	31 Dec 2011
Total Operating expenses incurred by Reportable Segments	48,494,914	40,346,226
Consolidation & Adjustments		
- Due to differences in accounting policies	6,166,874	979,217
- Due to unallocated impairment charges	9,100,776	11,233,387
Total Consolidated Revenue	<u>63,762,564</u>	<u>52,558,831</u>

Income tax expense

Under Nigerian GAAP, deferred tax is the expense or benefit that is attributable to the timing differences between accounting and taxable profits (Income Statement approach). Under IFRS, deferred tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts (Balance Sheet approach)

STATEMENT OF FINANCIAL POSITION

Assets

Short-term investments are measured at lower of cost and market value and long-term at cost or at a revalued amount under Nigerian GAAP. Under IFRS, all financial instruments are measured initially at fair value. Subsequently, all financial instruments remain measured at fair value except for loans and receivables, held-to-maturity assets and unquoted equity instruments whose fair values cannot be measured reliably. The application of fair value measurement and changes in accounting policy relating to impairment of loans account for the difference between segment assets and the consolidated statement of financial position.

Liabilities

Under IFRS, financial liabilities at amortized cost (deposits from customers, deposit from banks and borrowings) have been restated to meet the definition of amortized cost, by adjusting the carrying amounts to include unamortized upfront fees and transaction costs. In addition, accrued interest payable has been reclassified to the underlying financial liability. The deferred income tax liability is calculated using the Nigerian GAAP carrying amounts of assets and liabilities. The deferred tax liability in these IFRS financial statements is calculated using the IFRS carrying amounts of assets and liabilities.

DIAMOND BANK PLC
CONSOLIDATED FINANCIAL STATEMENTS

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VALUE ADDED STATEMENT

*All amounts in thousands of Nigeria
Naira unless otherwise stated*

GROUP

	Dec 2012		Dec 2011	
	N'000	%	N'000	%
Gross earnings	136,088,208		106,635,634	
Interest expense	(23,030,433)		(12,502,541)	
	113,057,775		94,133,093	
Administrative overheads and bought in costs	(37,644,572)		(34,625,544)	
Value added	75,413,203	100	59,507,550	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	25,963,200	34	16,730,642	28
To government:				
Government as taxes	5,373,457	7	(4,023,944)	(7)
The future:				
For replacement of fixed assets (depreciation)	4,513,960	6	4,684,571	8
For replacement of intangible assets (amortisation)	426,212	1	431,376	1
Asset replacement (provision for credit losses)	17,028,290	23	55,408,691	93
Expansion (transfers to reserves and non-controlling interest)	22,108,084	29	(13,723,787)	(23)
	75,413,203	100	59,507,550	100

These statements shows the distribution of the wealth created by the Group during the period.

BANK

	Dec 2012		Dec 2011	
	N'000	%	N'000	%
Gross earnings	127,782,533		89,061,170	
Interest expense	(20,710,729)		(10,685,517)	
	107,071,804		78,375,653	
Administrative overheads and bought in costs	(35,159,154)		(30,447,063)	
Value added	71,912,650	100	47,928,590	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	24,213,430	34	17,693,097	37
To government:				
Government as taxes	5,291,538	7	(4,263,955)	-9
The future:				
For replacement of fixed assets (depreciation)	4,032,358	6	4,093,627	9
For replacement of intangible assets (amortisation)	357,622	-	325,044	1
Asset replacement (provision for credit losses)	14,944,275	21	52,949,031	110
Expansion (transfers to reserves)	23,073,427	32	(22,868,254)	(48)
	71,912,650	100	47,928,590	100

These statements shows the distribution of the wealth created by the Company during the period.

DIAMOND BANK PLC
CONSOLIDATED FINANCIAL STATEMENTS

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FIVE YEAR FINANCIAL SUMMARY

GROUP	IFRS			NGAAP	
	31 December 2012	31 December 2011	1 January 2011	31 December 2009	30 April 2009
<i>All amounts in thousands of Nigeria Naira unless otherwise stated</i>					
ASSETS					
Cash and balances with central banks	132,196,061	55,784,079	27,606,200	70,428,505	54,766,850
Treasury bills and other eligible bills	-	-	-	9,090,252	11,502,437
Loans to banks	139,803,281	90,648,011	72,155,340	101,663,746	137,638,292
Loans and advances to customers	585,200,158	388,136,486	307,212,457	322,820,515	308,815,972
Advances under finance leases	-	-	-	6,962,870	6,150,488
Financial assets held for trading	90,111,236	8,041,618	1,345,552	-	-
Investment securities	-	-	-	68,415,479	66,457,805
Investment securities					
-Available-for-sale investments	10,601,609	85,990,731	19,891,359	-	-
-Held to maturity investments	65,762,681	61,712,761	56,977,064	-	-
Asset pledged as collateral	79,302,531	34,940,000	37,820,000	-	-
Insurance receivables	-	-	705,659	265,730	819,142
Other assets	13,793,105	10,663,445	16,649,442	21,848,223	54,704,932
Investments in associates	3,182,250	3,184,549	3,502,339	-	-
Investment property	4,070,340	3,833,335	3,755,064	3,474,612	2,650,587
Property, plant and equipment	44,980,333	39,664,459	36,954,186	37,567,390	34,155,878
Intangible assets	834,815	819,076	596,025	-	-
Deferred tax	8,265,354	12,363,242	7,681,076	5,896,151	890,107
	1,178,103,754	795,781,792	592,851,763	648,433,473	678,552,490
Asset classified as held for sale	-	450,000	-	-	-
Total assets	1,178,103,754	796,231,792	592,851,763	648,433,473	678,552,490
LIABILITIES					
Deposits from banks	31,207,298	20,982,788	15,347,216	14,659,352	8,557,718
Deposits from customers	910,234,444	603,003,229	412,992,754	482,056,310	466,889,851
Borrowings	49,966,360	54,877,883	28,265,428	19,050,996	23,708,110
Provision for insurance contracts	-	-	2,219,578	1,238,238	902,947
Liability on insurance contract	-	-	-	39,085	87,809
Retirement benefit obligations	99,574	51,607	29,366	193,862	827,473
Provision	1,056,378	-	-	-	-
Dividend payable	-	-	-	177,635	163,563
Other liabilities	42,095,096	29,988,365	26,691,492	21,271,403	59,150,901
Current income tax liability	1,972,540	1,346,904	1,995,250	3,653,521	3,826,585
Derivative liability	13,248,585	-	-	-	-
Long term debt	19,367,757	-	-	-	-
Total liabilities	1,069,248,032	710,250,776	487,541,084	542,340,402	564,114,957
EQUITY					
Share capital	7,237,622	7,237,622	7,237,622	7,237,622	7,237,622
Share premium	89,629,324	89,629,324	89,629,324	89,629,324	89,629,324
Retained earnings	(6,629,221)	(24,112,701)	(8,387,489)	(4,949,700)	4,565,446
Other reserves					
Statutory reserve	14,898,751	11,394,523	11,214,864	10,224,848	10,224,848
Small scale industries (SSI) reserve	3,966,628	2,812,957	2,812,957	2,486,834	2,486,834
Fair value reserve	(1,292,728)	(1,422,736)	1,686,305	170,059	-
Contingency reserve	-	-	354,741	176,802	106,437
Foreign currency translation reserve (FCTR)	792,068	217,094	306,694	671,194	(246,993)
	108,602,444	85,756,084	104,855,018	105,646,983	114,003,518
Non - controlling interest	253,278	224,932	455,661	446,088	434,015
Total equity	108,855,723	85,981,017	105,310,679	106,093,071	114,437,533
Total equity and liabilities	1,178,103,754	796,231,792	592,851,763	648,433,473	678,552,490

DIAMOND BANK PLC
CONSOLIDATED FINANCIAL STATEMENTS

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FIVE YEAR FINANCIAL SUMMARY (CONT'D)

	31 December 2012	31 December 2011	1 January 2011	31 December 2009	30 April 2009
Net operating income	113,057,775	93,915,895	74,199,886	42,457,850	71,874,237
Operating expenses	(68,547,944)	(56,472,133)	(46,564,543)	(30,087,301)	(41,349,177)
provision for losses	(17,028,290)	(55,408,691)	(22,862,480)	(24,744,703)	(24,623,109)
(Loss)/profit before tax	27,481,541	(17,964,928)	4,772,863	(12,374,154)	5,901,951
Taxation	(5,373,457)	4,023,944	(3,444,208)	4,199,741	(730,195)
(Loss)/profit after tax	22,108,084	(13,940,985)	1,328,655	(8,174,413)	5,171,756
Profit from discontinued operations	-	217,198	-	-	-
(Loss)/profit for the period	22,108,084	(13,723,787)	1,328,655	(8,174,413)	5,171,756
- Non controlling interest	(33,294)	6,319	(40,241)	32,402	(27,637)
- Equity holders of the parent	22,141,378	(13,730,106)	1,368,896	(8,206,815)	5,199,393
Other comprehensive income for the period	(229,690)	(3,184,950)	-	-	-
Total comprehensive income for the period	21,878,394	(16,908,737)	1,328,655	(8,174,413)	5,171,756

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CONSOLIDATED FINANCIAL STATEMENTS

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FIYE YEAR FINANCIAL SUMMARY

BANK	IFRS			NGAAP	
	31 December 2012	31 December 2011	1 January 2011	31 December 2009	30 April 2009
<i>All amounts in thousands of Nigeria Naira unless otherwise stated</i>					
ASSETS					
Cash and balances with central banks	123,224,590	54,396,524	17,871,129	62,470,986	50,223,343
Treasury bills and other eligible bills	-	-	-	6,414,452	9,087,437
Loans to banks	113,384,200	72,098,846	61,620,185	96,202,493	130,568,284
Loans and advances to customers	523,374,608	344,397,331	299,534,692	316,871,365	312,736,983
Advances under finance leases	-	-	-	6,962,870	6,150,488
Financial assets held for trading	90,111,236	8,041,618	1,109,079	-	-
Investment securities	-	-	-	41,819,256	40,302,632
Investment securities					
-Available-for-sale investments	10,555,061	76,762,310	11,095,806	-	-
-Held to maturity investments	64,751,769	52,253,105	43,978,424	-	-
Asset pledged as collateral	57,438,896	34,940,000	37,820,000	-	-
Other assets	10,240,209	6,529,297	8,664,365	15,294,128	50,012,610
Investment in Subsidiaries	7,865,622	7,865,622	17,442,980	16,442,980	16,442,980
Investments in associates	3,205,140	3,205,140	-	-	-
Investment property	3,910,340	3,686,335	-	-	-
Property, plant and equipment	41,879,449	36,276,819	34,645,547	34,949,278	32,026,944
Intangible assets	740,370	624,139	596,025	-	-
Deferred tax	8,455,767	12,536,874	7,720,257	4,613,903	-
	1,059,137,257	713,613,960	542,098,489	602,041,711	647,551,701
Asset classified as held for sale	-	450,000	-	-	-
Total assets	1,059,137,257	714,063,959	542,098,490	602,041,711	647,551,701
LIABILITIES					
Deposits from banks	8,173,286	3,939,956	4,104,098	3,970,670	3,446,876
Deposits from customers	823,090,787	545,161,145	379,344,019	449,020,259	444,815,118
Borrowings	49,966,360	54,877,883	28,031,831	19,050,996	23,708,109
Retirement benefit obligations	99,574	20,141	21,948	187,296	815,186
Provision	1,056,378	-	-	-	-
Dividend payable	-	-	-	177,635	163,563
Other liabilities	34,939,235	24,678,784	17,682,674	15,915,607	54,558,873
Current income tax liability	1,878,880	1,249,616	1,649,557	3,360,544	3,331,891
Deferred tax	-	-	-	-	167,165
Derivative liability	13,248,585	-	-	-	-
Long term debt	19,367,757	-	-	-	-
Total liabilities	951,820,842	629,927,525	430,834,127	491,683,007	531,006,781
EQUITY					
Share capital	7,237,622	7,237,622	7,237,622	7,237,622	7,237,622
Share premium	89,629,324	89,629,324	89,629,324	89,629,324	89,629,324
Retained earnings	(6,851,491)	(25,310,234)	(270,693)	793,791	6,980,007
Other reserves					
Statutory reserve	14,650,515	11,189,501	11,189,501	10,211,133	10,211,133
Small scale industries (SSI) reserve	3,966,628	2,812,957	2,812,957	2,486,834	2,486,834
Fair value reserve	(1,316,183)	(1,422,736)	665,652	-	-
Total equity	107,316,415	84,136,434	111,264,363	110,358,704	116,544,920
Total equity and liabilities	1,059,137,257	714,063,959	542,098,490	602,041,711	647,551,701

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CONSOLIDATED FINANCIAL STATEMENTS

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FIVE YEAR FINANCIAL SUMMARY (CONT'D)

	31 December 2012	31 December 2011	1 January 2011	31 December 2009	30 April 2009
Net operating income	107,071,804	78,375,653	68,853,563	40,191,657	66,598,400
Operating expenses	(63,762,564)	(52,558,831)	(43,115,551)	(27,356,396)	(36,504,408)
provision for losses	(14,944,275)	(52,949,031)	(16,269,996)	(21,891,054)	(21,750,254)
(Loss)/profit before tax	28,364,965	(27,132,209)	9,468,016	(9,055,793)	8,343,738
Taxation	(5,291,538)	4,263,955	(2,945,561)	4,172,347	(1,412,611)
(Loss)/profit after tax	23,073,427	(22,868,254)	6,522,455	(4,883,446)	6,931,127
(Loss)/profit for the period	23,073,427	(22,868,254)	6,522,455	(4,883,446)	6,931,127
Other comprehensive income for the period	(889,759)	(3,107,943)	-	-	-
Total comprehensive income for the period	22,183,668	(25,976,197)	6,522,455	(4,883,446)	6,931,127