Fair Value Intensity and Earnings Predictableness of Listed Commercial Banks in Nigeria

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Abstract

This study evaluated listed commercial banks in Nigeria's earnings predictability in relation to fair value intensity. The major goal was to assess how fair value intensity affected the earnings predictability of listed commercial banks in Nigeria. This study applied a correlational research approach using 16 listed commercial banks in Nigeria for years 2017 to 2021. The study used panel data

regression, a fixed effect models and random effect models test were run. The study discovered that higher fair value intensity correlates positively with listed bank's earnings estimation accuracy, emphasizing the importance of accurate asset pricing. The study also found that total comprehensive income has strong predictive power over future performance of listed banks in Nigeria. To enhance fair value estimations, the Securities and Exchange Commission and Central Bank of Nigeria (CBN) should promote an active corporate debt market. CBN should ensure accurate financial instruments valuation through robust supervision.

Keywords: *Earnings, Earnings Predictableness, Fair Value, Fair Value Intensity, Financial Reporting*

Introduction

The provision of information that is pertinent to present to potential creditors, investors, and other stakeholders in the decision-making process for the allocation of investments and other resources is one of the main goals of financial reporting. To accomplish this goal, businesses need financial reports to give information on operating performance that enables stakeholders to forecast the time, risk, and size of an entity's future earnings. This indicates that earnings predictability is a crucial aspect of the earnings disclosed in entities' financial statements. Fair value accounting produces financial statements that are more enlightening and of a higher caliber (IASB, 2012). When a financial statement has less income smoothing, quicker loss identification, and more pertinent accounting figures, it is said to be of high quality (Barth, Landsman & Lang, 2008). Fair value proponents offered three primary arguments to support their claim that fair value is appropriate for financial assessment, including those made by Dechow, Mayers & Shakespeare (2010), Karaoglu (2005), Evans, Hodder, & Hopkins (2014), and others. Fair values, which include information about the riskiness and timing of their realization, are first and foremost likely to be predictive of a company's future success since they add up the present value of expected future cash flows (CFA Institute, 2005). Secondly, there is a connection between fair values of financial instruments and indicators of future performance when fair value changes on some financial instruments, like debt securities classified as available-for-sale securities, can be converted to realized gains and losses through the timing of asset sales (Evans, Hodder, & Hopkins, 2014). Thirdly, fair

value accounting promotes profits resiliency and informativeness for forecasting future performance (Dechow, Mayers & Shakespeare 2010; Karaoglu 2005). Therefore, earnings from accounting systems that place a greater emphasis on fair value may better predict future earnings. A statistic called "fair value intensity" gauges how much a company's financial statements are subject to estimations based on fair value. According to Daifei et al. (2015), a bank's future earnings will be more foreseeable from its current earnings the more exposed its financial.

Statement of the problem

The use of fair value accounting in predicting corporate earnings by businesses has been a hotly debated topic (Thesing & Velte, 2021 Uyana et al., 2017). Fair value accounting standards are created by organizations like the International Accounting Standard Board (IASB), whose goal is to ensure that values in financial reports are timely, accurate, helpful, and relevant. In an environment where mark-to-market is used, there are questions about whether fair value accounting is desirable given the possibility of measurement mistake and/or deliberate bias. This potential for falsifying financial data appears to be opposed to the idea put out by the standard-setters, because it affects the dependability of reported fair value orientated estimates and might make reported earnings less predictive of future performance. As a result, it is still unclear how fair value accounting affects profit predictability, particularly its intensity. This could encourage publicly traded financial companies to rely more heavily on optional fair value measurement inputs, which would decrease the predictability of earnings and raise the danger of accounting earnings manipulation. Additionally, the reliability and applicability of fair value-based financial reports generally, and earnings prediction in specific PricewaterhouseCoopers (PWC), are impacted by the fair value valuation knowledge gap. It has not been thoroughly explored to link fair value intensity to earnings predictability. To the best of our knowledge, only three studies have considered the impact of fair value intensity on earnings predictability: Bratten et al. (2016); Ehalaiye et al. (2017); and Daifei et al. (2015). These researchers discovered that in established, liquid, and active markets like the United States of America, fair value intensity significantly and positively enhances profits predictability. The subject of how fair value intensity affects the predictability of profitability

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for listed commercial banks in Nigeria persists because the impact of fair value intensity in a market with limited liquidity, such as Nigeria, is uncertain. The need for this study is established by the research gap on the impact of fair value intensity on earnings predictability in Nigeria.

Objective of the study

This study's primary goal is to statistically investigate the impact of fair value accounting on the earnings predictability of Nigeria's listed commercial banks. The study's specific goals are to:

i. Examine the impact of fair value intensity on the predictability of earnings for listed commercial banks in Nigeria.

Hypothesis of the study

Ho_1 Fair value intensity has no significant effect on earnings predictability of listed commercial banks in Nigeria.

Scope of the study

This study focuses on the impact of fair value accounting on the future operating performance and earnings predictability of listed commercial banks in Nigeria. The study's is geared towards collecting data of listed commercial banks in Nigeria, because a large portion of the financial instruments on those banks' balance sheets, must be disclosed at fair value. The study time frame is from 2017 to 2021.

Theoretical framework

The theoretical foundation of this investigation was based on several theories. The key theories supporting this study are agency theory and signaling theory, specifically. The association that occurs when the principle assigns labor to the agent to complete a task is explained by the agency theory. According to Jensen and Meckling (1976), this relationship is a contract where the owners hire managers to run the business effectively and efficiently. Due to managers' potential superior knowledge of the entity's current and anticipated future performance compared to owners, information asymmetry may develop between the contracting parties. It is debatable whether bank managers would be motivated to distort fair value estimations to serve their own interests,

which would prejudice the information in the entity's financial statement (Ehalaiye et al. 2017). When managers are given discretion and accounting information is subjective, it is quite likely that intentional biases will be included in the accounting aggregate estimations, according to Aboody, Barth, and Kasznik (1999). The Signaling Theory described a signal as an observable action, sign, or structure intended to communicate a quality of something or an environment that would otherwise be undetectable. In essence, signals are indicators of an unobservable signaler's quality at a specific moment in time (Davila, Foster & Gupta, 2003). The main focus of signaling theory is the increasing information asymmetry between parties (Spence, 1973). For instance, Spence's (1973) research on labor markets outlined how a candidate may present themselves to lessen information disparity that limits the hiring decision of potential employers. Spence proposed a theory for how superior job candidates set themselves apart from inferior candidates using the pricey signal of arduous higher education. In many study contexts, signaling theory has also been employed by management researchers to explain the importance of information asymmetry. As researchers have expanded the range of likely signals and the situations in which signaling happens, the usage of signaling theory in management literature has grown recently. The fair value of a financial instrument indicates predicted future cash flow, and the difference therefrom indicates possible earnings. Thus, fair value intensity, available for sales, and total comprehensive income's capacity to forecast future earnings are all well explained by signaling theory.

Conceptual overview

The idea of earnings predictability states that earnings are considered more predictive if they offer extra data about an entity's potential financial performance that is useful for making decisions. There are two characteristics of this notion of earnings predictability to be aware of: Firstly, the ability of reported earnings to forecast future financial success is reliant on the data that it offers. Secondly, the significance of the reported financial performance to decision-makers and the accuracy with which performance is measured by the accounting system together determine predictability. Therefore, the capacity of current earnings data to forecast the entity's earnings one or more years in the future is a good indicator of improved earnings quality (Barth 1994).

The second is the Fair Value Concept. A financial reporting technique known as "fair value accounting" requires or permits entities to measure and report certain assets and liabilities on an ongoing basis at estimates of the prices they would receive to sell the assets or pay to transfer the liabilities in an orderly transaction between knowledgeable and willing market participants at the measurement date (IFRS 13). According to IASB (2010), fair value is "the price at which an asset might be traded between informed and willing parties in a transaction conducted at arm's length as of the measurement date." If there is a substantial and liquid market for the asset or liability, fair value usually refers to that price; otherwise, it refers to an estimate for which the asset can be realized or the responsibility satisfied. By communicating the present worth of the assets to the stakeholders, this estimation (mark-to-model) creates opportunities for the use of management discretion, which may be a good opportunity to alleviate information asymmetry. In accordance with IFRS 13, fair value measurement is a requirement that requires a company to identify the precise asset or liability that is being measured and, if the asset is not a financial asset, the suitable valuation basis (depicting its best and highest use). The primary (or most advantageous) market for the asset or liability, the appropriate measurement technique(s) for the valuation, taking data accessibility into consideration for inputs development that best represent market participants' assumptions in pricing the asset or liability, and the level of the fair value hierarchy to which the inputs belong. The percentage of an entity's assets that are fair valued (total fair valued assets/total assets) and included or disclosed in the financial statement is known as fair value intensity, as defined by Bratten et al. (2016). It is the degree to which fair value estimations are present in an entity's financial statements. Fair value intensity was defined by Ehalaiye et al. (2017) as the amount of financial assets and liabilities that are measured and reported on an entity's balance sheet at fair value. Fair value intensity was defined by Ayres, Huang, and Myring (2017) as the total monetary sum of assets that are fair valued scaled by the book value of the entity's entire assets at a specific period. The Fair Value Hierarchy Levels Concept Two that explicitly or indirectly employ inputs for such an asset or liability that are not market quoted prices in Level One. (IFRS 13:81). These inputs consist of: Observable interest rates and yield curves that are frequently quoted at intervals, implied upheavals, credit spreads, prices quoted for comparable assets or liabilities traded in active markets, prices quoted for the same assets or liabilities quoted in non-active markets. The total of the

indirectly observable inputs based on fair valued financial instruments is how this study conceptualizes level two of the fair value measurement hierarchy.

Review of Empirical Studies

As the IASB continues to produce more rules requiring its recognition and disclosure, financial reporting globally is becoming more fair value oriented. However, academics, practitioners, and regulators continue to disagree on the advantages of fair value accounting and its applicability in forecasting future earnings. Using samples of both public and private banks in the United States of America, Bratten et al. (2016) investigated the efficacy of fair values in predicting future cash flow and earnings of banks. They observed that exposure to fair values improves earnings' capacity to forecast future cash flow and earnings. Fair value intensity, fair value gain, and fair value through other comprehensive income were utilized to evaluate fair value and were analyzed by multivariate regression.

Fair market value Predictability of earnings and exposure (intensity) To determine the extent of banks' exposure to fair value accounting, Bratten et al. (2016) used the balance sheet and income techniques. They calculated banks' fair value accounting exposure as the sum of assets and liabilities recognized at fair values scaled by total assets from a sample of 3104 bank year observations between 1992 and 2006 in the United States of America, and they report that data contained in the fair value estimates of balance sheet measures of fair value exposure can help predict future interest income from trading securities, realized g We contend that since the study only looked at data up to 2006, expanding it to 2016 would produce different results due to upgrades and modifications made to the pertinent IFRSs. Furthermore, if the study were to be repeated in a poor nation like Nigeria, where the majority of financial instruments lack an active market, the results might be different. Additionally, between 1994 and 2008, Evans et al. (2014) assessed the fair value's propensity to forecast future financial performance of commercial banks operating in the United States of America. 7,794 bank-year observations make up the entire sample size that was examined using multivariate regression. They came to the conclusion that fair value intensity improves banks' capacity to forecast earnings by measuring exposure to fair value as the difference between the fair value of assets

and the book value. This study assesses fair value intensity differently by dividing the total fair valued assets by the total assets to determine whether the outcome will be the same or not. Using a sample of 2,338 firm-year observations from financial organizations operating in the USA between 2007 and 2013, Ayres et al. (2017) evaluated the relationship between fair value accounting and analyst forecast accuracy. They proved that fair value intensity had no bearing on the accuracy of analysts' earnings forecasts. Their findings may have been impacted by the fact that the study period fell during a time of financial crisis, when fire sales may have caused market prices for most assets to not accurately reflect their true fair value. Thus, it is necessary to do this study in the Nigerian context. Due to the absence of active market pricing for a significant share of financial instruments in Nigeria, fair values are likely to be more mark-to-model based than market price based. Chen, Sommers, and Taylor (2006) argued that in the absence of intentional misrepresentation by managers, the unobservable nature of mark-to-model fair value estimates potentially leads to greater estimation error. Managers could use such discretion opportunities to reduce information asymmetry and improve earnings predictive ability, but they are more likely to act opportunistically in a weak shareholder protection environment. Despite the foregoing, this analysis forecasts that increasing fair value accounting intensity will favorably link to earnings predictability for banks in Nigeria. The value of fair values in enhancing earnings prediction was evaluated by Daifei et al. (2015) as follows: Evidence from international banks; based on a sample of international (non-U.S.) banks from 24 countries during 2009–2012, they examined the usefulness of fair values in improving the predictive ability of earnings and provide evidence that the fair value measurement hierarchy classification levels affect earnings' ability to predict future cash flows and future earnings, as well as that the discretionary fair value components. Using information from listed commercial banks in Nigeria, this study divides fair value level two and level three to investigate each one's impact on profits predictability.

Chances for the use of management discretion that may offer a good opportunity to eliminate information asymmetry by communicating the current worth of the assets to the stakeholders In accordance with IFRS 13, fair value measurement requires that a company identify the precise asset or obligation that is being measured and, if the asset is not a financial asset, the relevant valuation basis (depicting its best and highest use). The primary (or most advantageous) market for the asset or liability, the appropriate measurement technique(s) for the valuation, taking data

accessibility into consideration for inputs development that best represent market participants' assumptions in pricing the asset or liability, and the fair value hierarchy level in which the inputs are belongs. The proportion of an entity's assets that are fair valued (total fair valued assets/total assets) and included or disclosed in the financial statement is known as fair value intensity, as defined by Bratten et al. (2016). It is the degree to which fair value estimations are used in an entity's financial statements. Fair value intensity was defined by Ehalaiye et al. (2017) as the value of financial assets and liabilities that are measured and represented at fair value on the balance sheets of the companies. Fair value intensity was defined by Ayres, Huang, and Myring (2017) as the entire sum of the monetary value of the assets that are fair valued scaled by the book value of the entity's total assets at a specific period. The Fair Value Hierarchy Concept Level 2 includes inputs that are not market quoted prices used within Level 1 with relation to such asset or liability, either explicitly or implicitly. (IFRS 13:81). These inputs include prices quoted for comparable assets or liabilities traded in active markets; prices quoted for identical assets or liabilities in inactive markets; observable interest rates and yield curves typically quoted at intervals; implied upheavals; and credit spreads. The total of the indirectly observable inputs based on fair valued financial instruments is how this study conceptualizes levels two of the fair value measurement hierarchy.

Research methods

Correlation research design will be used in this investigation. This conforms to the study by Uyanna, et al. 2017. But, Badenhorst (2018) relied on multivariate regression to show that fair value intensity affects the predictability of earnings. The statistical relationship between two or more variables is explained using a correlation study design. The study's sample includes all Nigerian commercial banks that list on the Nigeria Stock Exchange between 2012 and 2021. The study is using a census methodology; as a result, the study's sample includes all of Nigeria's listed commercial banks. The audited financial statements of Nigeria's listed commercial banks (for ten years between 2012 and 2021) served as the primary secondary source from which the study's data were derived. Because an audit gives financial statements more credibility, this study's results were derived from audited financial accounts. For data analysis in

this study, panel data multiple regression was used. The method was used to take sample heterogeneity into account when assessing the effect of fair value accounting on the ability of listed commercial banks in Nigeria to forecast future events. To determine whether the data's distribution was normal, the skewness and kurtosis tests were applied to the data. A multicollinearity test was carried out to look for negative correlations between independent variables that could invalidate the regression result by applying the variance inflation factor (VIF). To distinguish between fixed effect and random effect, the Hausman specification test was performed. The negligible outcome demonstrates that the random effect was used to analyze the data. The Lagrangian multiplier test effect was then used to compare the outcomes of random effect and ordinary least squares. The Langrangian multiplier test result was significant, indicating that the random effect result should be favored for interpretation. The assumption behind fair value accounting is that information that aids in forecasting future cash flow realizations will be made available. As a result, evaluating its ability to forecast future earnings will allow for a direct assessment of its impact on earnings predictability (Daifei et al., 2015). They are trustworthy gauges of the values of assets and liabilities because fair value estimates represent the current value of anticipated future cash flows.

Model specification

Following the models of Ehalaiye et al. (2017), this study tests the effect of fair value on earnings predictability of listed DMBs in Nigeria as follows:

$$EBT_{it+1} = \alpha + \beta_1 FVSITY_{it} + TCI_{it} + \varepsilon_{it}$$

Where:
EBT_{it+1} =   Earnings before tax of the respective banks one year ahead.
α =   Constant per bank year
$FVSITY_{it}$ =   Fair value intensity per bank year
TCI_{it} =   Total comprehensive income per bank year
ε_{it} =   Error terms (omitted variables) per bank year

Descriptive Statistics

Descriptive statistics aids the researcher to organise and summarize data effectively for better understanding. The descriptive statistics table gives information regarding the mean, standard deviation, maximum and

minimum individually for the dependent and independent variables. Table 4.1 shows the summary of descriptive statistics and normality of data distribution.

Table 1 Descriptive Statistics

Variable |	Mean	Standard Deviation	Minimum	Maximum	Skewness	Kurtosis
EBT_{t+1}	0.1263	0.0522	0.0162	0.3749	0.0001	0.0000
TCI	0.3731		0.0279	0.3162	0.4873	0.0001
			0.0004			
FVSITY	0.9569	0.0515	0.7776	0.9984	0.0000	0.0002

Source: STATA output. **(2021)**

Table 1 indicates that the mean of earnings before tax one year ahead (EBT_{t+1}) is 0.13, minimum 0.016, maximum 0.37 and a 5% standard deviation meaning that listed DMBs predicted profits is not widely dispersed. Also, current total comprehensive income with a standard deviation of 3%, 0.37 mean, and 0.49 maximum indicates that the dispersion of listed DMBs current performance is close. Skewness of 0.0001 and Kurtosis of 0.0000 indicate normal distribution of the data relating to earnings before tax one year ahead. The closer skewness is to zero the more symmetrical the data. Also, kurtosis value of not more than three indicates normality of data distribution.

Table 1 also shows that the mean of fair value intensity is 0.96, minimum 0.78, maximum of 0.99 with a standard deviation of 5.1% shows that a greater percentage of the listed DMBs have high proportion of their assets fair valued and that the dispersion is narrow. This variable is also normally distributed as indicated by the skewness and kurtosis of 0.0000 and 0.0002 respectively.

Correlation matrix

The relationship between each pair of variables in the model is shown by the correlation matrix. While there should be little correlation among the independent variables themselves, there should be a substantial correlation between the dependent variable and each of the independent variables. A correlation coefficient of 0.8 between two independent variables is regarded as high and possibly indicates multicollinearity (Gujarati, 2004).

Table 2

Correlation Matrix

Variables	EBT$_{t+}$	TCI	FVSITY
EBT$_{t+1}$	1.0000		
TCI	0.3855	1.0000	
FVSITY	0.3684	0.1552	1.0000

Source: STATA output (2021)

According to Table 2, the correlation matrix demonstrates a 0.3684 association between fair value intensity (FVSITY) and EBTt+1. This demonstrates that future performance of listed commercial banks in Nigeria and current fair value intensity are positively correlated. This is consistent with the IASB's expectation that fair value accounting gives users of financial statements information they can use to make decisions. However, the correlation matrix shows a negative correlation between level two of the fair value measurement hierarchy and future performance, with a coefficient of correlation between level two and EBTt+1 of -0.25. Furthermore, the results reveal a correlation coefficient of 0.3855 between earnings before tax one year ahead (EBT$_{t+1}$) and current total comprehensive income (TCI). This implies that current total comprehensive income is positively related to future performance by of listed commercial banks in Nigeria.

Regression Result

The Hausman specification test was used in this work to distinguish between the fixed and random effect models. The outcome shows that the prob>chi2 is 0.7550 and the chi square value is 3.42. The non-significant p-value demonstrates Hausman's preference for the random effect model in terms of interpretation. The Lagrangian Multiplier test was also used in the study to compare the outcomes of the Random Effect model with OLS. Given that the p-value was significant at 1%, the Random effect model performed better in the LM test (0.0007).

Table 3 Random-Effects Regression Result

ebtt1	Coef.	Std. Err.	z	P>|z|
TCI	0.49234	0.18466	2.67	0.008
FVSITY	0.27221	0.10985	2.48	0.013
CONSTANT	-0.25498	0.15655	-1.63	0.103

	R-Square: Overall	0.4414
	Wald chi2	39.30
Prob > chi2	0.0000	

Source: Regression result output form STATA

The model is fit, as evidenced by the Wald chi square value of 39.3 and P-value of 0.0000. The degree to which the explanatory variables explain the dependent variable is shown by the R-square. The R-square for Table 3 is 0.4414, which indicates that all explanatory variables in this study account for up to 44.14 percent of the predictability of the profitability of listed commercial banks in Nigeria. This offers solid proof that the factors employed in this study's analysis of the impact of fair value accounting on the predictability of earnings for listed commercial banks in Nigeria is appropriate.

The results of the regression show the explanatory variable—fair value intensity — has a significant impact on the ability of listed commercial banks in Nigeria to predict their earnings.

Total Comprehensive Income and Earnings Predictability

Table 3 shows that total comprehensive income has a coefficient of 0.49, z-value of 0.18 and a p-value of 0.008. This result indicates that total comprehensive income has strong predictive power over future performance of listed commercial in Nigeria at 99% level of confidence. This result agrees with Bratten et al. (2016) who documents that fair value embedded total comprehensive income improves earnings predictability. This result supports signaling theory that explains how management can signal the unobservable value of their entities to potential investors through the observable attributes of their financial statements.

Fair Value Intensity and Earnings Predictability

Fair value intensity is shown to have a positive coefficient of 0.27, a z-value of 2.48, and a p-value of 0.013 in Table 3. This shows that the predictive power of the banks' earnings increases by 27% at a 5% level of significance when more of their assets are fairly valued. This outcome is consistent with studies by Ehalaiye et al. (2017) and Daifei et al. (2015), which show that fair value accounting exposure improves profits forecasting and offers details about a firm's financial performance.

Additionally, by giving better knowledge about future performance, it is consistent with signaling theory, which is primarily concerned with decreasing information imbalance. Additionally, it supports the IASB's claims that fair value accounting produces more pertinent data.

Hypothesis testing

For testing, the study developed one hypothesis. The results of the random effect model regression, which are shown in table 4, will be used to evaluate the hypotheses that were previously expressed in null forms.

Table 4 Random-Effects Regression Result

ebtt1	z	P>|z|
FVSITY	2.48	0.013
CONSTANT	-1.63	0.103

Ho_1: Fair value intensity has no significant effect on earnings predictability of listed commercial banks in Nigeria.

Table 4's findings indicate that fair value intensity has a substantial impact on the ability of listed commercial banks in Nigeria to anticipate their profitability, with a z-value of 2.48 and a p-value of 0.013 respectively. This finding suggests that there is sufficient data to disprove the study's first null hypothesis. This research has the conclusion that profits predictability of listed commercial banks in Nigeria is strongly correlated with fair value intensity.

Conclusion

The quality of financial statement is very crucial to corporate stakeholders as it helps them in the decision-making process for the allocation and optimization of limited resources. Earnings predictivity is an important aspect of quality financial statement. Fair value accounting as posited by the CFA Institute (2005) provides information about the riskiness and timing of earnings realization and are likely to be predictive of a company's future success since they add up the present value of expected future cash flows. This is even more valid for financial institutions like commercial banks since a significant portion of their

assets and liabilities are financial instruments which are more susceptible to fair value effects.

The effect of fair value intensity on the earnings predictability of listed businesses in Nigeria was explored in this study. The study specifically discovered that fair value intensity has a significant positive association with the ability of listed commercial banks in Nigeria to predict their earnings, demonstrating that the greater the proportion of assets that are fair valued, the greater the ability of these banks to forecast their earnings.

Based on the aforementioned findings, it can be said that the outcome demonstrates how fair value intensity influences the accuracy of earnings predictions for listed commercial banks in Nigeria. As a result, this study comes to the conclusion that subjecting the assets of listed commercial banks in Nigeria to a higher level of fair value accounting will improve those banks' ability to predict their earnings.

The empirical findings of this study and the structured literature review can help regulators of financial institutions appraise managerial discretion in fair value accounting on a more reasonable basis which has been a challenge after the post-implementation review of IFRS 13 as averred by the International Accounting Standard Board in 2018.

Recommendations

Based on the findings of this study, the following recommendations are made:

i.   The Security and Exchange Commission and the Central Bank of Nigeria should promote an active market for corporate debt instruments to enhance the accuracy of fair value measurements.

ii. CBN auditors and regulatory staff should receive the necessary training to spot dishonest methods of determining fair value.

iii. The CBN should implement strong supervisory and regulatory measures to guarantee accurate measurement of financial instrument fair values.

iv. investors and other users of financial statements should be more circumspect and intensify scrutiny when assessing banks' performance based on reported earnings

v.   Commercial banks should separately disclose fair value gains and losses recognized under net income. This will enable a clearer

assessment of the impact of fair value through net income on reported earnings.

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