First City Monument Bank Plc
A member of First City Group

Annual Report and Accounts 2012

FCMB at a Glance

First City Monument Bank (FCMB) Plc is a full service banking group, headquartered in Lagos, Nigeria with a focus on retail, commercial and investment banking.

From its early origins in investment banking as City Securities Limited in 1977, FCMB, established in 1982, has emerged as one of the leading financial services institutions in Nigeria and one of the top eight lenders in the country with subsidiaries that are market leaders in their respective segments. It was granted a banking licence on August 11, 1983 and listed on the Nigerian Stock Exchange, by introduction, on December 21, 2004.

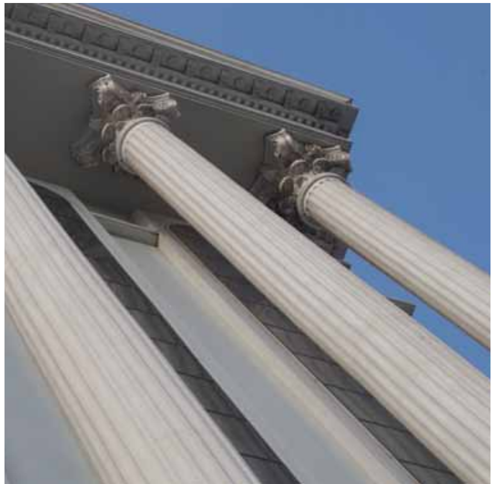
As at December 2012, FCMB had two million customers, 3,000 personnel in its workforce, 300 functional Automated Teller Machines (ATMs) nationwide, 275 branches and cash centres in Nigeria and a presence in the United Kingdom (through its FSA-authorised investment banking subsidiary, FCMB UK) and a representative office in the Republic of South Africa.

Auditors:
KPMG Professional Services (Chartered Accountants)

Correspondent Banks:
ANZ Banking Group Limited
Bank of Beirut (UK) Ltd
BNP Paribas
Citibank New York
FBN (UK) Ltd
Fortis Bank, SA/NV London
HSBC Plc
Standard Bank Plc, South Africa
Standard Chartered Bank Plc, UK
UBN (UK) Ltd
United Bank of Africa Plc (New York)

Our vision

To be the Premier Financial Services Group of African Origin.



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Notice of annual general meeting

Notice is hereby given that the 30th Annual General Meeting of First City Monument Bank Plc (FCMB) will be held at the Shell Hall, MUSON Centre, Onikan, Lagos on Wednesday, June 19, 2013 at 11 a.m. to transact the following:

Ordinary Business

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended December 31, 2012, the Auditor's Report thereon and the Audit Committee Report.
2. To authorise the Directors to fix the remuneration of the Auditors.
3. To re-elect directors in place of those retiring.
4. To elect/re-elect members of the Audit Committee.

Special Business

5. To consider and if thought fit pass the following as Ordinary Resolutions:

(i) "To approve the remuneration of Directors"

(ii) "That the appointments of Messrs Nath Ude, Adam Nuru and Mrs Tokunbo Ishmael as Directors be and are hereby approved".

(iii) "That following the recommendation of the Directors, the sum of ₦380,821,960.00 be and is hereby capitalised from the Share Premium Account into 761,643,920 Ordinary Shares of 50 kobo each and appropriated to the members whose names appear in the Register of Members at the close of business on Tuesday June 4, 2013 in the proportion of one (1) new share for every twenty-five (25) shares registered in such member's names on that date, subject to the approval of the appropriate regulatory authorities, the shares so distributed being treated for all purposes as capital and not as income, ranking pari passu with the existing shares of the Company".

These shares shall be distributed to shareholders under the FCMB Group Plc (the holding company).

Dated this 6th day of May, 2013.

By Order of the Board

Mrs Olajumoke Bakare
Company Secretary

NOTES

Proxies

Only a member of the company entitled to attend and vote at the general meeting is entitled to appoint a proxy in his/her stead. All valid instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, City Securities (Registrars) Limited, 2nd floor, Primrose Tower, 17A Tinubu Street, Lagos, not later than 48 hours before the time fixed for the meeting.

Closure of Register

The Register of members will be closed from Wednesday, June 5, 2013 to Friday, June 7, 2013 (both days inclusive).

Audit Committee

In accordance with Section 359 (5) of the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, a shareholder may nominate a shareholder for appointment to the Audit Committee. Such nomination should be in writing and reach the Company Secretary not less than 21 days before the Annual General Meeting.

From the archives of the Founder

Welcome to a total and an astounding transformation

When in 1983, FCMB – the merchant bank – arrived on the banking and the financial scene in Nigeria, not even the most optimistic clairvoyant could have foreseen the transformation that has and is still taking place in our institution. Indeed, the whole of the banking and finance industry in Nigeria has gone through a volcanic transformation which has left in its trail a number of casualties, typified by the wiping out of so many notable players within the industry; so much so that it is not easy for any current observer of the industry to relate what we knew of the market of those years to the sophistication and the level of available choices of the present-day banking services. The mustard seed which some visionaries, led by an individual with the grace of the Almighty God, sowed to establish first a stockbroking company and an Issuing House known as City Securities Limited, and subsequently a merchant bank, FCMB, could hardly have been foreseen to be capable of producing the transformation that we have achieved today, namely, the emergence of the FCMB Group Plc.

To many observers, our transformation has been remarkable, profound and even astounding. This is the reason why the founding fathers are reflecting that Providence has favoured us with a phenomenal survival streak, which has led to this remarkable transformation. We seem to be talking in riddles; but what we are seeing and talking about is a visible and almost bewildering pleasant transformation! We can claim that this is as a result of the same grace of the Almighty God, as well as the strength of our vision, our focus, our professionalism and our all-embracing 'Culture of Excellence'.

Even those of us who were prime movers of the original dream and vision would not have precisely envisioned what we are seeing today, namely, the evolution of a financial supermarket known as the FCMB Group Plc, having First City Monument Bank, the commercial bank as its flagship and a retail franchise with branches effectively

From the archives of the Founder continued...

dotted around the whole country, and yet not abandoning the supplementary investment banking niche. Rather, the Bank has acquired a robust focus of reaching out to the nooks and corners of the country, with the message that our main pre-occupation is to satisfy our customers.

Where does all this vision take the FCMB of today? FCMB is no longer the institution that can only be related to an individual's vision or effort. With the recent acquisition of FinBank, which was well known for its retail banking franchise, particularly in the South East, South South, Abuja and some other parts of the North, the merged entity still known as FCMB has matured into a polyglot vision with a determination, not only to be well known all over the country, but to be able to satisfy the personal and different demands of its teeming customers in the retail market of the banking and financial industry. Let me acknowledge that this new focus is excitingly satisfying to all stakeholders, particularly the original founding fathers, because it is in accordance with the demands of the market place, which is a function of the current transformation of the entire banking industry in Nigeria.

The founding fathers are indeed proud of what they are seeing and appreciate how the present generation of management has transformed the original vision, which was only a mustard seed but has now grown into an oak tree with far-flung and strong branches. Indeed, the old order changeth, yielding place to the new! Where do all these preambles leave us? It is for all stakeholders to join and get on the transformation-train to proclaim that our FCMB has been transformed into a bank that is bigger, bolder, better and stronger, which also caters for the minute and the special interest of all and sundry, and would do everything to enjoin its far-flung customers to evolve a special personal relationship with FCMB, which we proudly describe as 'My Bank & I'. That personal touch or relationship is not only being achieved by the physical presence, but with the use of the most sophisticated and state-of-the-art electronic technology platform. One is comforted to observe that all hands are on deck to achieve the new FCMB of our dream.

With the continuous improvement of our brand, typified by the reassuring resonance of the acronym 'FCMB', the founding fathers are proud to be associated with this exciting transformation and will continue to devote their prayers and support towards the attainment of our well-considered goals, which the present management has described as 'building the future towards a world-class business'. With its current emphasis on retail banking, the Group's major focus is 'to attain the highest levels of customer advocacy, be a great place to work and deliver superior and sustainable returns to our shareholders'.

In conclusion, we reaffirm that we do not have any reservation that the vision of making FCMB Group 'The Premier Financial Services Group of African Origin' is realisable within a short time.

We are confident that the good Lord who has been and is continuously with us, will let this dream and vision be realised. (Amen.)

Otunba Michael O Balogun, CON
Founder

"The mustard seed which some visionaries, led by an individual with the grace of the Almighty God, sowed to establish first a stockbroking company and an Issuing House known as City Securities Limited, and subsequently a merchant bank, FCMB, could hardly have been foreseen to be capable of producing the transformation that we have achieved today, namely, the emergence of the FCMB Group Plc.

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Statement from the Chairman

Jonathan Long
Chairman

Ladies and gentlemen, fellow shareholders, it is with great pleasure that I welcome you to the 30th Annual General Meeting of First City Monument Bank Plc, at which I will present to you the Annual Report and Accounts for the year ended December 31, 2012, and also outline some of the changes being made to the structure of the Group, in order to comply with the new requirement of the Central Bank of Nigeria ('CBN') for licensed banks. In keeping with statutory regulations, I am also pleased to confirm that copies of the Annual Report and Accounts were dispatched to all shareholders before this meeting.

Introduction

Firstly, I should like to thank you, our shareholders, for the cooperation and support that you gave the Board and management of the Bank in recent times, particularly during the 2012 financial year, and I trust that we can count on your continued support in the years ahead.

Business Environment and Nigeria's Banking Sector

Given the significant issues concerning the Bank that I wish to explain to you today, I intend to spend little time discussing the overall economic and financial environment, with which I believe we are all sufficiently familiar.

Despite the challenging economic environment in 2012, Nigeria's key economic indicators remained positive, GDP growth was just below 7% in 2012, driven largely by the non-oil sector, while exchange rates remained relatively stable, with the naira appreciating marginally against the US dollar, closing the year at ₦157.33 compared to ₦158.28 at the start of 2012. The external reserves recorded a significant 34.4% growth from US$32.9 billion in 2011 to US$44.2 billion in 2012, sufficient to cover about eight months of imports of goods and services. Oil production grew marginally and crude oil prices were relatively stable, while the inflation rate also remained under control, despite a 49% increase in fuel pump prices.

So far as the banking sector is concerned, the current healthy state of Nigeria's banks is largely due to the various reforms that have been implemented by the CBN in the past few years, which have resulted in a banking system that is now much better placed to finance future economic growth and development. The Asset Management Corporation of Nigeria ('AMCON') has made significant advances in resolving the issue of non-performing loans in the banking system, consequently paving the way for banks to increase their lending activities.

Statement from the Chairman continued...

Subsequent to the intervention by AMCON, the banking industry ratio of non-performing loans to total credit has reduced significantly from 34.4% in November 2010 to less than 5% as at December 2012. The banking sector's robust balance sheet, after the house cleaning exercise by AMCON, has strengthened the capacity of banks to increase their loan books in the near to medium term. This has also been helped by the relative decline in yields on government securities towards the end of 2012, as well as the increasing opportunities from the federal government's power sector reforms, and the healthy position of the capital adequacy ratio of most banks.

Nigeria's banking sector landscape changed significantly during the year, as those banks involved in the recent wave of mergers and acquisitions completed their transactions, while one new commercial bank and two merchant banks were licensed during 2012.

It is expected that 2013 will be a more challenging year, given the intense competition in the evolving industry and the recent regulatory announcements – the increase in AMCON charges, a regulatory prescribed minimum interest rate on savings accounts, as well as the reduction of income from commission on turnover, etc. - all of which are likely to have an adverse impact on net earnings.

Financial Performance

The Group's financial results show significant growth across all parameters. Specifically, net revenues grew by 48% to ₦72.6 billion, while total assets grew by 51% to ₦908.5 billion and profit after tax grew by 265% to ₦15.3 billion, demonstrating a strong recovery from the loss incurred in 2011. The recorded growth was significantly aided by the acquisition of, and subsequent merger with, FinBank, on which I will elaborate later in this statement.

Fellow shareholders, your Bank has maintained a dividend policy over the years that has tried to balance the dual objective of appropriately rewarding shareholders through consistent dividend payments, while at the same time ensuring the reinvestment of retained earnings, in order to support future growth. However, in the light of the Bank's overall performance over the past couple of years and the need to position the Bank to compete effectively, it has not been possible to recommend a dividend payment for the financial year ended December 2012. Specifically, I should explain that, although your Bank ended the year on a positive note, the retained earnings were insufficient to accommodate a dividend payment, as a result of the loss incurred in the previous year.

However, the Board is recommending a bonus issue of one new share for every 25 shares already held by shareholders, through the creation of an additional 761,643,920 units of ordinary shares, by means of the capitalisation of ₦380,821,360 from the share premium account, in order to pay for these bonus shares. These shares will be issued by the FCMB Group Plc to shareholders of the Bank, whose names appear in the register of members as at the qualification date, subject to receipt of appropriate regulatory approval. This recommendation is being made in order to demonstrate the appreciation of the Board and management to the Bank's shareholders for the confidence, commitment and support that they have shown to the Bank throughout the past year.

Successful Acquisition and Merger of FinBank

The most significant event for the bank in 2012 was the successful acquisition of, and merger with, FinBank. As a result of this transaction, the Bank increased its overall capacity by over 100%, taking its branch network to 275 branches and cash centres and its total customer base to almost two million. A consequence of the merger is that the Bank has created a platform that will greatly enhance the scale and scope of its commercial and retail banking activities, while enabling it to provide its corporate customers with greater convenience for sales collection and cash management services. The merger has also enhanced the efficiency of the Bank's balance sheet, which should translate to more competitive lending terms for its customers. I am pleased to confirm that the integration of FinBank's staff and operations has now been completed and the combined entity is running smoothly as a fully integrated business.

The New Holding Company Structure for FCMB Plc

You will recall that on Monday, December 10, 2012, the Board, at a Court-Ordered-Meeting convened to consider a proposal to restructure the Bank under a financial services holding company, obtained your approval and overwhelming support for the creation of a new holding company structure for the Bank known as the FCMB Group Plc, in line with the CBN's new banking model. I am therefore very pleased to inform you that we have completed the legal processes necessary for the adoption of this holding company structure and have now commenced its implementation.

The restructuring involves the transfer of all permissible non-banking subsidiaries and investments from the Bank to the FCMB Group Plc and a divestment from the non-permissible business activities (City Securities (Registrars) Limited and Fin Registrars Limited, both of which have been sold). The companies that were transferred to the FCMB Group Plc include FCMB Capital Markets Limited, CSL Stockbrokers Limited, CSL Trustees Limited, First City Asset Management Limited and the Bank's investment in Legacy Pension Managers Limited, as well as those in our various investments in private equity funds. First City Monument Bank Plc will be delisted from the Nigerian Stock Exchange, be re-registered as a private company and become a fully owned subsidiary of the FCMB Group Plc.

We are confident that this restructuring exercise will enable the Group to continue providing the comprehensive range of products and services for which it has always been well-known, while also allowing the FCMB Group Plc to enforce proper governance and risk management across the Group, without having direct operational involvement in any of the subsidiaries.

As you were informed when your approval was sought for the creation of the FCMB Group Plc, the CBN requires the establishment of a separate board of directors for the FCMB Group Plc, the members of which will be announced in the near future and whose appointment will be ratified by the shareholders at the company's first Annual General Meeting. Your Board is convinced that this new structure will lead to greater value for shareholders. Under the terms of the new structure, it is proposed that each shareholder of the Bank will receive one ordinary share of 50 kobo each in the FCMB Group Plc, which will be credited as fully paid, in exchange for one ordinary share of 50 kobo each held in the Bank, at the date of exchange.

Board Composition

As at December 31, 2012, the Board consisted of 15 directors, made up of 10 non-executive directors and five executives. During the course of the year, one executive director, Mr Nabeel Malik, gave notice of the resignation of his appointment, and Mr Martin Dirks was appointed as an alternate director. In addition, Mrs Tokunbo Ishmael was appointed in January 2013, as a non-executive director of the Bank. A resolution will be tabled before you at this meeting to approve her appointment to the Board. Sadly, during the year, one non-executive director, Mr Stephen Alashi, passed away, following a tragic road accident. Fellow shareholders, please join me in expressing our most sincere condolences to the family of the late Mr Alashi, and may his soul rest in perfect peace, Amen.

Conclusion

As I have mentioned earlier, these results show that the Bank has recovered strongly in 2012. On behalf of all the directors, I would like to assure you that the Board is committed to ensuring that our performance further improves in 2013 and the Bank will continue to grow from strength to strength, in spite of all the difficulties in the current operating environment.

Thank you.

Dr Jonathan Long
Chairman

"The Group's financial results show significant growth across all parameters. Specifically, net revenues grew by 37% to ₦72.6 billion, while total assets grew by 51% to ₦908.5 billion and profit after tax grew by 265% to ₦15.3 billion, demonstrating a strong recovery from the loss incurred in 2011. The recorded growth was significantly aided by the acquisition of, and subsequent merger with, FinBank, on which I will elaborate later in this statement.

However, the Board is recommending a bonus issue of one new share for every 25 shares already held by shareholders, through the creation of an additional 761,643,920 units of ordinary shares, by means of the capitalisation of ₦380,821,360 from the share premium account, in order to pay for these bonus shares. These shares will be issued by the FCMB Group Plc to shareholders of the Bank"

Review by the Chief Executive Officer

“Our strategic priorities going forward in the next three years will be to improve our customer experience, accelerate growth in demand deposit and savings account balances, reduce our cost of risk as well as build the most valuable retail franchise in the country.”

Distinguished shareholders, the last one year has been a remarkable one for the bank. Having emerged stronger from the significant write-offs in 2011 we returned to a healthy and sustainable level of profit and embarked on the final acquisition and merger of FinBank. The merger represents a tipping point in our transformation journey from a predominantly wholesale bank, to one that has a significant contribution from retail banking.

As an enlarged organisation, our vision remains to “be the premier financial services group of African origin”. Specifically by 2030 we are aiming to be a top 5 financial service franchise in the continent by delivering the best customer experience. In order to attain this vision and deliver on our goals, we have reviewed our mission, which is now to “attain the highest levels of customer advocacy, be a great place to work, and deliver superior and sustainable returns to our shareholders”. This mission represents what we aim to achieve every day and drive through our performance management systems. We are also guided by our core values of Professionalism, Sustainability, Customer Focus and Excellence. We believe these values are non-negotiable for long term success and leadership in our compelling but highly competitive market.

Leveraging on the FinBank Merger

Post-acquisition, FCMB has moved from a niche player to a top 10 bank. Our distribution and customer base have increased significantly making our bank now fit for significant retail growth and a more competitive commercial bank with reducing cost of funds, greater convenience and capacity to distribute our products and serve our customers. As a result of the integration of our operations, we were able to realize significant cost synergies arising from duplicated branches, head office and technology costs. Our customer base has risen to over 2 million while our branches have increased to over 275 branches and cash centres. Sentiment about the merger and morale has remained positive amongst staff of both banks and we believe this will translate into increased productivity as we move into 2013.

We will complement our enlarged branch network with a comprehensive suite of financing and transaction service products, and a relentless focus on improving our customer experience as a bank that offers unrivalled **simplicity** and **reliability**, as well as being highly **supportive**. Our supportiveness will be evidenced by the number of loans we disburse, which will exceed 180,000 a year in 2013 and our service and relationship management culture. In addition, we will work tirelessly to ensure that by 2015, staff productivity have risen from the very low base caused by the merger to the top quartile of the industry. This is essential as it will allow us to continue invest in one the elements of our mission of being a great place to work without compromising another, which is delivering superior and sustainable returns to our shareholders. It is our intention to ensure that other efficiency measures such as Return on Equity and Cost to Income Ratio will also have returned to a top quartile ranking by 2015.

Bouncing Back in 2012 with a Strong Performance

Our results show that the bank has recovered strongly in 2012. Aided by the acquisition and merger with FinBank, our net revenues grew by 48% between 2011 and 2012, from ₦49.2 billion to ₦72.6 billion respectively. This was driven by strong growth in interest income and non-interest income of 39% and 138% respectively. The growth in non interest income was largely driven by our merger with FinBank and further aided by our expansion in transaction volumes arising from the merger. The merger also fuelled our growth in operating expenditure by 35% from ₦32.3 billion to ₦43.8 billion over the same period. Impairments for loan losses and other assets fell from prior year by 54% from ₦27.7 billion to ₦12.7 billion. ₦10.2 billion was as a result of loan loss expense, while ₦2.5 billion was due to other losses. The cost of risk of the bank, albeit higher than our target of 1.5% per annum, is however moving in the right direction. Consequently, the group made a profit after tax of ₦15.29 billion from the loss of about ₦9.24 billion in 2011.

Our total deposits grew from ₦411 billion in 2011 to ₦646 billion in 2012, an increase of 57%, while the deposit mix (in other words the ratio of current and savings accounts to fixed deposits) improved from 55% to 63% between 2011 and 2012 respectively. We recorded a marginal growth of 11% in our total loans from ₦323 billion in 2011 to ₦357 billion in 2012. Loan growth was affected by the write off of legacy loans. However, the retail business saw 112% year on year loan growth.

Overall, profit after tax contribution from the subsidiaries rose from ₦1.76 billion to ₦2.73 billion between 2011 and 2012. Credit Direct Limited our consumer finance business, recorded an impressive 62% increase in Profit after Tax, growing its loan book by 68% to ₦14.2 billion. CSL Stockbrokers Profit after Tax also improved significantly from a loss of ₦431.94 million 2011 to profit after tax of ₦226.15 million in 2012, however FCMB Capital Market recorded reduction in their PAT from ₦504.43 million to ₦110.99 million in 2012. City Securities Registrars performance improved with the Profit after Tax growing by 99% from ₦85.75 million to ₦170.67 million in 2012. It is important to note that as a result of new regulatory requirements the group will be disposing of the registrar business in 2013. FCMB UK recorded a loss of ₦282 million. This was 32% worse than the 2011 position. Having invested in the infrastructure of a deposit taking entity, the business will be pursuing a variation of its permissions and seek to commence deposit taking. In addition trade finance activities will commence in 2013. These activities will enable our UK subsidiary to move towards profitability.

Looking Ahead

Our strategic priorities going forward in the next 3 years will be to improve our customer experience, accelerate growth in demand deposit and savings account balances, reduce our cost of risk as well as build the most valuable retail franchise in the country. We anticipate that by 2015 retail banking should account for 40% of our net revenues and 50% of our profits. This implies robust margins and a high efficiency model for the retail bank, driven by alternate channels such as mobile, sales agents and bank agents.

Our goal is to ensure that our cost to income ratio is below 50% by 2015 so that we can achieve a group return on equity approaching 30%. We are on course for the attainment of a 75% low cost deposit mix by 2015, and with the growth in retail loans, we foresee our net interest margins remaining consistently above 8% over the next two years. We also aim to attract a further 2 million customers by 2015 which will move our total customer base to over 4 million and attain an Net Promoter Score (an measurement system that enables us to gauge customer loyalty and advocacy) of over 40%, suggesting that the vast majority of our customers will become our advocates.

Our transformation from a wholesale bank is nearing its conclusion. However, underlying this business transformation is a critical cultural transformation, which will place sustainability ahead of mere profit. The entire management and staff are committed and aligned to attaining the goals and realising our enormous potentials. In conclusion, I would like to thank all our staff for the tireless hard work, our Board of Directors for their support, our customers, and shareholders who have continued to place remarkable confidence in us, particularly during our transition years. Finally, I would also like to thank the Almighty God for His continued grace and favour on the organisation and it is to Him that all credit must ultimately go. We look ahead to 2013 with great optimism and resolve that our performance can only get better and we will move from strength to strength.

Thank you

Ladi Balogun
Chief Executive Officer
First City Monument Bank Plc

Corporate Social Responsibility Activity Report

In 2012, FCMB continued to make progress in CSR. The journey has taken the Bank from philanthropy through fragmented projects within defined focal areas, towards a more integrated and programmatic implementation of initiatives which promise strong measurable impact and long-term sustainability.

In all, 2012 was an improvement on 2011 and FCMB's social licence was significantly enhanced. Below are some of our major initiatives under Poverty Alleviation, Environmental Sustainability and Economic Empowerment.

Major Initiatives

Bethesda Agency, C2G Activation, Earth Hour, Evergreen, Flood Relief, Priceless Gift, SOSAID

Poverty Alleviation

Flood Relief: Red Cross

During the last quarter of 2012, Nigeria witnessed the worst flooding of the Niger in recorded history. With FCMB's donation, relief materials were purchased and distributed to victims across the five states of interest.

Priceless Gift Of Sight

Since 2009, FCMB in partnership with the Tulsi Chanrai Foundation has taken free eye care to rural Nigeria with a special focus on those who would otherwise have been unable to afford quality eye care. Some **600** surgeries were completed with a 100% success rate in 2012. The total number of beneficiaries since the inception of the programme in 2009 is 9,100.

SOSAID Charity Home

This is a platform which the Bank established to enable FCMB staff express their personal social responsibility. FCMB staff spent National Children's Day at the charity home in addition to giving monthly contributions. Giving at FCMB generated a total of ₦3,457,200 in 2012 to assist with the wages of the staff who care for the 184 beneficiaries of the charity home.

Environmental Sustainability

Evergreen Programme

The Evergreen Programme is an FCMB CSR initiative that has been designed specifically to address the menace of environmental degradation in a sustainable manner through the creation of public awareness on environmental degradation and social engineering. The aim is to replace in these communities, negative practices and traditions with environmentally friendly ones. It comes with integration of economic benefits to the communities through the introduction of viable alternatives to further the cause of environmental sustainability and improve participants' quality of life.

- Katsina, like Sokoto and many of the Northern border states, is being gradually devastated by desertification as a consequence of climate change and global warming due to excess carbon dioxide and other greenhouse gases in our atmosphere.
- The **Evergreen Programme** has been a very special initiative because it has presented us with a unique opportunity of carrying out an integrated CSR programme to address economic empowerment and environmental sustainability simultaneously, thus reducing costs, maximising impact and ensuring long-term sustainability.
- Following the success of the pilot scheme in Katsina, the **American Embassy in Nigeria** offered to join in the Evergreen partnership with a view to taking it beyond Katsina to Sokoto and other states.

Economic Empowerment

- **Katsina State Youth Craft Village**: The Katsina State Government runs a Youth Craft Village where entrepreneurial skills are taught to unemployed youth. This is well in line with the Bank's economic empowerment focus. Ten beneficiaries were selected from the Katsina State Youth Craft Village for a grant with which they could start up their own business.
- **Beach Soccer – Kid's Clinic;** The Kid's Clinic is a platform for ensuring the furtherance of Beach Soccer as well as exposing underprivileged children to the beauty of the game.

Priceless Gift of Sight: A beneficiary of FCMB's initiative receiving medical attention in Calabar.

Evergreen Katsina: Wife of Executive Governor of Katsina State, Hajia Fatima Ibrahim Shema and FCMB's Executive Director, Olufemi Bakre handing over Save80 stoves and Wonder Pots to beneficiaries in the state.

Beach Cleaning: Professional Footballers at the Beach Cleaning exercise during Lagos COPA Beach Soccer 2012 hosted by FCMB.

Sustainability Report

To us, long-term business success means supporting economic and social development and contributing towards a healthy environment.

Our belief in Sustainability reflects in our core values and Risk Principles which underpin our strategy and activities. As a responsible lender, we strive to actively manage environmental and social risks, finance business opportunities in this area and reduce our operational footprints. Our SEMs (Sustainability and Environmental Management Systems) policy defines five key objectives:

- be as a decision support tool to:
  - *identify the risks associated with borrower activities and projects*
  - *define action plans to avoid, minimize or mitigate the social and environmental issues*
  - *avoid moral hazard*
- Provide guidelines on how to conduct business in a manner that will promote and protect the health and safety of employees, customers and the general public.
- Comply with local and national legislation on the environment
- Abide by the CBN approved Nigerian Sustainable Banking Principles (NSBP) and partner with other stakeholders to advocate for positive change in all our business locations.
- Integrate environmental considerations into key business decisions. A roadmap has been drawn to achieve this.

Milestones Achieved

(i) Policy and Process Development

This year the Board of Directors approved Social and Environmental Management System (SEMS) policy and our journey truly began. For us this was a major achievement as it means that our board has taken a lead role in environmental advocacy. We have now institutionalized environmental screening in our lending process with procedures in place to identify, assess, measure and control these risks.

(ii) Capacity Building and Communication:

FCMB participates actively in fora to advocate for change and promote awareness with likeminded organizations.

Our SEMS officers have been trained and champion the SEMS initiative bank-wide. As part of the initial steps towards capacity building and awareness creation, the bank engaged IFC for access to its free online training i.e. Sustainability Training on E-learning Programme (STEP) which is to expose all staff comprehensively to the dynamics of SEMs as pivotal to effective implementation and deployment in FCMB. About 140 of our staff were trained in the fourth quarter of 2012 and this represents about 5% of the bank's population. We aim to cover 100% by December 2013.

(iii) Lending Process

Our underwriters have been trained to effectively analyse and profile social and environmental issues at transaction level. The scope of our whistle blowing policy has been expanded to embrace SEMS.

Walking the Talk

(i) Paper Footprint Management

We are working to see a significant reduction of our internal paper footprint. Our paper reduction plan will be achieved when the Electronic Data Management System (EDMS) goes live. Some other quick wins expected are better cost and time efficiency, organization and accuracy. Fewer paper records also means less building space further reducing material and energy costs.

(ii) Energy Efficiency

A green IT plan includes desktop standardization where all FCMB computers are standardized and energy efficient with a PC Power Management program that puts computers to sleep when not in use and a flexible work strategy that enables employees work on a secured network from any location in Nigeria. Ultimately the daily commute to work will reduce and improve productivity and the health and lives of our staff. We have converted our bulbs and electrical fittings to energy efficient types.

(iii) Carbon Footprint Management

We are working hard to reduce our organizations greenhouse gas (GHG) emissions. Our staff are encouraged to car-pool and we are increasing our fleet of staff buses.

(iv) Employee Engagement

The intent of the employee engagement program is to make us each, as individuals, an environmental champion in our locality. Our belief is that FCMB shall only be truly sustainable when our entire workforce is fully engaged in these efforts.

Board evaluation report

March 26, 2013
The Chairman
Board of Directors
First City Monument Bank Plc
Primrose House
17A Tinubu Street
Lagos, Nigeria

pwc

Dear Sir

Report to the Directors of First City Monument Bank Plc on the Outcome of the Board Performance Assessment

PricewaterhouseCoopers was engaged to carry out an assessment of the performance of the Board of Directors of First City Monument Bank Plc ('FCMB') as required by Section 5.4.6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks of Nigeria ('the Code'). The Code requires that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual member's competencies and respective roles in the Board's performance. The review was conducted for the period ended 31st December 2012.

The Board is responsible for the preparation and presentation of information relevant to its performance. Our responsibility is to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our letter of engagement. In carrying out the evaluation, we have relied on representations made by members of the Board and management and on the documents provided for our review.

The board has compiled to a large extent with the provisions of the Codes. This is evidenced by the diversity of skills, quality of experience and commitment of members of the Board, the effectiveness of the Board Committees and the involvement of the Non-Executive Directors in the strategy formulation process. Other areas of strength include regular management reporting to the Board, the existence of a formal Succession Plan and the depth and adequacy of Board materials provided for Board meetings.

Areas for improvement include the need to review the composition and leadership of the Board Committees to be more diverse and inclusive and ensure that the performance objectives of the Board are properly communicated to all Board members. Other findings and recommendations are contained in our full report to the Board.

We also assessed the performance of the individual Directors on the Board for the year under review. This assessment was based on their individual competence, level of attendance to the Board and Board Committee meetings, contribution and participation at these meetings and relationship with other Board members. Each individual Director's Assessment report was prepared and made available to them respectively while a consolidated report of the performance of all Directors was also submitted to the Chairman of the Board.

Yours faithfully

Dr Bert Odiaka
Director

Corporate governance

Commitment to Corporate Governance

First City Monument Bank (FCMB) Plc remains committed to institutionalising corporate governance principles as part of the Group corporate structure. It contributes to ensure adherence to the implementation of corporate governance rules of the Central Bank of Nigeria, the Nigerian Stock Exchange and the Securities and Exchange Commission.

As in the past, the Board continues to operate in line with its responsibilities as contained in Regulatory Codes of Corporate Governance, the Bank's Articles of Association and the Companies and Allied Matters Act. Its oversight of the operations and activities of the Bank are carried out transparently without undue influence.

Essentially, fair value corporate governance depends on the quality and integrity of our directors. Consequently, the Bank has undertaken to create the institutional framework conducive to defending the integrity of our directors, and is convinced that on account of this, the Board of FCMB is functioning in a highly effective manner. It is intended that we continue to challenge ourselves to improve the standard in areas where need for improvement has been identified.

Board Composition and Independence

As at December 31, 2012, the Board comprised of 15 directors: 10 non-executive and five executive.

The Bank's Board is composed of a non-executive chairman, with executive and non-executive directors, all bringing high levels of competencies and experience, with enviable records of achievement in their respective fields. The Board meets regularly to set broad policies for the Bank's business and operations, and it ensures that an objective and professional relationship is maintained with the Bank's auditors in order to promote transparency in financial and non-financial reporting. Directors' emoluments, as well as their shareholding information are disclosed in the Bank's Annual Report and Accounts.

The Guiding Principles of the FCMB Plc Code of Corporate Governance remain as follows:

- All power belongs to the shareholders.
- Delegation of authority by the owners to the Board and subsequently to Board Committees and executives is clearly defined and agreed.
- Institutionalised individual accountability and responsibility through empowerment and relevant authority.
- Clear terms of reference and accountability for committees at Board and executive levels.
- Effective communication and information sharing outside of meetings.
- Actions are taken on a fully informed basis, in good faith with due diligence and care and in the best interest of the Bank and shareholders.
- Enhancing compliance with applicable laws and regulations and the interest of the stakeholders. Where there is any conflict between FCMB rules, the local laws and legislation supersede.
- Conformity with overall FCMB strategy and direction.
- Transparency and full disclosure of accurate, adequate and timely information regarding the personal interest of directors in any area of potential conflict regarding the Bank's business.

Role of the Board

- Reviewing alignment of goals, major plans of action, annual budgets and business plans with overall strategy; setting performance objectives; monitoring implementation and corporate performance and overseeing major capital expenditure in line with approved budget.
- Ensuring the integrity of the Bank's accounting and financial reporting systems (including the independent audit) and that appropriate systems are in place for monitoring risk, financial control and compliance with the law.
- Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.
- Interfacing with the management of the Bank to ensure harmony in implementing Group strategy.
- Performing all statutory roles as required by law.
- Through the establishment of Board Committees, making recommendations and taking decisions on behalf of the Board on issues of expenditure that may arise outside the normal meeting schedule of the full Board.
- Ratifying duly approved recommendations and decisions of the Board Committees.

Board Committees

During the financial year 2012, the Board delegated some of its responsibilities to the following Committees:

Credit Committee

Its functions include:

- review and approve the credit policy manual;
- consider and approve detailed analysis for credit including contingents of amounts in excess of the limit of the Credit Committee;
- review and set credit policy direction where necessary;
- consider and approve write-offs presented by management;
- be actively involved in credit risk control processes;
- approve all material aspects of rating and estimation processes;
- establish a strong internal credit culture;
- be involved in capital planning;
- use reports on the Bank's credit risk profile and capital needs to:

Corporate governance continued...

(a) evaluate the level and trend of material credit risks and their effects on capital level;

(b) evaluate the sensitivity and reasonableness of key assumptions used in capital planning.

Committee Composition: Dr John Udofa (Chairman), Mr Bismarck Rewane, Mr Olusegun Odubogun, Mr Stephen Alashi (until July 2012) and Otunba Olutola O Senbore.

Risk Management Committee

Its functions include:

- set Bank-wide Enterprise Risk Management vision, goals and objectives in compliance with world-class standards;
- approve the Bank's Risk Management framework for the various risk areas (credit, operational, strategic, reputation, compliance, market and liquidity risk management);
- approve and periodically review the Bank's risk appetite and portfolio strategy;
- ensure that appropriate risk management policies, processes and methodologies are in place for managing the various risks to which the Bank may be exposed;
- establish a management structure that is capable of implementing the Bank's risk management framework and ensure that qualified and competent person(s) at senior levels are employed to manage the various risk areas in the Bank;
- endorse approval of new products/markets subject to the ratification of the full Board;
- ensure that the Bank holds sufficient capital against the various risks and is in compliance with established capital adequacy goals and regulations;
- periodically review the results of stress testing and use the outcome to conduct internal assessment of capital adequacy;
- monitor the Bank's risk profile against set targets (risk appetite);
- initiate a benchmarking study and internal review to ascertain the adequacy of the Bank's approach to managing risks across all risk areas;
- present reports on compliance with the Enterprise Risk Management framework to the Board of Directors;
- review and monitor the operational risk management framework;
- review material contingent liabilities on litigation.

Committee Composition: Mr Bismarck Rewane (Chairman), Mr Nigel Kenny, Dr John Udofa, Alhaji Mustapha Damcida, Mr Stephen Alashi (until July 2012) and Mr Segun Odusanya.

Finance and General Purpose Committee

Its functions include:

- review global budgets;
- review strategy to ensure that desired cost–income ratio is maintained;
- consider major capital projects being proposed by management;
- consider/review extraordinary business initiatives of management on behalf of the Board;
- consider disciplinary matters involving top management staff including directors;
- review and approve extra-budgetary spending of the Bank above specified limits.

Committee Composition: Mr Bismarck Rewane (Chairman), Dr John Udofa, Otunba Olutola O Senbore, Mr Nigel Kenny and Mr Martin Dirks.

Audit Committee

This is established in accordance with Section 359 (3) and (4) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004. It comprises dedicated individuals with proven integrity that have a thorough understanding of the Bank's business affairs, including the associated risks and controls put in place to mitigate those risks. The Committee has overall responsibility for the Bank's internal audit processes.

Overall Purpose/Objectives

The Audit Committee will assist the Board in fulfilling its oversight responsibilities. The Audit Committee will review:

- the financial reporting process, the system of internal control and management of financial risks;
- the audit process, both internal and external;
- the Bank's process for monitoring compliance with laws and regulations and its own code of business conduct.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and the internal and external auditors. Each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the Bank's business, operations and risks.

Authority

The Companies and Allied Matters Act authorises the Audit Committee to:

- examine the auditor's report and make such recommendations thereon to the Annual General Meeting as it considers appropriate;
- ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical principles;
- review the scope and planning of the Bank's audit requirements;

- review the findings on management matters in conjunction with external auditors and the department responses thereon;
- keep under review the effectiveness of the Bank's system of accounting and internal control;
- make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors to the Bank;
- authorise the internal auditor to carry out investigations into any activities of the Bank, which may be of interest or concern to the Committee.

Membership

- The Audit Committee shall consist of an equal number of directors and representatives of the shareholders of the Bank (subject to a maximum number of six members) and shall examine the auditor's report and make recommendations thereon to the Annual General Meeting as it may deem fit. Such members of the Audit Committee shall not be entitled to remuneration and shall be subject to re-election annually.
- The members will nominate any member of the Committee as the chairman of the Audit Committee from time to time.
- Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the company secretary of the Bank at least 21 days before the Annual General Meeting.
- A quorum for any meeting will be a simple majority of three members with a minimum of two representatives of the shareholders.
- The secretary of the Audit Committee will be the company secretary, or such other person as nominated by the chairman of the Committee.

Committee Composition: Alhaji SB Daranijo (Chairman), Dr John Udofa, Alhaji BA Batula, Evangelist PA Soares, Mr Bismarck Rewane and Mr Stephen Alashi (until July 2012).

Human Capital and Remuneration Committee

Its overall objective is to assist the Board in fulfilling its oversight responsibilities by providing appropriate advice and recommendations on matters relevant to the Committee's Charter in order to facilitate decision making.

The Committee shall:

- establish a formal and transparent procedure for the selection and appointment of new directors to the Board;
- determine the required role and capabilities for particular appointments;
- identify suitable candidates to fill Board vacancies as and when they arise and nominate candidates for the approval of the Board;
- establish the process for the orientation and education of new directors and develop policies to facilitate continuous education and development of directors;
- assess periodically the skills required for each director to discharge competently the director's duties;
- give full consideration to appropriate Board and senior management succession planning;
- review disclosures and the process used for appointments;
- review remuneration for the directors and senior management of the Bank;
- approve special welfare schemes and proposals;
- review and ratify promotions for top management staff;

In line with best international practice, the remuneration of non-executive directors would be decided by the Board of Directors as a whole on the advice of the company secretary and not by the Committee.

Membership

- Five members (all non-executive directors) nominated into the Committee shall jointly appoint a lead director who shall act as chairperson of the Committee.
- The Group Managing Director/Chief Executive Officer shall attend meetings by invitation.
- The Group Head HR shall be present at all meetings.
- In the event that the lead director position becomes vacant, an alternative director who is also a member of the Committee would be designated as interim chairman. The process to elect a new lead director will be initiated as soon as possible.

Committee Composition: Dr John Udofa (Chairman), Alhaji Mustapha Damcida, Mr Nigel Kenny, Mr Olusegun Odubogun and Otunba Olutola O Senbore.

Executive Management Committee (EMC)

The EMC, usually chaired by the Managing Director, comprises all executive directors, business heads and those with direct reporting lines to the Group Managing Director. The Committee meets fortnightly to deliberate and take policy decisions for the effective and efficient management of the Bank. Quite apart from the above function, the Committee serves as a filter for issues to be discussed by the Board. Some of the EMC's primary roles are to provide leadership to the management team and ensure efficient deployment and management of the Bank's resources. The chairman of the Committee is responsible for the daily and effective running and performance of the Bank.

Frequency of Meetings

Meetings of the Board and its committees are usually held quarterly but may also be convened at any time whenever the need arises. The Audit Committee meets prior to commencement of the audits and subsequently to review,

Corporate governance continued...

consider and assess the audited accounts.

The Board and its committees met as follows:

Board and Board Committee Meetings	Number of Meetings
Board of Directors	6
Board Credit	11
Board Risk Management	4
Board Audit	5
Board Finance & General Purpose	5
Board Human Capital & Remuneration	8

Note – Non member

During the year under review, management was supported by the following Management Committees.

(i) Executive Management Committee, chaired by the Group Managing Director

(ii) Assets and Liabilities Committee, chaired by the Group Managing Director

(iii) Credit Committee, chaired by the Deputy Managing Director

(iv) Investment Committee, chaired by the Group Managing Director

(v) Information Technology Steering Committee, chaired by an Executive Director

(vi) Disciplinary Committee, chaired by the General Counsel/Company Secretary

(vii) Staff Welfare Committee, chaired by the Group Managing Director

(viii) Risk Management Committee, chaired by the Deputy Managing Director.

S/N	Directors	Status	Board of Directors	Audit Committee	Credit Committee	Fin & Gen Purpose Comm	HC&R Committees	Risk Committee
	No. of meetings held	**–**	**6**	**5**	**11**	**5**	**8**	**4**
1	Dr. Jonathan Long	Chairman	6	-	-	-	-	-
2	Mr. Ladi Balogun	GMD/CEO	6	-	-	-	-	-
3	Mr. Segun Odusanya	DMD	6	-	-	-	-	3
4	Mr. Peter Obaseki	ED	6	-	-	-	-	-
5	Mr. Nabeel Malik	ED	4	-	-	-	-	-
6	Mr. Olufemi Bakre	ED	6	-	-	-	-	-
7	Mr. Bismarck Rewane	NED	4	2	10	5	-	3
8	Dr. John Udofa	NED	6	5	11	5	8	4
9	Mr. Nigel Kenny	NED	2	-	-	2	3	2
10	Mr. Lawani Tope	NED	-	-	-	-	-	-
11	Alhaji Mustapha Damcida	NED	6	-	-	-	8	4
12	Mr. Olusegun Odubogun	NED	6	-	11	-	8	-
13	Otunba Olutola O. Senbore	NED	6	-	11	5	8	-
14	Mr. Stephen Alashi (Deceased)	NED	1	2	4	-	-	1
15	Mr. Olutola O. Mobolurin	NED	5	-	-	-	-	-
16	Mr. Martin Dirks	NED	3	-	-	1	-	-

S/N	Board Audit Members	Status						
1	Alhaji S. B. Daranijo	Chairman	-	5	-	-	-	-
2	Evangelist Akinola Soares	Member	-	5	-	-	-	-
3	Alhaji Adisa Batula	Member	-	5	-	-	-	-

Shareholder Participation

The Bank is conscious of, and continues taking necessary steps to promote shareholder rights. The Bank has significantly benefited from contributions and advice from shareholder members of the Audit Committee.

All stakeholders are invited to report any concern about a threatened/suspected breach of any corporate governance requirement to the office of the company secretary.

Disclosure to the Shareholders

Otunba Olutola Senbore, a director of the Bank, is over 70 years of age. In accordance with Section 252 of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, he discloses same and is still desirous of continuing as a director of the Bank.

The directors' fees for the financial year ending December 31, 2013 shall be fixed at ₦150,000,000.00 only and a resolution to approve shall be proposed.

Retirement of Directors

Messrs Bismarck Rewane and John Udofa retire by rotation in accordance with Article 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Exit of Directors

We lost one of our directors, Mr Stephen Alashi, who died on July 29, 2012 after a motor accident. Also the tenure of office of our Executive Director, Retail Banking, Mr Nabeel Malik expired and was not renewed, having fulfilled his mandate.

Appointment of New Directors

Following the exit of some of our directors as stated above, and in order to strengthen the composition of the Board, the following directors have been appointed and approved by the CBN: Mr Adam Nuru (Executive), Mr Nath Ude (Executive), Mrs Tokunbo Ishmael (Non-Executive).

Change of Chairmanship of the Board

Following the adoption of the Holding Company (HoldCo) structure, Dr Jonathan Long will be moving to the Holding Company, FCMB Group Plc, as Director and Chairman, thereby relinquishing his post as Director and Chairman of the Bank. Otunba Olutola Senbore has been appointed by the Board as the Bank's new Chairman.

Mrs Olajumoke Bakare
Company Secretary

Board of directors

Dr Jonathan AD Long,
Chairman

Mr Ladi Balogun,
Group Managing Director/Chief Executive Officer

Mr Segun Odusanya, Deputy Managing Director/Executive **Director**

Mr Peter Obaseki,
Executive Director

Mr Nabeel Malik,
Executive Director

Mr Olufemi Bakre,
Executive Director

Mr Bismarck Rewane,
Non-Executive Director

Dr John Udofa,
Non-Executive Director


Mr Nigel Kenny,
Non-Executive Director


Mr Olusegun A Odubogun,
Non-Executive Director


Mr Martin Dirks,
Non-Executive Director (alternate)


Mr Tope Lawani,
Non-Executive Director


Otunba Olutola O Senbore,
Non-Executive Director


Alhaji Mustapha Damcida,
Non-Executive Director


Mr Olutola O Mobolurin,
Non-Executive Director

Directors' report

for year ended December 31, 2012

The directors present their annual report on the affairs of First City Monument Bank Plc ('the Bank') and its subsidiaries ('the Group'), together with the financial statements and auditor's report for the year ended December 31, 2012.

a. Legal Form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 20 April 1982. It was licensed on 11 August 1983 to carry on the business of commercial banking and commenced business on September 1, 1983. The Bank was converted into a Public Limited Liability Company and its shares listed on the Nigerian Stock Exchange on December 21, 2004.

b. Principal Activity and Business Review

The principal activity of the Group continues to be the provision of comprehensive banking and financial services to its corporate and individual customers. Such services include granting of loans and advances, corporate finance, money market activities and foreign exchange operations.

At General Meetings separately held by ordinary shareholders of FCMB Plc and FinBank Plc on September 21, 2012, shareholders of both banks separately approved the Scheme of Merger concluding FCMB's acquisition of FinBank Plc, and effectively, FinBank Plc ceased to exist as it merged with FCMB Plc. The Court sanction scheme was approved on October 22, 2012.

The Bank has seven wholly owned subsidiaries: FCMB Capital Markets Limited, Credit Direct Limited, FCMB (UK) Limited, CSL Stockbrokers Limited, Arab Gambian Islamic Bank Limited, Fin Securities & Asset Management Limited and Fin Capital Limited.

The Group discontinued the operations of the following companies: City Securities (Registrars) Limited (CSRL), Fin Insurance Company Limited and Fin Registrars Limited. Management committed to a plan to sell these companies in early 2013 following a strategic decision to place greater focus on the Group's key competencies and also in line with Central Bank of Nigeria directives.

The Bank prepares consolidated financial statements.

c. Operating Results

Gross earnings increased by 54% and profit before minimum tax and income tax of ₦16.2 billion was recorded by the Group. The directors affirm that the Bank is strategically poised for continued growth and development. The directors did not recommend the payment of cash dividend for the year ended December 31, 2012.

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

	GROUP	
	2012 ₦'000	2011 ₦'000
Gross earnings	**116,832,323**	75,698,682
Profit/(loss) before minimum tax and income tax	**16,248,019**	(10,682,803)
Minimum tax	**(2,179,741)**	(1,561,334)
Tax credit	**1,053,426**	3,000,587
Profit/(loss) after tax	**15,121,704**	(9,243,550)
Profit/(loss) from continued operation (net of tax)	**170,668**	-
Profit/(loss) attributable to the Group	**15,292,372**	(9,243,550)
Appropriations:		
Transfer to statutory reserve	**1,883,939**	-
Transfer to retained earnings	**13,408,433**	(9,243,550)
	15,292,372	(9,243,550)
Total non-performing loans and advances	**9,090,012**	9,584,646
Total non-performing loans to total gross loans and advances (%)	**2.55%**	2.86%

d. Directors' Shareholding

The direct and indirect interests of directors in the issued share capital of the Bank as recorded in the register of directors shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 and listing requirements of the Nigerian Stock Exchange are as below noted:

	Direct shareholding Number of 50k ordinary shares held	
	2012	2011
Dr Jonathan AD Long (Chairman)	**10,720,404**	9,322,092
Mr Ladipupo O Balogun (Group Managing Director/CEO)	**162,852,650**	141,611,000
Mr Segun Odusanya (Deputy Managing Director)	-	-
Mr Peter Obaseki (Executive Director)	**5,163,409**	4,489,921
Mr Nabeel Malik (Executive Director)	**467,742**	22,117
Mr Olufemi Bakre (Executive Director)	-	-
Dr John Udofa	**1,079,311**	938,533
Mr Bismarck Rewane	**1,069,500**	930,000
Mr Peter Nigel Kenny	-	-
Mr Tope Lawani	-	-
Mr Olusegun Odubogun	-	-
Alhaji Mustapha Damcida	-	-
Otunba Olutola Senbore	**190,395**	165,564
Mr Olutola O Mobolurin	**500,000**	-
Mr Stephen O Alashi (Died on July 28, 2012)	-	5,000
Mr Martin Dirks (Alternate Director to Mr Tope Lawani)	-	-

Mr Tope Lawani represents the interest of HIP Samurai Limited and Samurai Parallel LP (being funds managed by Helios Investment Partners LLP) with shareholdings amounting to 1,011,322,850.

e. Directors' Interests in Contracts

For the purpose of section 277 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, none of the directors had direct or indirect interest in contracts or proposed contracts with the Bank during the year.

f. Property and Equipment

Information relating to changes in property and equipment is given in Note 32 to the financial statements. In the directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

Directors' report continued...

for year ended December 31, 2012

g. Shareholding Analysis

The shareholding pattern of the Bank as at December 31, 2012 was as stated below:

Share Range	No. of shareholders	% of shareholders	No. of holdings	% of shareholdings
1–10,000	498,327	93.703	390,017,742	2.05
10,001–50,000	25,780	4.848	500,915,755	2.63
50,001–100,000	3,616	0.680	241,604,926	1.27
100,001–500,000	3,218	0.605	591,006,227	3.10
500,001–1,000,000	332	0.062	219,889,625	1.15
1,000,001–5,000,000	370	0.070	706,904,292	3.71
5,000,001–10,000,000	61	0.012	460,712,851	2.42
10,000,001–50,000,000	64	0.012	1,246,510,364	6.55
50,000,001–100,000,000	18	0.003	1,295,455,417	6.80
100,000,001–500,000,000	24	0.005	4,970,584,731	26.10
500,000,001–1,000,000,000	3	0.001	1,292,911,406	6.79
1,000,000,001–19,041,068,059	3	0.001	7,124,554,723	37.42
Total	**531,816**	**100.00**	**19,041,068,059**	**100.00**

The shareholding pattern of the Bank as at December 31, 2011 was as stated below:

Share Range	No. of shareholders	% of shareholders	No. of holdings	% of shareholdings
1–10,000	130,386	85.868	369,479,259	2.27
10,001–50,000	16,132	10.624	397,849,123	2.45
50,001–100,000	2,851	1.878	232,326,195	1.43
100,001–500,000	1,848	1.217	423,438,117	2.60
500,001–1,000,000	263	0.173	214,916,933	1.32
1,000,001–5,000,000	199	0.131	448,029,764	2.75
5,000,001–10,000,000	56	0.037	406,195,930	2.50
10,000,001–50,000,000	65	0.043	1,246,650,755	7.66
50,000,001–100,000,000	18	0.012	1,310,271,359	8.05
100,000,001–500,000,000	23	0.015	5,229,762,976	32.14
500,000,001–1,000,000,000	1	0.001	519,300,043	3.19
1,000,000,001–10,000,000,000	3	0.002	5,472,971,748	33.64
Total	**151,845**	**100.00**	**16,271,192,202**	**100.00**

The shareholding analysis into domestic and foreign shareholders of the Bank is stated below:

31 December 2012

Shareholder Category	No. of shareholders	% of shareholders	No. of holdings	% of shareholdings
Domestic shareholders	531,616	99.96	16,230,281,367	85.24
Foreign shareholders	200	0.04	2,810,786,692	14.76
Total	**531,816**	**100.00**	**19,041,068,059**	**100.00**

31 December 2011

Shareholder Category	No. of shareholders	% of shareholders	No. of holdings	% of shareholdings
Domestic shareholders	155,783	99.87	13,834,881,144	85.03
Foreign shareholders	203	0.13	2,436,311,058	14.97
Total	**155,986**	**100.00**	**16,271,192,202**	**100.00**

h. Substantial Interest in Shares

The Bank's authorised share capital is ₦10 billion, divided into 20 billion ordinary shares of 50 kobo each, of which 19,041,068,059 ordinary shares are issued and fully paid. According to the register of members no shareholders other than the under-mentioned held more than 5% of the issued share capital of the Bank as at December 31, 2012:

	2012		2011	
	Number of shares	**% of shares**	Number of shares	% of shares
1. Capital IRG Trustees Limited	**1,427,233,554**	**7.50**	1,234,712,890	7.71
2. Stanbic Nominees Nig. Limited – Trading	**4,685,998,319**	**24.61**	3,358,847,682	20.98
3. Helios Investment Partners LLP	**1,011,322,850**	**5.31**	879,411,176	5.40

Directors' report continued...

for year ended December 31, 2012

i. Donations and Charitable Gifts

The Bank made contributions to charitable and non-political organisations amounting to ₦227,105,000 (December 2011: ₦82,285,221) during the year.

BENEFICIARY	No. of shareholders
St. Saviour's School, Lagos	5,000,000
Books for African International College	35,000
Sponsorship: 3rd FTZ Conference and Exhibition	200,000
Sponsorship: South South Economic Summit	10,000,000
River State Microfinance Agency	5,460,000
Ripples Fundraising Dinner	1,000,000
Police Command	100,000
Centenary of Ijebu Ode Grammar School	1,000,000
12th Governor's Cup Lagos Tennis	10,000,000
Louise Special School, Ikot Ekpene	60,000
Bethesda Child Support Foundation	3,000,000
Cleaning of community drainage Oromeruezimgbu town	100,000
Priceless Gift of Sight	6,000,000
Flood Victims in Rivers State, Kogi State and others	25,000,000
Oyo State Security Trust Fund	10,000,000
Kola Daisi Foundation for Children	50,000
Corona Schools Trust Council	100,000
Delta State Football House Project	2,000,000
Financial Reporting Council of Nigeria	23,000,000
Ogun State Security Trust Fund	125,000,000
Total	**227,105,000**

j. Post Balance Sheet Events

There were no post balance sheet events which could have a material effect on the financial position of the Group as at December 31, 2012, and profit attributable to equity holders on that date which has not been adequately adjusted for or disclosed.

k. Human Resources

Employment of Disabled Persons

The Group operates a non-discriminatory policy on recruitment. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees. Currently, the Group has four persons on its staff list with physical disability

Health, Safety and Welfare at Work

The Group continues to accord great priority to staff health and welfare. The Group retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Bank's expense. A contributory Pension Fund Scheme in line with the Pension Reform Act, 2004, exists for employees of the Bank.

Diversity In Employment

A total of 1,217 women were employed by the Bank during the financial year ended 31 December 2012, which represents 40% of the total workforce.

	2012				
	Number			**%**	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	**1,806**	**1,217**	**3,023**	**60**	**40**

	2011				
	Number			%	
	Male	Female	Total	Male	Female
Employees	1,082	697	1,779	61	39

Directors' report continued...

for year ended December 31, 2012

Gender analysis of top management is as follows:

	2012				
	Number			%	
	Male	Female	Total	Male	Female
Assistant Vice President (AVP)	33	9	42	43	12
Vice President (VP)	17	8	25	22	10
Senior Vice President (SVP)	7	3	10	9	4
Total	57	20	77	74	26

	2011				
	Number			%	
	Male	Female	Total	Male	Female
Assistant Vice President (AVP)	21	6	27	40	12
Vice President (VP)	10	4	14	19	8
Senior Vice President (SVP)	7	4	11	13	8
Total	38	14	52	72	28

Gender analysis of the Board is as follows:

	2012				
	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	4	-	4	26	0
Deputy Managing Director (DMD)	1	-	1	7	0
Group Managing Director (GMD)	1	-	1	7	0
Non-Executive Director	9	-	9	60	0
Total	15	-	15	100	0

	2011				
	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	3	-	3	16	0
Deputy Managing Director (DMD)	1	-	1	6	0
Managing Director	1	-	1	6	0
Non-Executive Director	13	-	13	72	0
Total	**18**	**-**	**18**	**100**	**0**

**The Board of Directors has approved the appointment of two female non-executives to join the Board in the first quarter of 2013. The Bank intends to bring female representation to 30% by 2014, whilst ensuring that the highest standards and meritocracy are maintained in selection.*

l. Employee Involvement and Training

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and the various factors affecting the performance of the Group. This is achieved through regular meetings between management and staff of the Bank.

The Group has in-house training facilities complemented with additional facilities from educational institutions (local and offshore) for the training of its employees.

m. The Central Bank of Nigeria's Regulation on the Scope of Banking Activities

In November 2010, the Central Bank of Nigeria (CBN) repealed the universal banking guidelines and introduced a new licensing regime for banks in Nigeria. Following therefrom, banks in Nigeria are required to divest from non-permissible businesses and apply for commercial, merchant or specialised banking licences.

In adherence to the CBN regulations, FCMB submitted a Compliance Plan to the CBN in March 2011, in which it stated its intention to restructure its business and apply for a commercial banking licence with international banking authorisation, by separating the non-banking subsidiaries from the Bank and re-organising them within a holding company (HoldCo) arrangement that will deliver value for shareholders.

The CBN granted its approval in principle in June 2011 and final approval in December 2011. The CBN approval allows for FCMB to restructure its business as contemplated in its Compliance Plan, however, it does not permit FCMB to retain City Securities (Registrars) Limited as a subsidiary under the Bank or HoldCo.

FCMB has fully re-organised the Group in line with its approved Compliance Plan and hopes to comply with the directive from January 1, 2013.

n. Customer Complaints

The Bank in its ordinary course of business received 17,426 (2011: 13,609) complaints, of which 15,670 (2011: 13,601) complaints were resolved and 1,559 (2011: 8) complaints remained unresolved as at the end of the reporting period. The total amount resolved was ₦147.7 million (2011: ₦5.1 million) while the total disputed amount in cases which remained unresolved stood at ₦88.7 million (2011: ₦194.2 million). These unresolved complaints were referred to the Central Bank of Nigeria for intervention. The directors are of the opinion that these complaints will be resolved. No provisions are therefore deemed necessary for these claims.

Directors' report continued...

for year ended December 31, 2012

o. Disclosure

Otunba Olutola Senbore, a Director of the Bank, is over 70 years of age, and in accordance with section 252 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, discloses same and is still desirous of continuing to serve as a Director of the Bank.

The directors' fees for the financial year ending December 31, 2013 shall be fixed at ₦150,000,000.00 only and a resolution to approve shall be proposed.

p. Exit of Directors

We lost one of our directors, Mr Stephen Alashi, who died on July 29, 2012 after a motor accident. Also the contract of service of our Executive Director, Retail Banking, Mr Nabeel Malik expired in January 2013 and was not renewed.

q. Appointment of New Directors

Following the exit of some of our directors as stated above and in order to strengthen the composition of the Board, complying with gender diversity, the following directors have been appointed and approved by the CBN: Mr Adam Nuru (Executive), Mr Nath Ude, (Executive), Mrs Tokunbo Ishmael (Non-Executive). The following Directors have been appointed by the Board and are awaiting CBN approval: Mrs Mfon Usoro (Non-Executive Independent Director) and Mr Adamu Alkali (Non-Executive).

r. Change of Chairmanship of the Board

Following the adoption of the Holding company (Holdco) structure, Dr. Jonathan Long will be moving to the Holding company, FCMB Group Plc as a director and Chairman thereby relinquishing his post as Director and Chairman of the Bank. Otunba Olutola Senbore has been appointed by the board as the Bank's Chairman.

s. Bonus

The Board of Directors recommended to the shareholders the creation of an additional 761,642,722 units of ordinary shares by the capitalisation of ₦380,821,361.00 from the share premium account to pay for bonus shares, which shall be appropriated at the ratio of one new share for every 25 shares held by shareholders. This is subject to approval by shareholders at the Annual General Meeting.

t. Auditors

KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with section 357 (2) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Mrs Olajumoke Bakare
Company Secretary
17A Tinubu Street
Lagos State
Nigeria
FRC/2013/NBA/00000001439
March 12, 2013

Statement of directors' responsibilities in relation to the financial statements

for year ended December 31, 2012

The directors accept responsibility for the preparation of the annual financial statements set out on pages 32 to 185 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the year ahead.

Signed on behalf of the board of directors by:

Dr Jonathan AD Long
Chairman
FRC/2013/IODN/00000001433
March 12, 2013

Ladi O Balogun
GMD/CEO
FRC/2013/IODN/00000001460
March 12, 2013

Audit committee report

For the financial period ended December 31, 2012 to the members of First City Monument Bank Plc.

In compliance with section 359 (6) of the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, we have reviewed the Audit Report for the period ended December 31, 2012 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion;
2. The account and reporting policies of the Bank conformed with the statutory requirements and agreed ethical practices;
3. The internal control system was being constantly and effectively monitored;
4. The whistle blowing channel run by an external and independent third party was found adequate; and
5. The external auditor's management controls report received satisfactory response from Management.

Dated: February 26, 2013

Alhaji S.B. Daranijo
Chairman, Audit Committee

The Audit Committee comprises the following Non-Executive Directors and Shareholders representatives:

1. Alhaji S.B. Daranijo – Chairman
2. Alhaji B.A. Batula
3. Evangelist Akinola Soares
4. Mr. Bismarck Rewane
5. Dr. John Udofa
6. Mr. Stephen Alashi (Deceased)

The Bank's Divisional Head, Group Internal Audit acts as secretary to the Committee.

Independent auditor's report

To the members of **First City Monument Bank Plc**

We have audited the accompanying consolidated and separate financial statements of FCMB ("the Bank") and its subsidiary companies (together "the Group"), which comprise the consolidated and separate statements of financial position as at December 31, 2012, and the consolidated and separate statements of comprehensive income, changes in equity, and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 185.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FCMB Plc ("the Bank") and its subsidiaries (together "the Group") as at December 31, 2012, and of the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those book and the Group and Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria

(i) The Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2012. Details of these contraventions and penalties paid are as disclosed in Note 48 to the financial statements.

(ii) Related party transactions and balances are disclosed in Note 46 of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

KPMG

15 April 2013
Lagos, Nigeria
FRC/2012/ICAN/00000000425

Consolidated statement of financial position

as at December 31

		GROUP			BANK		
	Note	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
ASSETS	22						
Cash and cash equivalents	23	**123,451,740**	48,416,681	67,977,072	**120,210,252**	41,642,744	60,970,511
Restricted reserve deposits	24	**57,891,360**	21,963,780	2,802,980	**57,791,360**	21,963,780	2,802,980
Non-pledged trading assets	25	**1,169,708**	3,119,799	20,128,310	**685,664**	3,010,135	19,838,314
Derivative assets held	26	**1,980,135**	-	-	**1,980,135**	-	-
Loans and advances to customers	28	**357,798,798**	323,353,706	330,818,648	**350,489,990**	319,020,875	327,450,177
Assets pledged as collateral	27	**40,793,601**	27,253,832	26,281,274	**40,793,601**	27,253,832	26,281,274
Investment securities	36	**244,525,619**	137,333,793	50,299,811	**241,663,451**	135,820,562	49,080,302
Assets classified as held for sale	29	**13,547,417**	-	-	**4,365,623**	-	-
Investment in subsidiaries	30	**-**	-	-	**11,566,311**	11,005,868	11,005,868
Investment in associates	31	**467,456**	230,656	145,000	**375,000**	300,000	300,000
Investment property	32	**-**	131,778	131,778	**-**	-	-
Property and equipment	33	**26,331,166**	18,785,380	19,320,073	**25,513,580**	18,439,547	19,009,074
Intangible assets	34	**11,894,789**	6,601,963	6,560,531	**6,235,794**	421,014	391,630
Deferred tax assets	35	**4,937,656**	3,578,836	572,053	**4,757,597**	3,482,998	433,047
Other assets		**23,756,311**	10,846,290	12,555,569	**23,885,248**	10,753,007	12,275,844
Total assets		**908,545,756**	601,616,494	537,593,099	**890,313,606**	593,114,362	529,839,021
LIABILITIES							
Derivative liabilities held	25	**1,980,135**	-	-	**1,980,135**	-	-
Deposits from banks	37	**52,000**	-	580,844	**-**	-	580,844
Deposits from customers	38	**646,216,767**	410,683,355	335,129,902	**644,268,545**	412,030,645	335,206,560
Liabilities classified as held for sale	36	**9,038,589**	-	-	**-**	-	-
Borrowings	39	**26,933,018**	19,264,434	25,233,558	**26,933,018**	19,264,434	25,233,558
Retirement benefit obligations	40	**109,008**	12,971	8,994	**94,437**	9,447	5,096
Other long-term benefits	41	**335,397**	1,668,104	1,502,390	**144,793**	1,668,104	1,502,390
Current income tax liabilities	21	**2,850,275**	1,783,422	1,867,603	**1,346,121**	951,402	1,200,495

		GROUP			BANK		
	Note	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Deferred tax liabilities	34	**22,067**	26,388	20,192	**-**	-	-
Other liabilities	42	**88,993,097**	50,784,292	39,845,177	**84,655,844**	42,171,566	32,110,174
Total liabilities		**776,530,353**	484,222,966	404,188,660	**759,422,893**	476,095,598	395,839,117
EQUITY							
Share capital	43(b)	**9,520,534**	8,135,596	8,135,596	**9,520,534**	8,135,596	8,135,596
Share premium	44	**108,747,612**	108,369,199	108,369,199	**108,747,612**	108,369,199	108,369,199
Treasury shares	44	**(775,381)**	(851,234)	(1,691,714)	**(766,756)**	(842,609)	(1,001,865)
Retained earnings/ (accumulated loss)	44	**765,475**	(16,779,856)	(1,177,917)	**(360,846)**	(17,146,530)	(1,272,301)
Other reserves	44	**13,757,163**	18,519,823	19,769,275	**13,750,169**	18,503,108	19,769,275
		132,015,403	117,393,528	133,404,439	**130,890,713**	117,018,764	133,999,904
Total liabilities and equity		**908,545,756**	601,616,494	537,593,099	**890,313,606**	593,114,362	529,839,021

The financial statements and the accompanying notes and significant accounting policies were approved by the Board of Directors on March 12, 2013 and signed on its behalf by:

Dr Jonathan AD Long
Chairman
FRC/2013/IODN/00000001433

Ladi O Balogun
GMD/CEO
FRC/2013/IODN/00000001460

Yemisi Edun
Chief Financial Officer
FRC/2013/ICAN/00000001455

Consolidated statement of comprehensive income

for year ended December 31

		GROUP		BANK	
	Note	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
Continuing operations					
Interest income	9	87,021,261	62,487,250	80,918,504	56,854,403
Interest expense	10	(43,681,950)	(25,574,698)	(43,519,651)	(25,573,621)
Net interest income		43,339,311	36,912,552	37,398,853	31,280,782
Fee and commission income	12	14,909,857	8,394,302	13,805,758	8,394,302
Fee and commission expense	12	(597,475)	(937,220)	(475,362)	(937,220)
Net fee and commission income		14,312,382	7,457,082	13,330,396	7,457,082
Net trading income	13	5,603,502	2,104,267	5,411,178	2,028,527
Net income/(losses) from financial instruments at fair value through profit or loss	14	(44,527)	(3,910,904)	(17,752)	(3,901,274)
Other revenue	15	9,342,230	6,623,767	9,080,135	6,131,140
		14,901,205	4,817,130	14,473,561	4,258,393
Net impairment loss on loans and advances, banks and other assets	11	(12,697,922)	(27,672,337)	(12,374,810)	(27,244,148)
Personnel expenses	16	(18,545,334)	(13,975,711)	(16,758,471)	(12,327,245)
Depreciation and amortisation expenses	17	(4,132,574)	(3,052,041)	(3,898,166)	(2,876,592)
General and administrative expenses	18	(10,143,666)	(8,133,492)	(9,872,475)	(6,759,833)
Other expenses	19	(10,947,183)	(7,149,614)	(9,881,272)	(7,161,054)
Results from operating activities		16,086,219	(10,796,431)	12,417,616	(13,372,615)
Share of post-tax result of associate	30	161,800	113,628	-	-
Profit before minimum tax and income tax		16,248,019	(10,682,803)	12,417,616	(13,372,615)
Minimum tax		(2,179,741)	(1,561,334)	(906,832)	(681,729)
Income tax expense	21	1,053,426	3,000,587	1,048,808	3,049,951
Profit for the year from continuing operations		15,121,704	(9,243,550)	12,559,592	(11,004,393)

		GROUP		BANK	
	Note	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
Discontinued operations					
Profit/(loss) from discontinued operations (net of tax)	36	**170,668**	-	**-**	-
Profit for the year		**15,292,372**	(9,243,550)	**12,559,592**	(11,004,393)
Other comprehensive income, net of income tax:					
Foreign currency translation differences for foreign operations		**(9,721)**	16,716	**-**	-
Net change in fair value of available-for-sale financial assets		**(720,387)**	(673,795)	**(720,387)**	(673,795)
Defined benefit plan actuarial gains/(losses)		**(32,251)**	232,708	**(32,251)**	232,708
Tax on other comprehensive income		**225,791**	-	**225,791**	-
Other comprehensive income for the year, net of tax		**(536,568)**	(424,371)	**(526,847)**	(441,087)
Total comprehensive income for the year		**14,755,804**	(9,667,921)	**12,032,745**	(11,445,480)
Profit attributable to:					
Equity holders of the Bank		**15,292,372**	(9,243,550)	**12,559,592**	(11,004,393)
Non-controlling interests		**-**	-	**-**	-
		15,292,372	(9,243,550)	**12,559,592**	(11,004,393)
Total comprehensive income attributable to:					
Equity holders of the Bank		**14,755,804**	(9,667,921)	**12,032,745**	(11,445,480)
Non-controlling interests		**-**	-	**-**	-
		14,755,804	(9,667,921)	**12,032,745**	(11,445,480)
Basic and diluted earnings per share (naira)	20	**0.80**	(0.57)	**0.66**	(0.68)
Appropriations:					
Transfer to statutory reserve		**1,883,939**	-	**1,883,939**	-
Transfer to retained earnings		**13,408,433**	(9,243,550)	**10,675,653**	(11,004,393)
		15,292,372	(9,243,550)	**12,559,592**	(11,004,393)

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	GROUP										
	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	SSI reserve ₦'000	Actuarial reserve ₦'000	Translation reserve ₦'000	Available for sale reserve ₦'000	Treasury shares ₦'000	Regulatory risk reserve ₦'000	Total equity ₦'000
Balance at January 1, 2011	8,135,596	108,369,199	(1,177,917)	10,089,870	658,637	-	-	(295,876)	(1,691,714)	9,316,644	133,404,439
Loss	-	-	(9,243,550)	-	-	-	-	-	-	-	(9,243,550)
Other comprehensive income, net of tax	-	-	-	-	-	232,708	16,716	(673,795)	-	-	(424,371)
Total comprehensive income for the year	-	-	(9,243,550)	-	-	232,708	16,716	(673,795)	-		(9,667,921)
Contributions by and distributions to equity holders											
Transfer from regulatory risk reserve	-	-	825,081	-	-	-	-	-	-	(825,081)	-
Dividend paid	-	-	(7,147,595)	-	-	-	-	-	-	-	(7,147,595)
Share of post-tax result of associates	-	-	(27,972)	-	-	-	-	-	-	-	(27,972)
Disposal of treasury shares	-	-	(7,903)	-	-	-	-	-	840,480	-	832,577
Total contributions by and distributions to equity holders	-	-	(6,358,389)	-	-	-	-	-	840,480	(825,081)	(6,342,990)
Balance at December 31, 2011	**8,135,596**	**108,369,199**	**(16,779,856)**	**10,089,870**	**658,637**	**232,708**	**16,716**	**(969,671)**	**(851,234)**	**8,491,563**	**117,393,528**
Profit	-	-	13,408,433	1,883,939	-	-	-		-	-	15,292,372
Other comprehensive income, net of tax	-	-	-	-	-	193,540	(9,721)	(720,387)	-	-	(536,568)
Total comprehensive income for the year	-	-	13,408,433	1,883,939	-	193,540	(9,721)	(720,387)	-	-	14,755,804
Contributions by and distributions to equity holders											
Issue shares	143,129	1,620,222	-	-	-	-	-	-	-	-	1,763,351
Capitalised bonus shares	1,241,809	(1,241,809)	-	-	-	-	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	6,110,031	-	-	-	-	-	-	(6,110,031)	-
Dividend paid	-	-	(1,973,133)	-	-	-	-	-	-	-	(1,973,133)
Disposal of treasury shares	-	-	-	-	-	-	-	-	75,853	-	75,853
Total contributions by and distributions to equity holders	**1,384,938**	**378,413**	**4,136,898**	**-**	**-**	**-**	**-**	**-**	**75,853**	**(6,110,031)**	**(133,929)**
Balance at December 31, 2012	**9,520,534**	**108,747,612**	**765,475**	**11,973,809**	**658,637**	**426,248**	**6,995**	**(1,690,058)**	**(775,381)**	**2,381,532**	**132,015,403**

BANK

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	SSI reserve ₦'000	Actuarial reserve ₦'000	Translation reserve ₦'000	Available for sale reserve ₦'000	Treasury shares ₦'000	Regulatory risk reserve ₦'000	Total equity ₦'000
Balance at January 1, 2011	8,135,596	108,369,199	(1,272,301)	10,089,870	658,637	-	-	(295,876)	(1,001,865)	9,316,644	133,999,904
Loss	-	-	(11,004,393)	-	-	-	-	-	-	-	(11,004,393)
Other comprehensive income, net of tax	-	-	-	-	-	232,708	-	(673,795)	-	-	(441,087)
Total comprehensive income for the year	-	-	(11,004,393)	-	-	232,708	-	(673,795)	-	-	(11,445,480)
Contributions by and distributions to equity holders											
Transfer from regulatory risk reserve	-	-	825,081	-	-	-	-	-	-	(825,081)	-
Dividend paid	-	-	(5,694,917)	-	-	-	-	-	-	-	(5,694,917)
Disposal of treasury shares	-	-	-	-	-	-	-	-	159,256	-	159,256
Total contributions by and distributions to equity holders	-	-	(4,869,836)	-	-	-	-	-	159,256	(825,081)	(5,535,661)
Balance at December 31, 2011	**8,135,596**	**108,369,199**	**(17,146,530)**	**10,089,870**	**658,637**	**232,708**	**-**	**(969,671)**	**(842,609)**	**8,491,563**	**117,018,764**
Profit	-	-	10,675,653	1,883,939	-	-	-	-	-	-	12,559,592
Other comprehensive income, net of tax	-	-		-	-	193,540	-	(720,387)	-	-	(526,847)
Total comprehensive income for the year	-	-	10,675,653	1,883,939	-	193,540	-	(720,387)	-	-	12,032,745
Contributions by and distributions to equity holders											
Issue shares	143,129	1,620,222	-	-	-	-	-	-	-	-	1,763,351
Capitalised bonus shares	1,241,809	(1,241,809)	-	-	-	-	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	6,110,031	-	-	-	-	-	-	(6,110,031)	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	-	75,853	-	75,853
Total contributions by and distributions to equity holders	**1,384,938**	**378,413**	**6,110,031**	**-**	**-**	**-**	**-**	**-**	**75,853**	**(6,110,031)**	**1,839,204**
Balance at December 31, 2012	**9,520,534**	**108,747,612**	**(360,846)**	**11,973,809**	**658,637**	**426,248**	**-**	**(1,690,058)**	**(766,756)**	**2,381,532**	**130,890,713**

Consolidated statement of cash flows

for year ended December 31, 2012

		GROUP		BANK	
	Note	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
Cash flows from operating activities					
Profit for the year		**15,121,704**	(9,243,550)	**12,559,592**	(11,004,393)
Adjustments for:					
Net impairment loss on loans and advances, banks and other assets	11	**12,697,922**	27,672,337	**12,374,810**	27,244,148
Net income/(losses) from financial instruments at fair value through profit or loss	14	**44,527**	3,910,904	**17,752**	3,901,274
Depreciation and amortisation	17	**4,132,574**	3,052,041	**3,898,166**	2,876,592
(Gain)/loss on disposal of property and equipment and intangible assets	15	**(1,446,639)**	(9,569)	**(1,445,657)**	(8,051)
Share of (profit)/loss of associates		**(161,800)**	(113,628)	**-**	-
Foreign exchange (gains)/losses	15	**(4,191,146)**	(3,947,203)	**(4,023,237)**	(3,947,203)
Net interest income	9,10	**(43,339,311)**	(36,912,552)	**(37,398,853)**	(31,280,782)
Tax expense	21	**1,126,315**	(1,439,253)	**(141,976)**	(2,368,222)
		(16,015,854)	(17,030,473)	**(14,159,403)**	(14,586,637)
Changes in operating assets and liabilities					
Net (increase)/decrease restricted reserve deposits	23	**(35,927,580)**	(19,160,800)	**(35,827,580)**	(19,160,800)
Net (increase)/decrease non-pledged trading assets	24	**1,950,091**	17,008,511	**2,324,471**	16,828,179
Net (increase)/decrease loans and advances to customers	26	**(34,445,092)**	7,464,942	**(31,469,115)**	8,429,302
Net (increase)/decrease in other assets	35	**(12,910,021)**	1,709,279	**(13,132,241)**	1,522,837
Net increase/(decrease) in deposits from banks	37	**52,000**	(580,844)	**-**	(580,844)
Net increase/(decrease) in deposits from customers	38	**235,533,412**	75,553,453	**232,237,900**	76,824,085
Net Increase/(decrease) in other liabilities and others		**26,076,121**	(20,943,940)	**40,530,553**	(20,368,368)
		164,313,077	44,020,128	**180,504,585**	48,907,754
Interest received		**90,549,513**	58,577,883	**77,412,487**	52,945,036
Interest paid		**(42,695,032)**	(24,405,467)	**(44,483,353)**	(24,766,967)
Dividends received		**2,123,018**	1,561,006	**2,094,349**	1,283,796
VAT paid		**(839,501)**	(493,666)	**(651,556)**	(493,666)
Income taxes paid		**(1,442,998)**	(1,645,515)	**(842,223)**	(930,822)
Net cash flows from operating activities		**212,008,077**	77,614,369	**214,034,289**	76,945,131

		GROUP		BANK	
	Note	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Cash flows from investing activities					
Investment in subsidiaries		**-**	-	(524,460)	
Purchase of interests in associates	30	**(75,000)**	-	(75,000)	-
Purchase of fixed and intangible assets	32	**(2,566,209)**	(2,660,520)	(2,582,754)	(2,685,299)
Proceed from sale of fixed and intangible assets	33	**2,501,755**	80,597	2,574,564	321,921
Acquisition of investment securities		**(159,507,143)**	(86,871,515)	(159,507,143)	(86,598,139)
Proceeds from sale and redemption of investment securities		**21,110,375**	4,641,290	21,110,375	3,601,853
Net cash used in investing activities		**(138,536,222)**	(84,810,148)	(139,004,418)	(85,359,664)
Cash flows from financing activities					
Dividend paid		**(1,973,133)**	(7,147,595)	-	(5,694,917)
Proceeds from issue of shares		**1,763,351**	-	1,763,351	-
Inflow from long-term borrowing	39	**3,124,571**	11,180,750	3,124,571	11,180,750
Repayment of long-term borrowing	39	**(924,860)**	(17,515,564)	(924,860)	(17,515,564)
Net cash (used in)/generated from financing activities		**1,989,929**	(13,482,409)	3,963,062	(12,029,731)
Net Increase/(decrease) in cash and cash equivalents		**75,461,784**	(20,678,188)	78,992,933	(20,444,264)
Cash and cash equivalents at start of year	22	**48,416,681**	67,977,072	41,642,744	60,970,511
Effect of exchange rate fluctuations on cash and cash equivalents held		**(426,725)**	1,117,797	(425,425)	1,116,497
Cash and cash equivalents at end of year	22	**123,451,740**	48,416,681	120,210,252	41,642,744

Notes to the consolidated financial statements
for year ended December 31, 2012

1 REPORTING ENTITY

First City Monument Bank Plc ('the Bank'/'FCMB') was incorporated as a private limited liability company on April 20, 1982 and granted a banking licence on August 11, 1983. On July 15, 2004, the Bank changed its status from a private limited liability company to a public limited liability company and was listed on the Nigerian Stock Exchange by introduction on December 21, 2004. Between December 2005 and February 2006, the Bank acquired erstwhile Cooperative Development Bank Plc (CDB), Nigerian-American Bank Limited (NAMBL) and Midas Bank Limited (Midas). Effective February 9, 2012, FCMB Plc acquired erstwhile FinBank Plc (including all its subsidiaries).

The principal activity of FCMB is the provision of commercial banking, capital market and corporate finance services. These include the granting of credit facilities either by arrangement within the market or direct loans and advances as well as money market and foreign exchange operations. In May 2005, FCMB Capital Markets, a division of the Bank, was incorporated as a wholly owned subsidiary company to carry on the Bank's issuing house and other capital market operations. In February 2007, the Bank acquired a 75% interest in Credit Direct Limited, a micro-lending institution and the balance of 25% was acquired by FCMB Capital Markets Limited (a wholly owned subsidiary of the Bank) in 2009. On June 16, 2008, the Bank incorporated FCMB UK Limited, a foreign subsidiary in London, a wholly owned subsidiary, which commenced actual trading operations on September 7, 2009. On May 2, 2009, the Bank acquired a 100% controlling interest in CSL Stockbrokers Limited (CSLS) and City Securities (Registrars) Limited (CSRL). The Group financial statements are for the Bank and its subsidiaries: FCMB Capital Markets Limited, Credit Direct Limited, FCMB (UK) Limited, CSL Stockbrokers Limited (CSLS) and City Securities (Registrars) Limited (CSRL). In 2012, the Bank acquired the remaining 25% interest in Credit Direct Limited. As a result of the Bank's acquisition of erstwhile FinBank, the Bank took over its subsidiaries: Arab Gambian Islamic Bank Limited (AGIB) 100%, Fin Securities & Asset Management Limited 100%, Fin Capital Limited 100%, Fin Insurance Limited 100%, Fin Registrars Limited 100%.

The Group has discontinued the operation of the following companies: City Securities (Registrars) Limited (CSRL), Fin Insurance Company Limited and Fin Registrars Limited. Management committed to a plan to sell these companies in early 2013 following a strategic decision to place greater focus on the Group's key competencies and also in line with Central Bank of Nigeria directives.

First City Monument Bank Plc ('the Bank') is a company domiciled in Nigeria. The address of the Bank's registered office is 17A, Tinubu Street, Lagos Island, Lagos. These consolidated financial statements for the year ended December 31, 2012 comprise the Bank and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates. The principal activity of the Group continues to be the provision of comprehensive banking and financial services to its corporate and individual customers. Such services include granting of loans and advances, corporate finance, money market activities and foreign exchange operations.

2 BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars. These are the Group's first financial statements prepared in accordance with IFRSs, and IFRS 1 First-time adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in Note 47. This Note includes reconciliations of equity and profit or loss for comparative periods reported under Nigerian GAAP (previous GAAP) to those reported for those years under IFRS.

These consolidated financial statements were authorised for issue by the Board of Directors on March 12, 2013.

b. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

(i) Financial instruments at fair value through profit or loss are measured at fair value.

(ii) Available-for-sale financial assets are measured at fair value.

(iii) The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(iv) The plan assets for defined benefit obligations are measured at fair value where applicable.

(v) Investment property is measured at fair value.

(vi) Financial assets and liabilities held for trading are measured at fair value.

(vii) Derivative financial instruments are measured at fair value.

c. Functional and presentation currency

These consolidated financial statements are presented in naira, which is the Bank's functional currency. Except where indicated, financial information presented in naira has been rounded to the nearest thousand.

d. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Notes 5 and 6.

Notes to the consolidated financial statements continued...
for year ended December 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these financial statements and have been applied consistently by Group entities.

a. Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – that is when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investment in subsidiaries is measured at cost less impairment in the Bank's separate financial statements.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interests in the previous subsidiary, then such interests are measured at fair value at the date that control is lost. Subsequently retained interests are accounted for as an equity-accounted investee or in accordance with the Group's accounting for financial instruments.

(iv) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investments, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date. The foreign currency gain or loss is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to naira at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to naira at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the transaction difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of monetary items receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

c. Interest

Interest income and expense on financial instruments are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next repricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis;
- interest on available-for-sale investment securities calculated on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

d. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate which is used in the computation of interest income.

Other fees and commission income, including loan account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

e. Net trading income

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

f. Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss.

g. Dividends

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on long-term equity investments is recognised as a component of other operating income.

h. Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction on the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

i. Tax expense

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense for the period and adjustments to past years, except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credit to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Group has tax losses that can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

The Group evaluates positions stated in tax returns; ensuring information disclosed is in agreement with the underlying tax liability, which has been adequately provided for in the financial statement.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividend by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax position and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

j. Financial assets and financial liabilities

(i) Recognition

The Group initially recognises loans and advances, deposits, bonds, treasury bills, and securities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

All financial assets or financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Subsequent recognition of financial assets and liabilities is at amortised cost or fair value.

(ii) Classification

Financial assets

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. The Group classifies its financial assets in one of the following categories:

- loans and receivables
- held to maturity
- available for sale
- at fair value through profit or loss and within the category as:
  – held for trading; or
  – designated at fair value through profit or loss.

See Notes 3(l), (n) and (o).

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(iii) De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

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

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

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction on the measurement date.

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 (for example, NSE, LSE) and broker quotes from FMDA, Bloomberg and Reuters.

Notes to the consolidated financial statements continued...
for year ended December 31, 2012

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, NIBOR, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised 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 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 impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in the Notes to the accounts.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities correspond to their carrying amounts.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data observable from markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price, and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is supported wholly by observable market data or the instrument is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

(vii) Identification and measurement of impairment

(i) Assets classified as loans and advances and held-to-maturity investment securities

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include:

(a) a breach of contract, such as a default or delinquency in interest or principal payments;

(b) significant financial difficulty of the issuer or obligor;

(c) 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;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) 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:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national economic conditions that correlate with defaults on the assets in the portfolio.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between one month and three months; in exceptional cases, longer periods are warranted.

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 the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (that is, 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 should reflect and be 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 allowance 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 relating to loans and advances to banks and customers are classified in loan impairment charges, whilst impairment charges relating to investment securities (held-to-maturity categories) are classified in 'Net gains/(losses) from financial instruments at fair value'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income.

(ii) Assets classified as available for sale

The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income. Assets classified as available for sale are assessed for impairment in the same manner as assets carried at amortised cost.

k. Cash and cash equivalents

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

l. Financial assets and liabilities 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 at fair value through profit or loss upon initial recognition.

Financial liabilities for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial liabilities designated at fair value through profit or loss'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(i) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

(ii) Designation at fair value through profit or loss

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to management on a fair value basis.

Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(iii) Reclassification of financial assets and liabilities

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.

m. Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for de-recognition (see j(iii)) are reclassified in the statement of financial position from 'Financial assets held for trading' to 'Assets pledged as collateral', if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial and subsequent measurement of assets pledged as collateral is at fair value.

n. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to banks are classified as loans and receivables. Loans and advances to customers include:

- those classified as loans and receivables;
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease, and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

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When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ('reverse repo or borrowing'), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

o. Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held for trading, held to maturity, fair value through profit or loss or available for sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification to available-for-sale:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all the asset's original principal;
- sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Group designates some investment securities at fair value with fair value changes recognised immediately in profit or loss.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

p. Derivatives held for risk management purposes

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

q. Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Group holds some investment property through the enforcement of security over loans and advances. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss in other income. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property and equipment is sold, any related amount included in the valuation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

r. Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognised net within other income in profit or loss.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the consolidated statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see Note (s) on impairment of non-financial assets.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale. Freehold land is not depreciated.

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The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Leasehold land	**Over the shorter of the useful life of the item or lease term**
Buildings	50 years
Computer hardware	4 years
Furniture, fittings and equipment	5 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

s. Intangible assets and goodwill

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in profit or loss; goodwill on acquisition of subsidiaries is included in intangible assets.

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is four years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

t. Impairment of non-financial assets

The Group's non-financial assets with carrying amounts other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

u. Deposits and borrowings

Deposits and borrowings are the Group's sources of funding. When the Group sells a financial asset and simultaneously enters into a 'repo' or 'lending' agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits and borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

v. Sale and repurchase agreements

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

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

w. 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.

x. Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of the debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contracts has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

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y. Employee benefits

(i) Retirement benefit obligations

A retirement benefit obligation is a defined contribution plan. A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than retirement benefit obligations (pension plans) is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have a credit rating of at least AA from a rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

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

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

z. Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(ii) Dividend on the Bank's 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 consolidated 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 Companies and Allied Matters Act of Nigeria.

(iii) Treasury shares

Where the Company or other members of the Group purchase the Bank's shares, 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.

aa. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

ab. Segment reporting

Segment results that are reported to the Group Managing Directors/CEO (being the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

ac. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 – Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However dividends of such investments are recognised in profit or loss, rather than other comprehensive income, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect for which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value, with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

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(ii) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarifies the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and interim periods within those annual periods. Earlier application is permitted.

Based on our initial assessment, the Group is not expecting a significant impact from the adoption of the amendment to IAS 32. However, the adoption of the amendment to IFRS 7 requires more disclosures about rights to set-off.

(iii) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

IFRS 11 is not expected to have any impact on the Group because the Group does not have interests in joint ventures. IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests. The Group is currently assessing the disclosure requirements for interests in subsidiaries and unconsolidated structured entities in comparison with the existing disclosures.

IFRS 12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associated and structured entities. Changes include the requirement to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective in annual periods beginning on or after January 1, 2013. Early adoption of IFRS 10, 11 and 12 is permitted but is required to take place simultaneously. Only IFRS 12 can be without IFRS 10 and 11. IFRS 12 has not been adopted early, but the Bank is currently assessing the disclosure requirements for interests in subsidiaries and associates in comparison with the existing disclosures.

These standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(iv) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies for determining fair values (see Note 5). Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in level 3. IFRS 13 is effective for annual periods beginning on January 1, 2013 with early adoption permitted.

(v) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefits plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of the expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

4 FINANCIAL RISK MANAGEMENT

a. Introduction and Overview

The Group is exposed to a wide range of risks such as credit, liquidity, market and operational risks, and has put in place a robust risk management framework for the proactive identification, assessment, measurement and management of such risks, including a capital management policy that ensures it has enough capital to support its level of risk exposures whilst also complying with the regulatory requirements.

The chart below provides a link between the Group's business units and their principal risk exposures. The risks have been assessed based on the allocation of regulatory capital to the various business lines.

Business Units and Risk Exposures

BANK

	Corporate & commercial banking	Retail banking	Institutional banking	Treasury & FI
Credit risk	High	Medium	Low	Low
Operational risk	Low	Low	Low	Low
Market risk	Low	Low	Low	Low

This chart represents the Group's exposure to each of the risks above, being its major risk exposures. The classification to high, medium and low is based on the capital allocated to the businesses in line with their exposures to these risks.

As implied from this chart, credit risk is the largest risk exposure of the Group; next to this is operational risk and then market risk. Corporate Banking, having the largest exposure to credit risk, takes most of the capital allocation (about 70%), followed by Retail Banking (about 18%), with the balance of about 2% capital shared between Public Sector and Treasury and Financial Institutions. The low capital allocation to public sector reflects the Group's credit risk exposure to this sector, while the allocation of capital to Treasury and Financial Institutions is both in line with the Group's exposure to this sector and low market risk in the Nigerian Banking sector, which is still largely dominated by Federal Government's debt instruments. Although most of the risk exposure of the Group is credit risk and within corporate grouping, this risk is well mitigated by a proactive portfolio diversification strategy and good balancing of the portfolio, in addition to other credit risk management and mitigation techniques.

The disclosures here therefore give details of the Group's exposures to these risks and the appropriate policies and processes for managing them accordingly, including a summary of the capital management policy of the Group.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Risk Management Framework

The Board has articulated its appetite for all significant risks, and ensures (through appropriate sub-committees) that all risk-taking activities are within the set appetite. The responsibility for day-to-day management of these risks has been delegated to executive management through its related committees (Risk Management Committee, Management Credit Committee, Asset & Liability Committee and Executive Management Committee).

The illustration below highlights significant risk exposures of the Group and the respective Board and executive management committees responsible for oversight and risk control.

Enterprise Risk Universe and Governance Structure

<table>
<tr><th colspan="10">FCMB RISK UNIVERSE AND RESPONSIBILITY MATRIX</th></tr>
<tr><th>Risk universe</th><th>Credit risk</th><th>Concentration risk</th><th>Market risk</th><th>Liquidity risk</th><th>Operational risk</th><th>Compliance risk</th><th>Legal risk</th><th>Reputational risk</th><th>Strategic risk</th></tr>
<tr><td>Primary risk owner</td><td>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Chief Compliance Officer</td><td>General Counsel</td><td>Head of Brand Marketing</td><td>Head of Strategy</td></tr>
<tr><td>Secondary risk owner</td><td colspan="9">Chief Risk Officer</td></tr>
<tr><td rowspan="2">Management Committee</td><td colspan="2">Management Credit Committee</td><td colspan="2">Assets & Liability Management Committee</td><td colspan="2">Risk Management Committee (RMC)</td><td colspan="3">Executive Management Committee</td></tr>
<tr><td colspan="9">Risk Management Committee (RMC)</td></tr>
<tr><td rowspan="2">Board Committee</td><td>Board Credit Committee</td><td>Board Credit Committee</td><td colspan="6">Board Risk Management Committee (BRMC)</td><td>Board of Directors</td></tr>
<tr><td colspan="9">Board of Directors (BOD)</td></tr>
</table>

A three line of defence system is in place for the management of enterprise risks as follows:

(i) Oversight function by the Board of Directors and executive management and the primary responsibility of the business lines and process owners within the Group for establishing an appropriate risk and control environment in order to align risk management with business objectives.

(ii) Independent control function over the business processes and related risks to ensure that the business and process owners operate within defined appetite and approved policies and procedures. It is provided by functions such as risk management, internal control, compliance, and finance. These departments develop policies and procedures, risk management processes and controls, monitor and report on risks accordingly for prompt decision making.

(iii) Independent assurance to the Board of Directors on the effective implementation of the risk management framework and validation of the risk measurement processes. There are two complementary parts to this – the internal and external audit.

Details of the Group's three lines of defence mechanism are described below:

BOARD

Risk Committee | **Audit Committee**

Risk taking

- Board
- Business Line Management

- Sets risk appetite
- Promote risk culture
- Owns the risk management process and implements control
- Responsible for daily management of risk

Risk oversight

- Risk Management
- Internal Control
- Compliance
- FINCON

- Develops policies and standards
- Develops the risk management processes and controls
- Monitors and reports on risk

Risk assurance

- Group Internal Audit
- External Audit

- Provides independent challenge to the levels of assurance provided by the first and second level defence
- Validates processes in risk management framework

First Line of Defence

(a) Board level

(i) The Board of Directors sets the appetite for risk and ensures that senior management and individuals responsible for managing risks possess sound expertise and knowledge to undertake risk management functions within the Group.

(ii) The Board Risk Management Committee (BRMC) provides direct oversight for enterprise risk management and acts on behalf of the Board on all risk management matters. The BRMC ensures that all decisions of the Board on risk management are fully implemented and risk exposures are in line with agreed risk appetite. The Committee also reviews the enterprise risk management framework on a periodic basis to ensure its appropriateness and continued usefulness in line with the size, complexity and exposure of the Group to risks in addition to compliance with regulatory requirements. The BRMC meets every quarter.

(iii) The Board Credit Committee's (BCC) function is more transactional. It approves amendments to the Group's credit policy, changes in target market or risk acceptance criteria, large exposure requests within pre-defined limits, exceptional approvals where necessary, specific provisions, credit write-offs and remedial/corrective measures.

(iv) The Board Audit Committee (BAC) is responsible for assessing the adequacy and scope of internal controls, audit of the financial statements and overall compliance.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(b) Executive management level

(i) The Risk Management Committee (RMC) is a management committee that reports to the Board Risk Management Committee and has direct responsibility for implementing the enterprise risk management framework and related policies approved by the BRMC. The RMC meets on a periodic basis (monthly) to review all risk exposures (including Key Risk Indicators, credit portfolio reports, market risk exposures etc.) and recommends risk mitigating strategies/actions. The RMC is also responsible for portfolio planning, capital management and providing oversight for all enterprise risk management initiatives.

(ii) The Management Credit Committee (MCC) appraises and approves loans and other credit-related transactions as stated in the Group's credit policy. The Committee endorses the credit policy and ensures full compliance with the Board-approved credit policy.

(iii) The Assets and Liability Committee (ALCO) is responsible for managing the composition and pricing of the Group's assets and liabilities, making policy decisions, and providing direction/oversight for market and liquidity risk management practices.

(c) Business unit management level

(i) Business unit management has first-line responsibility and ownership of risks. The business units take on risks within set boundaries and manage the risks taken on a day-to-day basis to protect the Group from the risk of loss.

(ii) Each business unit has a dedicated Operational Risk Committee responsible for reviewing critical/significant risks and recommending appropriate remedial measures. The Committee reviews the outcome of Risk and Control Self-Assessment (RCSA) for their respective business units, major risk exposures as measured by their Key Risk Indicators/Key Control Indicators, agrees action plans and assigns responsibilities for resolving identified issues.

(iii) The Group also has credit officers for the respective business areas – Corporate, Retail and Public Sector – with responsibility for assessment of credit/lending risks in order to ensure that quality decisions are taken on the respective credit requests.

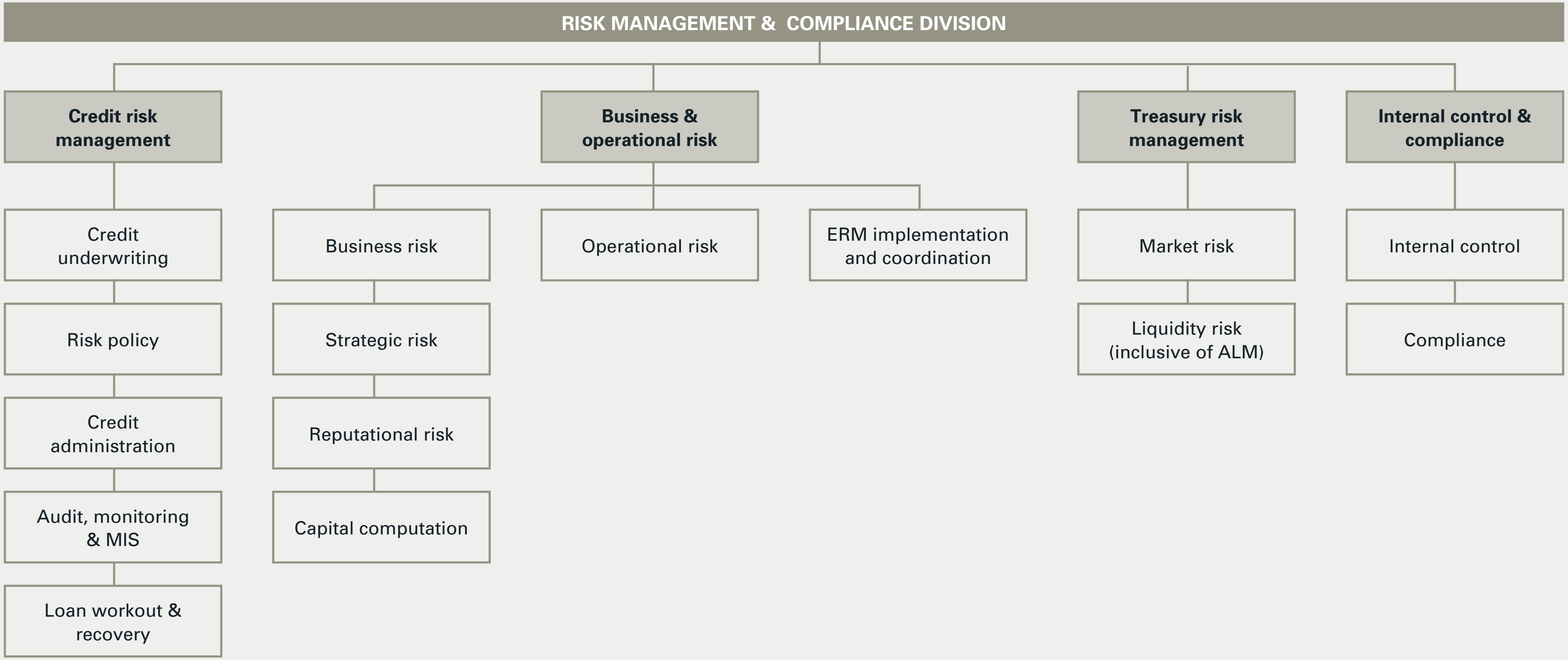
Second Line of Defence

The Risk Management and Compliance Division is an independent control function which comprises of Risk Management, Internal Control and the Compliance group. The Risk and Compliance division primarily has responsibility for the following:

- Risk strategy: Development of the risk management strategy in alignment with overall growth and business strategy of the Group.
- Risk compliance: Ensuring compliance with risk strategy, risk appetite at enterprise and business unit levels.
- Risk advisory: Identification, assessment, measurement and disclosure of all significant risk exposures and providing recommendations/guidance for risk taking.
- Risk control: Proactive management of all risks to minimise losses and capital erosion.

The Internal Control and Compliance teams work hand-in-hand. Internal Control is directly responsible for enforcing and confirming compliance with Group-wide policies, procedures and internal controls. It conducts routine control checks across all businesses and processes. The Compliance team ensures the Group fully complies with all regulatory requirements such as KYC, Anti-Money Laundering (AML) regulations and indeed all requirements of the Central Bank of Nigeria (CBN) and other regulatory authorities such as the Nigerian Deposit Insurance Corporation (NDIC), among others.

The Risk Management and Compliance Division is functionally structured as shown in the chart below:



Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Third Line of Defence

Internal Audit

Group Internal Audit provides independent assessment of the adequacy of, and compliance with, the Group's established policies and procedures. The function is responsible, amongst others, for monitoring compliance with the enterprise risk management framework and validating the adequacy and efficacy of risk assessment systems (including rating and measurement models).

External auditors, apart from establishing whether the financial position reflects a true and fair position of the organisation, also have an important impact on the quality of internal controls through their audit activities and recommendations for improvement of internal controls. Our external auditors have been helpful in providing best practice and advise on new developments in risk management, corporate governance and financial accounting and controls.

Risk Appetite

Risk appetite is an expression of the level and type of risks that the Group is willing to accept/retain for a given risk–reward ratio in order to achieve its strategic goals. In FCMB, risk appetite is set by the Board of Directors and enforced by the Enterprise Risk Management Division. This appetite guides all risk-creation activities and ensures that the risks assumed by business groups are in line with the Group's strategy.

Risk appetite is expressed in terms of limits and risk indicators across the three key risk categories (Credit, Operational and Market Risks). Some of the key metrics used for measuring risk appetite include:

Credit risk appetite

RISK CATEGORY	SELECTED RISK APPETITE METRICS	RISK APPETITE		
Credit risk	Credit loss ratio	5%		
	Weighted average risk rating of the portfolio	B- (Probability of default – 3.09%)		
	Sector concentration	<=20% of total portfolio in any single sector.		
	Exposure limit	Large exposure is defined by CBN as 10% of SHF, and regulatory aggregate exposure limit for large exposures is set at 800% of SHF. However, the Bank-defined internal limit is 400% of SHF.		
		Single obligor limit (SOL): Maximum in line with regulatory requirement is 20% of SHF (further capped internal at N20 billion). The Group has, however, defined this further for the different rating bands as follows:		
		Investment Grade	AAA to BBB+	Regulatory single obligor limit (SOL)
		Permissible Plus Grade	BB+ to BB-	50% of regulatory SOL capped at ₦10 billion
		Permissible Grade	B to B-	30% of regulatory SOL capped at ₦5 billion
		Speculative Grade	CCC+ to CCC-	10% of regulatory SOL capped at ₦2 billion
			CC+ to CC-	5% of regulatory SOL capped at ₦1 billion
		Lower Speculative Grade	C and C-	₦500 million

In FCMB, all risk appetite metrics are tracked and reported monthly to the Risk Management Committee (RMC) in fulfilment of the Committee's oversight responsibilities. The Risk Management and Compliance Division monitors the risk metrics on a more regular basis and ensures the Board-approved appetite is not exceeded. Where a metric exceeds the approved threshold, the Risk Division provides justification for the excess exposure and articulates a plan for unwinding the excess exposure or returning the exposure to within the approved limits.

The Group's risk appetite is reviewed at least once a year or more frequently as may be required in the event of significant/material changes in the Group's strategy or in line with regulatory requirements/demands.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(b) Credit risk

Credit risk is the risk that the Group may not be able to recover funds and suffer losses because a customer or counterparty is unable or unwilling to meet contractual obligations to the Group when due. It is the most significant risk of the Group.

The Group takes on credit risk through the following principal activities:

- Lending/Leasing: The Group grants credit to its customers (loans, advances, temporary overdraft etc.) or finances a lease or grants an advance or a loan to an employee (staff loan, cash advance etc.).
- Bank guarantees: The Group issues a bond or guarantee (contingent exposure).
- Trading (money market placement, foreign currency trading etc.) activities: The Group makes money market placements in another Group/institution or engages in trading activities where the exchange of monetary value and transfer of ownership of purchased assets is not simultaneous.

The Group uses its internal ratings framework to assess the risk of default (probability that a customer will become 90 days past due on an obligation) and the risk of loss in the event of default (the estimated size of loss the Group will incur in the event of a default).

Our ratings framework measures the following key components:

- financial factors (sales terms/conditions, strength of operations, liquidity and capital in addition to debt service capacity);
- industry (structure, performance, economic sensitivity and outlook);
- management quality (ownership experience, skills and turnover) and company standing (reputation, ownership and credit history);
- security/collateral arrangements, seniority of debt, ability to cancel debt at the point of default and Loss Given Default (LGD) computation for each security/collateral type supporting the exposure.

The above components help the Group to establish the following:

- Obligor Risk Rating (ORR), mapped to an estimated PD – the PD is not based on the Group's internal experience presently.
- Facility Risk Rating (FRR) for the transaction mapped to Basel II Loss Given Defaults (LGDs).
- Both the ORR and FRR produce the Expected Loss % (EL), which is the product of the PD and LGD, i.e. EL=f(PD, LDG). The EL represents the risk premium which is applied to transaction pricing, otherwise called the risk-based pricing.

The use of our internal ratings framework extends beyond credit appraisals/assessments (at the point of origination) to the computation of capital adequacy ratio (CAR), allocation of capital across business lines and computation of economic profit based on Basel II principles.

The Group's internal rating scale and mapping to external ratings is shown below:

Internal rating scale	Description	External rating scale (moody's)	External rating scale (s&p)	Pd	Pd – decimals
AAA	INVESTMENT GRADE	Aaa	AAA	0.0185%	0.000185
AA		Aa1	AA+	0.0308%	0.000308
A		Aa2	AA	0.0514%	0.000514
BBB+		Aa3	AA-	0.0857%	0.000857
BBB		A1	A+	0.1428%	0.001428
BBB-		A2	A	0.1785%	0.001785
BB+	PERMISSIBLE PLUS GRADE	A3	A-	0.2231%	0.002231
BB		Baa1/Baa2	BBB+/BBB	0.3540%	0.003540
BB-		Baa3/Ba1	BBB-/BB+	0.5445%	0.005445
B+	PERMISSIBLE GRADE	Ba2	BB	1.3750%	0.013750
B		Ba3	BB-	2.0625%	0.020625
B-		B1	B+	3.0938%	0.030938
CCC+	SPECULATIVE/SME GRADE	B2	B	4.6407%	0.046407
CCC		B3	B-	6.1876%	0.061876
CCC-		B3	B-	7.7345%	0.077345
CC+		Caa1	CCC+	9.2814%	0.092814
CC		Caa2	CCC	10.8283%	0.108283
CC-		Caa2	CCC	12.3750%	0.123750
C+		Caa3	CCC-	13.9221%	0.139221
C	LOWER SPECULATIVE GRADE	Caa3	CCC-	54.6900%	0.546900
C-		D	NA	100.0000%	1.000000

Mapping to external scales has been done on the basis of estimated PDs for non-retail and retail SME exposures.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Management of Credit Risk

The Group manages its credit risk through an appropriate measurement, management and reporting process underpinned by sound credit risk systems, policies and well-qualified personnel. A combination of risk management tools and policies are adopted to stimulate the creation of quality risk assets. It is managed centrally by various departments within the Risk Management and Compliance Division who have responsibilities for policy setting and review, credit underwriting, approval, credit administration, monitoring and portfolio management.

The credit risk management function of the Group is achieved through a combination of the following:

- Appropriate credit policies: The Group formulates appropriate risk management policies in conjunction with the business units and other stakeholders, covering all the key areas of credit origination, management, collection, portfolio management etc. whilst also ensuring compliance with all regulatory requirements. The credit policies reinforce all the Group's lending and credit management decisions.
- Lending driven by internal rating system: The Group's lending and policy enforcement is driven by an internal rating system, with scorecards built for different classes of customers such as Corporate, Commercial, Small and Medium Enterprises (SME), Public Sector, Consumer and Project Finance. The rating of obligors and transactions has been useful in the quantification of credit risk and underwriting decision, including serving as a guide for pricing, portfolio management and computation of required capital to support the different business lines.
- Establishment of credit approval limits and authorities: There are various approval limits for different kinds of credit exposures and approval authorities, including the various risk committees such as the Management Credit Committee (MCC) and the Board Credit Committee (BCC). These limits are also guided by statutory impositions such as the single obligor limit and other concentrations limits set by the Central Bank of Nigeria (CBN). The Group's single obligor limit is benchmarked to the regulatory cap of 20% of shareholders' funds unimpaired by losses with the internal limits also mapped to the obligor's risk rating. The sector limits are derived based on the perceived riskiness of each sector, but the Government exposures are capped at the regulatory limit of 10% of total loan.

In order to further strengthen its credit process, the Group has differentiated the approval route for its Corporate/Commercial credits from retail credits. Credit approval for each area is supervised by experienced personnel referred to as senior credit underwriters, who also function as senior credit officers and are members of the Management Credit Committee.

- Loan monitoring and reviews: The various loans are monitored both at transaction and at portfolio levels to ensure a balanced and healthy portfolio in line with the portfolio development and balancing strategy of the Group.
- Collateral review, monitoring and management: The Legal Department reviews the collateral proposed by customers as part of the credit approval process to determine acceptability of the collateral. Beyond the initial assessment at the point of credit origination however, the Group also has good collateral management policies in place to reduce the risk of loss in the event of default. Our collateral management policy is linked to the internal ratings framework and has helped to reduce the estimated expected loss and capital charge on transactions.

The principal collateral types eligible as security and used primarily to mitigate transaction risk include the following: cash and marketable securities; legal mortgage; all assets debenture; account receivables of obligors rated B- and above. Other admissible collateral (accepted for comfort only but not eligible as credit risk mitigants) include domiciliation agreements, trust receipts and negative pledges.

Another mitigant used to reduce the risk of credit exposures is master netting agreements with obligors that have investments in liability products so that in the event of default, exposures to the obligor will be settled on a net basis. These agreements are executed by the representatives of the obligor and are generally enforceable with no further recourse to the obligor or a third party.

Although bonds are usually assigned a risk weight of 50% or as advised by CBN, other contingent liabilities such as guarantees, standby letters of credit and other documentary letters of credit provided to customers by the Group are assigned the same risk weight as loans. Generally, all the contingent liabilities are also supported by tangible collaterals or a charge over the underlying goods depending on the assessment of the performance risks.

- Limit concentrations for various exposures: The Group complies fully with the concentration policy of the CBN as specified in the prudential guidelines, and is even more prudent, having internal limits that are more stringent in some cases than specified by the apex regulatory authority. The limit concentration policy of the Group covers all forms of exposures such as customers, large exposures, counterparties, collateral, geography, sector, products, rating band and facility type among others.

Reporting: An important part of the Group's risk management framework is reporting to ensure that all vital information is brought to the attention of stakeholders, and appropriate decisions are taken to further improve the risk culture and ultimately ensure all identified issues are brought within the Board-approved risk appetite. This internal reporting has imposed discipline within the Group, thereby improving its risk management culture.

In line with the Group's three lines of defence mechanism, each of the business units has primary responsibility for managing the credit relationships with customers, and is hence responsible for the quality and performance of their credit portfolio. Risk management, however, continues to provide oversight for the entire credit portfolio and all credit relationships, apart from ensuring that the businesses operate within the approved framework and policies. Risk management is also assisted in this role by the internal control, which does a regular post disbursement check to ensure that the credits booked comply with the approved policies and that they continue to operate within approved conditions and guidelines. The internal audit function provides independent assurance for the entire credit process of the Group.

Exposure to Credit Risk

	GROUP				BANK			
	Loans and advances to customers		Loans and advances to Banks		Loans and advances to customers		Loans and advances to Banks	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Carrying amount								
Individually impaired								
Investment grade	-	-	-	-	-	-	-	-
Permissible grade	284,138	230,530	-	-	284,138	230,530	-	-
Speculative grade	4,201,370	13,782,907	-	-	4,201,370	13,782,907	-	-
Lower speculative grade	323,551	456,274	-	-	323,551	456,274	-	-
Gross amount	4,809,059	14,469,711	-	-	4,809,059	14,469,711	-	-
Allowance for impairment	(4,462,115)	(7,555,092)	-	-	(4,462,115)	(7,555,092)	-	-
Carrying amount	346,944	6,914,619	-	-	346,944	6,914,619	-	-

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP				BANK			
	Loans and advances to customers		Loans and advances to Banks		Loans and advances to customers		Loans and advances to Banks	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Collectively impaired								
Investment grade	-	-	-	-	-	-	-	-
Permissible grade	284,253	70,716	-	-	284,253	70,716	-	-
Speculative grade	3,987,061	1,469,545	-	-	3,987,061	1,469,545	-	-
Lower speculative grade	9,639	7,509	-	-	9,639	7,509	-	-
Gross amount	4,280,953	1,547,770	-	-	4,280,953	1,547,770	-	-
Allowance for impairment	(1,231,580)	(447,897)	-	-	(1,231,580)	(447,897)	-	-
Carrying amount	3,049,373	1,099,873	-	-	3,049,373	1,099,873	-	-
Past due but not impaired								
Investment grade	-	-	-	-	-	-	-	-
Permissible grade	618,242	-	-	-	618,242	-	-	-
Speculative grade	8,322,982	1,227,519	-	-	8,322,982	1,227,519	-	-
Lower speculative grade	-	-	-	-	-	-	-	-
Carrying amount	8,941,224	1,227,519	-	-	8,941,224	1,227,519	-	-
Past due comprises:								
1–29 days	688,327	76,061	-	-	688,327	76,061	-	-
30–59 days	948,856	298,192	-	-	948,856	298,192	-	-
60–89 days	7,304,042	853,266	-	-	7,304,042	853,266	-	-
Carrying amount	8,941,225	1,227,519	-	-	8,941,225	1,227,519	-	-
Neither past due nor impaired								

	GROUP				BANK			
	Loans and advances to customers		Loans and advances to Banks		Loans and advances to customers		Loans and advances to Banks	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Investment grade	19,402,050	24,779,683	-	-	19,402,050	24,779,683	-	-
Permissible grade	101,754,748	89,161,655	-	-	93,554,736	84,235,576	-	-
Speculative grade	225,545,688	179,272,432	-	-	225,545,688	179,272,432	-	-
Lower speculative grade	131,493	21,815,033	-	-	131,493	21,815,033	-	-
Gross amount	346,833,979	315,028,803	-	-	338,633,967	310,102,724	-	-
Allowance for impairment	(1,372,722)	(917,108)	-	-	(481,518)	(323,860)	-	-
Carrying amount	345,461,257	314,111,695	-	-	338,152,449	309,778,864	-	-
Carrying amount	**357,798,798**	**323,353,706**	**-**	**-**	**350,489,990**	**319,020,875**	**-**	**-**
Gross amount	**364,865,215**	**332,273,803**	**-**	**-**	**356,665,203**	**327,347,724**	**-**	**-**

In addition to the above, the Group had entered into lending commitments and financial guarantee contracts of N143 million (2011: N79 million) with counterparties.

Impaired Loans

The Group regards a loan and advance as impaired where there is objective evidence that a loss event has occurred since initial recognition and such loss event has an impact on future estimated cash flows from the asset. Loans that are subject to a collective provision for losses incurred but not yet identified (IBNR) are not considered impaired.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

The table below sets out a reconciliation of changes in the carrying amount of impaired loans and advances to customers.

	GROUP		BANK	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Impaired loans and advances to customers at January 1	**6,914,618**	316,848	**6,914,618**	316,848
Change in allowance for impairment	**(10,593,993)**	(7,397,493)	**(10,593,993)**	(7,397,493)
Classified as impaired during the year	**18,337,527**	22,527,919	**18,337,527**	22,527,919
Transferred to not impaired during the year	**(624,238)**	(674,851)	**(624,238)**	(674,851)
Net repayments	**-**	-	**-**	-
Amount written off	**(13,686,970)**	(7,857,805)	**(13,686,970)**	(7,857,805)
Recoveries of amounts previously written off	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Other movements	**-**	-	**-**	-
Impaired loans and advances to customers at December 31	**346,944**	6,914,618	**346,944**	6,914,618

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	GROUP 2012					
	Loans and advances to customers		Loans and advances to banks		Investment securities	
	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000
Investment grade	-	-	-	-	-	-
Permissible grade	284,138	91,884	-	-	-	-
Speculative grade	4,201,370	255,060	-	-	-	-
Lower speculative grade	323,551	-	-	-	-	-
	4,809,059	**346,944**	**-**	**-**	**-**	**-**

	GROUP 2011					
	Loans and advances to customers		Loans and advances to banks		Investment securities	
	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000
Investment grade	-	-	-	-	-	-
Permissible grade	230,530	59,612	-	-	-	-
Speculative grade	13,782,907	6,624,694	-	-	-	-
Lower speculative grade	456,274	230,312	-	-	-	-
	14,469,711	**6,914,618**	**-**	**-**	**-**	**-**

	BANK 2012					
	Loans and advances to customers		**Loans and advances to banks**		**Investment securities**	
	Gross ₦'000	**Net ₦'000**	**Gross ₦'000**	**Net ₦'000**	**Gross ₦'000**	**Net ₦'000**
Investment grade	-	-	-	-	-	-
Permissible grade	284,138	91,884	-	-	-	-
Speculative grade	4,201,370	255,060	-	-	-	-
Lower speculative grade	323,551	-	-	-	-	-
	4,809,059	**346,944**	**-**	**-**	**-**	**-**

	BANK 2011					
	Loans and advances to customers		Loans and advances to banks		Investment securities	
	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000	Gross ₦'000	Net ₦'000
Investment grade	-	-	-	-	-	-
Permissible grade	230,530	59,612	-	-	-	-
Speculative grade	13,782,907	6,624,694	-	-	-	-
Lower speculative grade	456,274	230,312	-	-	-	-
	14,469,711	**6,914,618**	**-**	**-**	**-**	**-**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Past Due But Not Impaired Loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with Renegotiated Terms and the Forbearance Policy

The Group may renegotiate loans when there is a material change in the customer's financial position, operating dynamics, industry and environment or anything that gives reasonable doubt that the debt may not be repaid or serviced as and when due. This is usually done through concessions, which agree new terms and conditions that are more favourable to the borrower in order to increase the chance of collection/recovery and thereby reduce the risk of default. Renegotiation of terms may take forms such as extension of tenor, reduction of pricing, introduction of moratorium or restructuring of facility from one form to the other (e.g. overdraft to term loan) or other forms of amendments to the terms and conditions earlier contracted with the customer. The objective of renegotiation is to ensure recovery of the outstanding obligations, and the request could be at the instance of the customer or the Group.

Write-off Policy

The Group has a write-off policy approved by the Board of Directors, which also meets the requirements as specified in the prudential guidelines of the Central Bank of Nigeria for deposit money groups.

In line with the Group's approved write-off policy, the Management Credit Committee (MCC) may authorise a write-off of outstanding balances on a loan account, where it is apparent that the exposure may not be recovered from any of the available repayment sources. However, the Group must have fully provided for the facility and such credits must also receive the approval of the Board of Directors. The approval process for write-off is as follows:

- The Loan Recovery Unit originates the write-off requests.
- Credit Risk Management obtains the approval of the Management Credit Committee (MCC) and the Board Credit Committee (BCC) for the request.
- All write-offs must be ratified by the full Board.
- Credit Risk Management sends notification of the balances approved for write-off to the Central Bank of Nigeria (CBN).

The write-off must also satisfy the following requirements of the Central Bank of Nigeria (CBN):

- The facility must be in the Group's book for at least one year after the full provision.
- There should be evidence of Board approval.
- If the facility is insider or related-party credit, the approval of CBN is required.
- The fully provisioned facility is appropriately disclosed in the audited financial statement of the Group.

Collateral Held and Other Credit Enhancements and Their Financial Effects

The Group also has a good collateral management policy in place to reduce the risk of loss in the event of default. Our collateral management policy is linked to the internal ratings framework and has helped to reduce the estimated expected loss and capital charge on transactions.

The Group holds collateral and other types of credit enhancements against its credit exposures. The table below gives the principal collateral types eligible as security and used primarily to mitigate transaction risk.

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collaterisation 2012	2011
Loans and advances to banks			
Reverse sale and purchase agreements	Marketable securities	**100**	100
Security borrowing	Marketable securities	**100**	100
Loans and advances to retail customers			
Mortgage lending	Residential property	**100**	100
Personal loans	None	**-**	-
Credit cards	None	**-**	-
Loans and advances to corporate customers			
Finance leases	Property and equipment	**100**	100
Other lending to corporate customers	Legal mortgage, mortgage debenture, fixed and floating charges over corporate assets, account receivables	**-**	-
Reversal sale and repurchase agreements	Marketable securities	**100**	100
Investment debt securities	None	**-**	-

Other admissible collateral (accepted for comfort only) but not eligible as credit risk mitigants includes domiciliation agreements, trust receipts, negative pledges and master netting agreements with obligors that have investments in liabilities. The Group typically does not hold collateral against investment securities, and no such collateral was held at December 31, 2012 or 2011.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Loans and Advances to Corporate Customers

The Group's loans and advances to corporate obligors are subject to rigorous credit appraisals, commencing with rating of obligor via our Moody's Risk Analyst to determine the credit worthiness of the customer or its probability of default known as the obligor risk rating (ORR) – the Probability of Default (PD) of a customer is a measure of the obligor risk rating.

Collateral in the form of first charge over real estate (legal mortgage or mortgage debenture) or floating and fixed charges over corporate assets is usually taken to provide additional comfort to the Group. The measure of the collateral pledged by the customer is given by the Facility Risk Rating (FRR) mapped to the Basel II defined Loss Given Default (LGD) estimates. The FRR or LGD therefore assesses the transaction of the customer – risk of loss on the transaction in the event of default.

All non-retail and retail SME exposures are assigned a risk grade by independent credit analysts within our Risk Management and Compliance Division based on inputs/discussions with relationship management teams and verifiable facts. While the obligor risk rating model differentiates borrower risk (i.e. risk of default), the Facility Risk Rating model differentiates transaction risk (i.e. risk of loss in the event of default), taking the structure of the facility (availability of credit risk mitigants) into consideration.

9-GRADE LGD MODEL – FACILITY RISK RATING				
	LGD	**LGD – MIN**	**LGD – MAX**	**LGD GRADE**
Secured	0	0	0	AAA
	0	0	0	AA
	0	0	0	A
	0	0	0	BBB
	0	0	0	BB
	0	0	0	B
	0	0	0	CCC
Unsecured	0	0	1	CC
	1	1	1	C

The Group's credit analysts are fully guided by our internal ratings framework and lending policies, and exhibit a high level of professionalism and judgment in their recommendations to Approving Authorities. Model overrides if any, require the exceptional approval of the Chief Risk Officer and in certain cases may be escalated to the Board Credit Committee.

The Group's Facility Risk Rating model (for non-retail and retail SME) also reflects the Expected Loss (EL) on each transaction, which fully incorporates both borrower strength (PD) and loss severity (LGD) considerations. The EL generated is used to price the risk of the transaction, being the risk premium, and forms the basis of the treatment provision for the purpose of capital computation and allocation to the business groups.

Derivative Assets Held for Risk Management

The Group also holds collateral in the form of cash and marketable securities in respect of sale and repurchase transactions and securities borrowing. Receivables relating to reverse sale and repurchase agreements and securities borrowing transactions are usually collaterised on a gross exposure basis. The Group undertakes master netting agreements with all counterparties and margining agreements with some counterparties.

For derivatives, under margin agreements, collateral is held against net positions that are partially or fully collateralised. Exposures under margin agreements are marked to market daily to assess attendant risks to the Group. There are no derivative trading assets as at the reporting period. However, details of derivative transactions taken for risk management are presented below.

	2012 Fair value	2011 Fair value
Derivative assets held	**1,980,135**	-
Derivative liabilities held	1,980,135	-

Concentration of Credit Risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentration of credit risk from loans and advances, lending commitments, financial guarantees and investment is shown below.

Concentration by Sector

	GROUP							
	Loans and advances to customers		**Loans and advances to banks**		**Investment debt securities**		**Lending commitments and financial guarantees**	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Agriculture	13,655,459	5,816,404	-	-	-	-	2,397,613	379,440
Aviation	158,300	-	-	-	-	-	-	-
Commerce	52,382,225	41,585,921	-	-	-	-	37,538,127	20,084,891
Construction	7,445,005	5,185,449	-	-	-	-	54,504,896	6,775,367
Education	4,598,344	4,082,098	-	-	-	-	-	-
Finance and insurance	13,823,501	9,246,168	-	-	-	-	114,950	209,804
General – Others	13,213,583	4,755,339	-	-	-	-	6,294,108	-
Government	28,701,522	30,354,287	-	-	-	-	-	619,796
Individual	40,096,043	20,237,491	-	-	-	-	784,738	359,178
Manufacturing	27,389,670	31,573,964	-	-	-	-	10,920,877	9,431,521
Margin loans	-	889,041	-	-	-	-	-	-
Mortgage	1,607,433	1,999,257	-	-	-	-	-	-

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP							
	Loans and advances to customers		Loans and advances to banks		Investment debt securities		Lending commitments and financial guarantees	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Oil and gas	108,042,936	89,876,887	-	-	-	-	19,869,919	45,884,959
Power and energy	4,608,875	5,528,041	-	-	-	-	1,171,448	139,508
Professional services	774,336	612,833	-	-	-	-	208,731	-
Real estate	25,323,308	34,170,180	-	-	-	-	2,727,517	20,400
Transportation	1,408,101	9,575,745	-	-	-	-	5,030,309	5,736,239
Telecommunications	21,636,574	36,784,698	-	-	-	-	1,864,433	1,176,387
	364,865,215	**332,273,803**	**-**	**-**	**-**	**-**	**143,427,666**	**90,817,490**

	BANK							
	Loans and advances to customers		Loans and advances to banks		Investment debt securities		Lending commitments and financial guarantees	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Agriculture	13,655,459	5,816,404	-	-	-	-	2,397,613	379,440
Aviation	158,300	-	-	-	-	-	-	-
Commerce	52,382,225	41,585,921	-	-	-	-	37,538,127	20,084,891
Construction	7,445,005	5,185,449	-	-	-	-	54,504,896	6,775,367
Education	4,598,344	4,082,098	-	-	-	-	-	-
Finance and insurance	13,823,501	9,246,168	-	-	-	-	114,950	209,804
General – Others	5,013,571	4,755,339	-	-	-	-	6,294,108	-
Government	28,701,522	30,354,287	-	-	-	-	-	619,796
Individual	40,096,043	15,311,412	-	-	-	-	784,738	359,178
Manufacturing	27,389,670	31,573,964	-	-	-	-	10,920,877	9,431,521
Margin loans	-	889,041	-	-	-	-	-	-
Mortgage	1,607,433	1,999,257	-	-	-	-	-	-
Oil and gas	108,042,936	89,876,887	-	-	-	-	19,869,919	45,884,959

	BANK							
	Loans and advances to customers		Loans and advances to banks		Investment debt securities		Lending commitments and financial guarantees	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Power and energy	4,608,875	5,528,041	-	-	-	-	1,171,448	139,508
Professional services	774,336	612,833	-	-	-	-	208,731	-
Real estate	25,323,309	34,170,181	-	-	-	-	2,727,517	20,400
Transportation	1,408,101	9,575,745	-	-	-	-	5,030,309	5,736,239
Telecommunications	21,636,573	36,784,697	-	-	-	-	1,864,433	1,176,387
	356,665,203	**327,347,724**	**-**	**-**	**-**	**-**	**143,427,666**	**90,817,490**

Concentration by location for loans and advances, and for lending commitments and financial guarantees is based on the customer's region of domicile within Nigeria. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Concentration by Location

	GROUP							
	Loans and advances to customers		Loans and advances to banks		Investment debt securities		Lending commitments and financial guarantees	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
North East	9,859,428	730,313	-	-	-	-	4,669,700	13,500
North Central	25,410,171	9,631,032	-	-	-	-	9,353,278	4,248,560
North West	5,532,772	2,872,378	-	-	-	-	12,880,060	619,796
South East	5,242,672	4,235,050	-	-	-	-	1,647,450	88,294
South South	13,414,584	11,819,131	-	-	-	-	3,855,424	1,724,790
South West	305,405,588	302,985,899	-	-	-	-	111,021,754	84,122,550
	364,865,215	**332,273,803**	**-**	**-**	**-**	**-**	**143,427,666**	**90,817,490**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	BANK							
	Loans and advances to customers		Loans and advances to banks		Investment debt securities		Lending commitments and financial guarantees	
	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
North East	9,859,428	730,313	-	-	-	-	4,669,700	13,500
North Central	25,410,171	9,631,032	-	-	-	-	9,353,278	4,248,560
North West	5,532,772	2,872,378	-	-	-	-	12,880,060	619,796
South East	5,242,672	4,235,050	-	-	-	-	1,647,450	88,294
South South	13,414,584	11,819,131	-	-	-	-	3,855,424	1,724,790
South West	297,205,576	298,059,820	-	-	-	-	111,021,754	84,122,550
	356,665,203	**327,347,724**	**-**	**-**	**-**	**-**	**143,427,666**	**90,817,490**

Trading Assets

The Group's trading book comprises of only debt securities and bills issued by the Federal Government of Nigeria, state and corporate bonds, and uses Fitch external ratings for computing the internal capital charge for Issuer Default Risk as part of its overall market risk capital charge. Fitch external ratings are currently used in the absence of a local external rating for the Federal Government of Nigeria.

An analysis of the counterparty credit exposure for the trading assets is as shown in the table below.

	GROUP 2012						
Security type	**Issuer rating**	**0–30 days ₦'000**	**31–90 days ₦'000**	**91–180 days ₦'000**	**181–365 days ₦'000**	**above 365 days ₦'000**	**Total ₦'000**
FGN Bonds	BB-	-	-	-	-	-	-
Nigerian Treasury Bills	BB-	823,626	-	-	-	-	823,626
Equity Investments	BB-	346,082	-	-	-	-	346,082
		1,169,708	**-**	**-**	**-**	**-**	**1,169,708**

		GROUP 2011					
Security type	Issuer rating	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	above 365 days ₦'000	Total ₦'000
FGN Bonds	BB-	260,135	-	-	-	-	260,135
Nigerian Treasury Bills	BB-	2,750,000	-	-	-	-	2,750,000
Equity Investments	BB-	109,664	-	-	-	-	109,664
		3,119,799	**-**	**-**	**-**	**-**	**3,119,799**

		GROUP 2010					
Security type	Issuer rating	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	above 365 days ₦'000	Total ₦'000
FGN Bonds	BB-	-	-	-	-	-	-
Nigerian Treasury Bills	BB-	19,838,314	-	-	-	-	19,838,314
Equity Investments	BB-	289,996	-	-	-	-	289,996
		20,128,310	**-**	**-**	**-**	**-**	**20,128,310**

		BANK 2012					
Security type	**Issuer rating**	**0–30 days ₦'000**	**31–90 days ₦'000**	**91–180 days ₦'000**	**181–365 days ₦'000**	**above 365 days ₦'000**	**Total ₦'000**
FGN Bonds	BB-	-	-	-	-	-	-
Nigerian Treasury Bills	BB-	685,664	-	-	-	-	685,664
Equity Investments	BB-	-	-	-	-	-	-
		685,664	**-**	**-**	**-**	**-**	**685,664**

		BANK 2011					
Security type	Issuer rating	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	above 365 days ₦'000	Total ₦'000
FGN Bonds	BB-	260,135	-	-	-	-	260,135
Nigerian Treasury Bills	BB-	2,750,000	-	-	-	-	2,750,000
Equity Investments	BB-	-	-	-	-	-	-
		3,010,135	**-**	**-**	**-**	**-**	**3,010,135**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		BANK 2010					
Security type	Issuer rating	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	above 365 days ₦'000	Total ₦'000
FGN Bonds	BB-	-	-	-	-	-	-
Nigerian Treasury Bills	BB-	19,838,314	-	-	-	-	19,838,314
Equity Investments	BB-	-	-	-	-	-	-
		19,838,314	**-**	**-**	**-**	**-**	**19,838,314**

Cash and Cash Equivalents

The Group held cash and cash equivalents of N182.11 billion as at December 31, 2012 (2011: N83.4 billion). The cash and cash equivalents are held with Central Bank and financial institution counterparties which are rated BBB- to AA based on acceptable external rating agency ratings.

Settlement Risk

The Group, like its peers in the industry, is exposed to settlement risk – the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

This risk is generally mitigated by counterparty limits set to manage the Group's exposure to these counterparties. The counterparty limits are approved by the executive management and the Board of Directors.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. It is the potential loss to the Group arising from either its inability to meet its obligations or to fund committed increases in assets as they fall due without incurring unacceptable costs or losses.

Management of Liquidity Risk

The Board of Directors sets the strategy for liquidity risk and delegates the responsibility for oversight and implementation of the policy to the Assets and Liability Committee (ALCO). The liquidity position is managed daily by Treasury and Financial Services in conjunction with Market Risk Management. Assessment of liquidity is carried out through daily and weekly reports aimed at evaluating limit compliances across all the key liquidity management criteria e.g. funding gap, liquidity mismatches etc.

The Assets and Liability Committee (ALCO) has the primary responsibility for managing liquidity risk arising from assets and liability creation activities. Deliberate strategies put in place to ensure the Group is protected from liquidity risk include:

- liquidity risk identification at transaction, portfolio and entity levels, using the defined early warning liquidity risk indicators with quantified metrics for measurement on parameters such as deposit attrition, funding mismatch and funding concentrations to mention a few;
- establishment of the Group's liquidity risk appetite, which is the amount of risk FCMB is willing to accept in pursuit of value using relevant liquidity risk ratios and assets and liability funding gaps;
- establishment of methodologies for measuring and reporting on the Group's liquidity risk profile against set appetite and also sensitising against unforeseen circumstances using liquidity risk scenario analysis;

- establishment of preventive (limit setting and management) as well as corrective (Contingency Funding Plan – CFP) controls over liquidity risk;
- maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits, and maintaining contingency deposits and maintaining contingency liabilities;
- carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and liabilities, and the extent to which they are encumbered.

The Group conducts regular stress testing on its liquidity position using different scenarios including Normal, Mild and Severe stress situations. The scenarios anticipate changes in key financial indicators such as interest rate movement, sharp reduction in DFIs as a result of current security challenges, and economic downturn among others. Stress results are presented to ALCO to elicit proactive liquidity management decisions. The Committee's resolutions are tracked for impact assessment and anticipated stability in liquidity management.

The Risk and Compliance Division acts as the secretariat for ALCO and provides the necessary analytics (maturity/repricing gap and balance sheet analysis) required for taking proactive liquidity management decisions. The Group's Treasury and Financial Services Division is responsible for executing ALCO decisions and in particular, ensuring that the Group is optimally and profitably funded at any point in time.

Exposure to Liquidity Risk

The key measures adopted by the Group for liquidity management are Maturity Profile on and off-balance sheet and Maturity Analysis. Details of reported ratio of the Group's net liquid assets to deposit from customers as at the reporting period is given as:

	2012	2011
Ratio as at December 31	**49**	43

The exposure to liquidity risk during the review period is as presented below.

Maturity Profile: On-Balance Sheet Contractual

		GROUP 2012						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Non-derivative assets								
Cash and cash equivalent	*22*	123,451,740	-	-	-	-	-	**123,451,740**
Restricted reserve deposit	*23*	-	57,791,360	-	-	100,000	-	**57,891,360**
Non-pledged trading assets	*24*	484,044	685,664	-	-	-	-	**1,169,708**
Loans and advances to customers	*26*	67,315,983	60,909,902	42,704,351	38,590,083	131,426,985	16,851,494	**357,798,798**
Assets pledged as collateral	*28*	1,974,186	398,129	-	13,388,683	25,032,603	-	**40,793,601**
Investment securities	*27*	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	39,854,220	**244,525,619**
Assets classified as held for sale	*36*	-	-	13,547,417	-	-	-	**13,547,417**

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	Note	GROUP 2012						
		0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Investment in subsidiaries and associates	29,30	-	-	-	-	-	467,456	**467,456**
Property and equipment	32	82,494	59,214	164,000	343,743	5,561,404	20,120,311	**26,331,166**
Intangible assets	33	-	1,250	6,073	47,926	186,682	11,652,858	**11,894,789**
Deferred tax assets	34	-	-	-	-	4,937,656	-	**4,937,656**
Other assets	35	793,003	4,271,649	-	18,691,659	-	-	**23,756,311**
Derivative assets								
Derivative assets held	25	-	-	-	-	1,980,135	-	**1,980,135**
		224,985,467	**140,517,762**	**59,062,056**	**159,369,620**	**235,664,512**	**88,946,339**	**908,545,756**
Non-derivative liabilities								
Deposits from customers	38	509,693,123	122,134,143	12,668,809	1,720,692	-	-	**646,216,767**
Deposits from banks	37	52,000	-	-	-	-	-	**52,000**
Liabilities classified as held for sale	36	-	-	-	9,038,589	-	-	**9,038,589**
Borrowings	39	-	-	-	5,833	23,966,598	2,960,587	**26,933,018**
Current income tax liabilities	21	-	2,850,275	-	-	-	-	**2,850,275**
Other liabilities	42	-	-	-	-	88,993,097	-	**88,993,097**
Deferred tax liabilities	34	-	-	-	22,067	-	-	**22,067**
Retirement benefit obligations	40	109,008	-	-	-	-	-	**109,008**
Other long-term benefits	41	-	-	-	-	-	335,397	**335,397**
Derivative liabilities								
Derivative liabilities held	25	-	-	-	-	1,980,135	-	**1,980,135**
		509,854,131	124,984,418	12,668,809	10,787,181	114,939,830	3,295,984	**776,530,353**
Net liquidity gap		**(284,868,664)**	**15,533,344**	**46,393,247**	**148,582,439**	**120,724,682**	**85,650,355**	**132,015,403**

		GROUP 2011						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Non-derivative assets								
Cash and cash equivalent	22	48,416,681	-	-	-	-	-	**48,416,681**
Restricted reserve deposit	23	-	21,963,780	-	-	-	-	**21,963,780**
Non-pledged trading assets	24	-	3,119,799	-	-	-	-	**3,119,799**
Loans and advances to customers	26	51,159,064	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018	**323,353,706**
Investment securities	27	639,569	-	8,152,489	3,552,487	110,704,737	14,284,511	**137,333,793**
Investment in subsidiaries and associates	29,30	-	-	-	-	-	230,656	**230,656**
Deferred tax assets	34	-	-	-	-	3,578,836	-	**3,578,836**
Other assets	35	304,564	2,762,893	-	7,778,833	-	-	**10,846,290**
Property and equipment	32	-	-	-	-	18,785,380	-	**18,785,380**
Investment property	31	-	-	-	-	131,778	-	**131,778**
Intangible assets	33	-	-	-	-	6,601,963	-	**6,601,963**
Assets pledged as collateral	28	104,608	3,345,870	1,847,330	1,680,481	19,582,685	692,858	**27,253,832**
Assets classified as held for sale	36	-	-	-	-	-	-	**-**
		100,624,486	**77,939,968**	**22,611,470**	**22,158,281**	**300,258,246**	**78,024,043**	**601,616,494**
Non-derivative liabilities								
Deposits from customers	38	339,488,359	60,389,599	9,548,290	1,251,830	5,277	-	**410,683,355**
Deposits from banks	37	-	-	-	-	-	-	**-**
Borrowings	39	-	-	-	-	16,455,037	2,809,397	**19,264,434**
Current income tax liabilities	21	-	-	-	1,783,422	-	-	**1,783,422**
Other liabilities	42	-	-	-	8,612,726	42,171,566	-	**50,784,292**
Deferred tax liabilities	34	-	-	-	26,388	-	-	**26,388**
Retirement benefit obligations	40	12,971	-	-	-	-	-	**12,971**
Other long-term benefits	41	-	-	-	-	-	1,668,104	**1,668,104**
		339,501,330	**60,389,599**	**9,548,290**	**11,674,366**	**58,631,880**	**4,477,501**	**484,222,966**
Net liquidity gap		**(238,876,844)**	**17,550,369**	**13,063,180**	**10,483,915**	**241,626,366**	**73,546,542**	**117,393,528**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	Note	BANK 2012						
		0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Non-derivative assets								
Cash and cash equivalent	22	120,210,252	-	-	-	-	-	**120,210,252**
Restricted reserve deposit	23	-	57,791,360	-	-	-	-	**57,791,360**
Non-pledged trading assets	24	-	685,664	-	-	-	-	**685,664**
Loans and advances to customers	26	67,315,983	60,909,902	35,395,543	38,590,083	131,426,985	16,851,494	**350,489,990**
Assets pledged as collateral	28	1,974,186	398,129	-	13,388,683	25,032,603	-	**40,793,601**
Investment securities	27	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	36,992,052	**241,663,451**
Assets classified as held for sale	36	-	-	4,365,623	-	-	-	**4,365,623**
Investment in subsidiaries and associates	29,30	-	-	-	-	-	11,941,311	**11,941,311**
Property and equipment	32	82,494	59,214	164,000	343,742	5,561,404	19,302,726	**25,513,580**
Intangible assets	33	-	1,250	6,073	47,926	186,682	5,993,863	**6,235,794**
Deferred tax assets	34	-	-	-	-	4,757,597	-	**4,757,597**
Other assets	35	793,003	4,271,649	-	18,820,596	-	-	**23,885,248**
Derivative assets								
Derivative assets held	25	-	-	-	-	1,980,135		**1,980,135**
		221,259,935	**140,517,762**	**42,571,454**	**159,498,556**	**235,384,453**	**91,081,446**	**890,313,606**
Non-derivative liabilities								
Deposits from customers	38	509,693,123	120,185,921	12,668,809	1,720,692	-	-	**644,268,545**
Deposits from banks	37	-	-	-	-	-	-	**-**
Borrowings	39	-	-	-	5,833	23,966,598	2,960,587	**26,933,018**
Current income tax liabilities	21	-	1,346,121	-	-	-	-	**1,346,121**
Other liabilities	42	-	-	-	-	84,655,844	-	**84,655,844**
Deferred tax liabilities	34	-	-	-	-	-	-	**-**
Retirement benefit obligations	40	94,437	-	-	-	-	-	**94,437**
Other long-term benefits	41	-	-	-	-	-	144,793	**144,793**

	Note	BANK 2012						
		0–30 days ₦'000	**31–90 days ₦'000**	**91–180 days ₦'000**	**181–365 days ₦'000**	**1–5 years ₦'000**	**above 5 years ₦'000**	**Total ₦'000**
Derivative liabilities								
Derivative liabilities held	25	-	-	-	-	1,980,135	-	**1,980,135**
		509,787,560	**121,532,042**	**12,668,809**	**1,726,525**	**110,602,577**	**3,105,380**	**759,422,893**
Net liquidity gap		**(288,527,625)**	**18,985,720**	**29,902,645**	**157,772,031**	**124,781,876**	**87,976,066**	**130,890,713**

	Note	BANK 2011						
		0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Non-derivative assets								
Cash and cash equivalent	22	41,642,744	-	-	-	-	-	**41,642,744**
Restricted reserve deposit	23	-	21,963,780	-	-	-	-	**21,963,780**
Non-pledged trading assets	24	-	3,010,135	-	-	-	-	**3,010,135**
Loans and advances to customers	26	46,826,233	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018	**319,020,875**
Investment securities	27	639,569	-	8,152,489	2,039,256	110,704,737	14,284,511	**135,820,562**
Investment in subsidiaries and associates	29,30	-	-	-	-	-	11,305,868	**11,305,868**
Deferred tax assets	34	-	-	-	-	3,482,998	-	**3,482,998**
Other assets	35	304,564	2,762,893	-	7,685,550	-	-	**10,753,007**
Property and equipment	32	-	-	-	-	18,439,547	-	**18,439,547**
Intangible assets	33	-	-	-	-	421,014	-	**421,014**
Assets pledged as collateral	28	104,608	3,345,870	1,847,330	1,680,481	19,582,685	692,858	**27,253,832**
Assets classified as held for sale	36	-	-	-	-	-	-	**-**
		89,517,718	**77,830,304**	**22,611,470**	**20,551,767**	**293,503,848**	**89,099,255**	**593,114,362**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		BANK 2011						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	1–5 years ₦'000	above 5 years ₦'000	Total ₦'000
Non-derivative liabilities								
Deposits from customers	38	339,488,359	61,736,889	9,548,290	1,251,830	5,277	-	**412,030,645**
Deposits from banks	37	-	-	-	-	-	-	**-**
Borrowings	39	-	-	-	-	16,455,037	2,809,397	**19,264,434**
Current income tax liabilities	21	-	-	-	951,402	-	-	**951,402**
Other liabilities	42	-	-	-	-	42,171,566	-	**42,171,566**
Deferred tax liabilities	34	-	-	-	-	-	-	**-**
Retirement benefit obligations	40	9,447	-	-	-	-	-	**9,447**
Other long-term benefits	41	-	-	-	-	-	1,668,104	**1,668,104**
		339,497,806	**61,736,889**	**9,548,290**	**2,203,232**	**58,631,880**	**4,477,501**	**476,095,598**
Net liquidity gap		**(249,980,088)**	**16,093,415**	**13,063,180**	**18,348,535**	**234,871,968**	**84,621,754**	**117,018,764**

Maturity Analysis for Financial Assets and Liabilities

The table below analyses financial assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These are non-derivative items and include both principal and interest cash flows across different buckets.

		GROUP 2012						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000	Total ₦'000
Financial assets								
Cash and cash equivalents	22	123,451,740	-	-	-	-	-	**123,451,740**
Restricted reserve deposits	23	-	57,791,360	-	-	100,000	-	**57,891,360**
Non-pledged trading assets	24	484,044	685,664	-	-	-	-	**1,169,708**
Derivative assets held	25	-	-	-	-	1,980,135	-	**1,980,135**
Loans and advances to customers	26	67,315,983	60,909,902	42,704,351	38,590,083	131,426,985	16,851,494	**357,798,798**
Investment securities	27	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	39,854,220	**244,525,619**
Assets pledged as collateral	28	1,974,186	398,129	-	13,388,683	25,032,603	-	**40,793,601**
Assets classified as held for sale	36	-	-	13,547,417	-	-	-	**13,547,417**
Other assets	35	793,003	4,271,649	-	18,691,659	-	-	**23,756,311**
Total relevant financial assets		**224,902,973**	**140,457,298**	**58,891,983**	**158,977,951**	**224,978,770**	**56,705,714**	**864,914,689**
Financial liabilities								
Derivative liabilities held	25	-	-	-	-	1,980,135	-	1,980,135
Deposits from customers	38	509,693,123	122,134,143	12,668,809	1,720,692	-	-	646,216,767
Deposits from banks	37	52,000	-	-	-	-	-	52,000
Borrowings	39	-	-	-	5,833	23,966,598	2,960,587	26,933,018
Retirement benefit obligations	40	109,008	-	-	-	-	-	109,008
Other long-term benefits	41	-	-	-	-	-	335,397	335,397
Current income tax liabilities	21	-	2,850,275	-	-	-	-	2,850,275
Other liabilities	42	-	-	-	-	88,993,097	-	88,993,097
Total financial liabilities		**509,854,131**	**124,984,418**	**12,668,809**	**1,726,525**	**114,939,830**	**3,295,984**	**767,469,697**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP 2011						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000	Total ₦'000
Financial assets								
Cash and cash equivalents	*22*	48,416,681	-	-	-	-	-	**48,416,681**
Restricted reserve deposits	*23*	-	21,963,780	-	-	-	-	**21,963,780**
Non-pledged trading assets	*24*	-	3,119,799	-	-	-	-	**3,119,799**
Derivative assets held	*25*	-	-	-	-	-	-	**-**
Loans and advances to customers	*26*	51,159,064	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018	**323,353,706**
Investment securities	*27*	639,569	-	8,152,489	3,552,487	110,704,737	14,284,511	**137,333,793**
Assets pledged as collateral	*28*	104,608	3,345,870	1,847,330	1,680,481	19,582,685	692,858	**27,253,832**
Other assets	*35*	304,564	2,762,893	-	7,778,833	-	-	**10,846,290**
Total relevant financial assets		**100,624,486**	**77,939,968**	**22,611,470**	**22,158,281**	**271,160,289**	**77,793,387**	**572,287,881**
Financial liabilities								
Derivative liabilities held	*25*	-	-	-	-	-	-	-
Deposits from customers	*38*	339,488,359	60,389,599	9,548,290	1,251,830	5,277	-	410,683,355
Deposits from banks	*37*	-	-	-	-	-	-	-
Borrowings	*39*	-	-	-	-	16,455,037	2,809,397	19,264,434
Retirement benefit obligations	*40*	12,971	-	-	-	-	-	12,971
Other long-term benefits	*41*	-	-	-	-	-	1,668,104	1,668,104
Current income tax liabilities	*21*	-	-	-	1,783,422	-	-	1,783,422
Other liabilities	*42*	-	-	-	8,612,726	42,171,566	-	50,784,292
Total financial liabilities		**339,501,330**	**60,389,599**	**9,548,290**	**11,647,978**	**58,631,880**	**4,477,501**	**484,196,578**

		BANK 2012						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000	Total ₦'000
Financial assets								
Cash and cash equivalents	22	120,210,252	-	-	-	-	-	**120,210,252**
Restricted reserve deposits	23	-	57,791,360	-	-	-	-	**57,791,360**
Non-pledged trading assets	24	-	685,664	-	-	-	-	**685,664**
Derivative assets held	25	-	-	-	-	1,980,135	-	**1,980,135**
Loans and advances to customers	26	67,315,983	60,909,902	35,395,543	38,590,083	131,426,985	16,851,494	**350,489,990**
Assets pledged as collateral	28	1,974,186	398,129	-	13,388,683	25,032,603	-	**40,793,601**
Investment securities	27	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	36,992,052	**241,663,451**
Assets classified as held for sale	36	-	-	4,365,623	-	-	-	**4,365,623**
Investment in subsidiaries and associates	29,30	-	-	-	-	-	11,941,311	**11,941,311**
Other assets	35	793,003	4,271,649	-	18,820,596	-	-	23,885,248
Total relevant financial assets		**221,177,441**	**140,457,298**	**42,401,381**	**159,106,888**	**224,878,770**	**65,784,857**	**853,806,635**
Financial liabilities								
Derivative liabilities held	25	-	-	-	-	1,980,135	-	1,980,135
Deposits from customers	38	509,693,123	120,185,921	12,668,809	1,720,692	-	-	644,268,545
Deposits from banks	37	-	-	-	-	-	-	-
Borrowings	39	-	-	-	5,833	23,966,598	2,960,587	26,933,018
Retirement benefit obligations	40	94,437	-	-	-	-	-	94,437
Other long-term benefits	41	-	-	-	-	-	144,793	144,793
Current income tax liabilities	21	-	1,346,121	-	-	-	-	1,346,121
Other liabilities	42	-	-	-	-	84,655,844	-	84,655,844
Total financial liabilities		**509,787,560**	**121,532,042**	**12,668,809**	**1,726,525**	**110,602,577**	**3,105,380**	**759,422,893**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		BANK 2011						
	Note	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000	Total ₦'000
Financial assets								
Cash and cash equivalents	22	41,642,744	-	-	-	-	-	**41,642,744**
Restricted reserve deposits	23	-	21,963,780	-	-	-	-	**21,963,780**
Non-pledged trading assets	24	-	3,010,135	-	-	-	-	**3,010,135**
Derivative assets held	25	-	-	-	-	-	-	**-**
Loans and advances to customers	26	46,826,233	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018	**319,020,875**
Investment securities	27	639,569	-	8,152,489	2,039,256	110,704,737	14,284,511	**135,820,562**
Assets pledged as collateral	28	104,608	3,345,870	1,847,330	1,680,481	19,582,685	692,858	**27,253,832**
Assets classified as held for sale	36	-	-	-	-	-	-	**-**
Investment in subsidiaries and associates	29,30	-	-	-	-	-	11,305,868	11,305,868
Other assets	35	304,564	2,762,893	-	7,685,550	-	-	**10,753,007**
Total relevant financial assets		**89,517,718**	**77,830,304**	**22,611,470**	**20,551,767**	**271,160,289**	**89,099,255**	**570,770,803**
Financial liabilities								
Deposits from customers	38	339,488,359	61,736,889	9,548,290	1,251,830	5,277	-	412,030,645
Deposits from banks	37	-	-	-	-	-	-	-
Borrowings	39	-	-	-	-	16,455,037	2,809,397	19,264,434
Retirement benefit obligations	40	9,447	-	-	-	-	-	9,447
Other long-term benefits	41	-	-	-	-	-	1,668,104	1,668,104
Current income tax liabilities	21	-	-	-	951,402	-	-	951,402
Other liabilities	42	-	-	-	-	42,171,566	-	42,171,566
Total financial liabilities		**339,497,806**	**61,736,889**	**9,548,290**	**2,203,232**	**58,631,880**	**4,477,501**	**476,095,598**

The table below sets out the components of the Group's liquidity reserve.

	Note	Carrying amount 2012 ₦'000	Fair value 2012 ₦'000	Carrying amount 2011 ₦'000	Fair value 2011 ₦'000
Balances with central banks	*22*	**15,254,452**	15,254,452	**1,647,067**	1,647,067
Cash and balances with other banks	*22*	**108,197,288**	108,197,288	**46,769,614**	46,769,614
Unencumbered debt securities issued by central banks	*24,27(b)*	**214,405,230**	207,976,875	**110,819,018**	107,487,901
Total liquidity reserve		**337,856,970**	**331,428,615**	**159,235,699**	**155,904,582**

The table below shows availability of the Group's financial assets to support future funding.

		DECEMBER 2012				
		Encumbered		Unencumbered		
	Note	Pledged as collateral ₦'000	Other* ₦'000	Pledged as collateral ₦'000	Other** ₦'000	Total ₦'000
Cash and cash equivalents	*22*	-	-	123,451,740	-	123,451,740
Restricted reserve deposits	*23*	-	57,891,360	-	-	57,891,360
Derivative assets held	*25*	-	-	-	1,980,135	1,980,135
Trading assets	*24*	-	-	-	1,169,708	1,169,708
Loans and advances	*26*	-	-	-	357,798,798	357,798,798
Assets pledged as collateral	*28*	40,793,601	-	-	-	40,793,601
Investment securities	*27*	-	-	244,525,619	-	244,525,619
Assets classified as held for sale	*36*	-	-		13,547,417	13,547,417
Investment in subsidiaries and associates	*29,30*	-	-		467,456	467,456
Other assets	*35*	-	-		23,756,311	23,756,311
Non-financial assets	*32,33,34*	-	-	38,225,955	4,937,656	43,163,611
Total assets		**40,793,601**	**57,891,360**	**406,203,314**	**403,657,481**	**908,545,756**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		DECEMBER 2011				
		Encumbered		Unencumbered		
	Note	Pledged as collateral ₦'000	Other* ₦'000	Pledged as collateral ₦'000	Other** ₦'000	Total ₦'000
Cash and cash equivalents	*22*	-	-	48,416,681	-	48,416,681
Restricted reserve deposits	*23*	-	21,963,780	-	-	21,963,780
Derivative assets held	*25*	-	-	-	-	-
Trading assets	*24*	-	-	-	3,119,799	3,119,799
Loans and advances	*26*	-	-	-	323,353,706	323,353,706
Assets pledged as collateral	*28*	27,253,832	-	-	-	27,253,832
Investment securities	*27*	-	-	137,333,793	-	137,333,793
Assets classified as held for sale	*36*	-	-	-	-	-
Investment in subsidiaries and associates	*29,30*	-	-	-	230,656	230,656
Other assets	*35*	-	-	-	10,846,290	10,846,290
Non-financial assets	*31,32,33,34*	-	-	-	29,097,957	29,097,957
Total assets		**27,253,832**	**21,963,780**	**185,750,474**	**366,648,408**	**601,616,494**

*Represents assets which are not pledged but the Group believes they are restricted (either by law or other reasons) from being used to secure funding.

**These are assets that are available i.e. not restricted as collateral to secure funding, but the Group would not consider them as readily available in the course of regular business.

(d) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity/commodity prices or foreign exchange rates will affect the Group's income or the value of its holdings in financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimising the return on risk.

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 Group's income or the value of its portfolios. FCMB classifies its market risk into asset and liability management (ALM) risk, investment risk and trading risk.

The Group separates its market risk exposures between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury and Financial Services group and include positions from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group has robust methodology and procedures for the identification, assessment, measurement, control, monitoring and reporting of market risks within the Group's trading portfolio and the rest of the Group's balance sheet. The market risk management unit 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.

Overall authority for market risk is vested by the Board in ALCO, which sets up limits for each type of risk in aggregate. However, the market risk unit within Risk Management is responsible for limit tracking and reporting to the Chief Risk Officer and ultimately, the Assets and Liability Committee. The Group employs a range of tools to monitor and limit market risk exposures as detailed below.

(e) Market risk measures

the table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

		GROUP			BANK		
December 2012	*Note*	**Carrying amount ₦'000**	**Trading portfolios ₦'000**	**Non-trading portfolios ₦'000**	**Carrying amount ₦'000**	**Trading portfolios ₦'000**	**Non-trading portfolios ₦'000**
Assets subject to market risk:							
Cash and cash equivalent	*22*	123,451,740	-	123,451,740	120,210,252	-	120,210,252
Trading assets	*24*	1,169,708	1,169,708	-	685,664	685,664	-
Derivatives held for risk management	*25*	1,980,135	-	1,980,135	1,980,135	-	1,980,135
Loans and advances to customers	*26*	357,798,798	-	357,798,798	350,489,990	-	350,489,990
Assets pledged as collateral	*28*	40,793,601	-	40,793,601	40,793,601	-	40,793,601
Investment securities	*27(a)(b)*	233,765,644	-	233,765,644	232,296,979	-	232,296,979
Liabilities subject to market risk:							
Derivatives held for risk management	*25*	1,980,135	-	1,980,135	1,980,135	-	1,980,135
Deposits from customers and banks	*37,38*	646,268,767	-	646,268,767	644,268,545	-	644,268,545
Borrowings	*39*	26,933,018		26,933,018	26,933,018	-	26,933,018

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP			BANK		
December 2011	*Note*	Carrying amount ₦'000	Trading portfolios ₦'000	Non-trading portfolios ₦'000	Carrying amount ₦'000	Trading portfolios ₦'000	Non-trading portfolios ₦'000
Assets subject to market risk:							
Cash and cash equivalent	*22*	48,416,681	-	48,416,681	41,642,744	-	41,642,744
Trading assets	*24*	3,119,799	3,119,799	-	3,010,135	3,010,135	-
Loans and advances to customers	*26*	323,353,706	-	323,353,706	319,020,875	-	319,020,875
Assets pledged as collateral	*28*	27,253,832	-	27,253,832	27,253,832	-	27,253,832
Investment securities	*27(a)(b)*	129,446,424	-	129,446,424	128,206,995	-	128,206,995
Liabilities subject to market risk:							
Deposits from customers and banks	*37,38*	410,683,355	-	410,683,355	412,030,645	-	412,030,645
Borrowings	*39*	19,264,434	-	19,264,434	19,264,434	-	19,264,434

Exposure to Interest Rate Risk – Non-Trading Portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss arising from fluctuations in the future cash flow of fair values of financial instruments because of a change in the market interest rate. Interest rate risk is managed principally through active monitoring of gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury and Financial Services group.

A summary of the interest rate gap position on non-trading portfolios is as follows.

		GROUP 2012						
	Note	**Carrying amount ₦'000**	**0–30 days ₦'000**	**31–90 days ₦'000**	**91–180 days ₦'000**	**181–365 days ₦'000**	**>1 year <5 years ₦'000**	**above 5 years ₦'000**
Assets subject to market risk:								
Cash and cash equivalent	*22*	123,451,740	123,451,740	-	-	-	-	-
Derivatives held for risk management	*25*	1,980,135	-	-	-	-	1,980,135	-
Loans and advances to customers	*26*	357,798,798	74,624,791	60,909,902	35,395,543	38,590,082	131,426,985	16,851,494
Assets pledged as collateral	*28*	40,793,601	1,974,186	398,129	-	13,388,683	25,032,603	-
Investment securities	*27(a)(b)*	233,765,644	10,703,920	8,884,329	308,163	89,993,875	65,900,183	57,975,175
		757,789,918	**210,754,637**	**70,192,360**	**35,703,706**	**141,972,640**	**224,339,906**	**74,826,669**
Liabilities subject to market risk:								
Derivatives held for risk management	*25*	1,980,135	-	-	-	-	1,980,135	-
Deposits from customers and banks	*37,38*	646,268,767	335,520,705	-	4,306,086	-	297,460,593	8,981,383
Borrowings	*39*	26,933,018	7,917,865	-	-	-	16,054,568	2,960,585
		675,181,920	**343,438,570**	**-**	**4,306,086**	**-**	**315,495,296**	**11,941,968**

		GROUP 2011						
	Note	Carrying amount ₦'000	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000
Assets subject to market risk:								
Cash and cash equivalent	*22*	48,416,681	48,416,681	-	-	-	-	-
Loans and advances to customers	*26*	323,353,706	51,159,064	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018
Assets pledged as collateral	*28*	27,253,832	104,609	3,345,870	1,847,330	1,680,481	19,582,685	692,857
Investment securities	*27(a)(b)*	129,446,424	1,843,146	0	7,695,493	1,924,943	104,499,065	13,483,777
		528,470,643	101,523,500	50,093,496	22,154,474	12,751,904	264,954,617	76,992,652

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	Note	GROUP 2011 Carrying amount ₦'000	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000
Liabilities subject to market risk:								
Deposits from customers and banks	*37,38*	410,683,355	179,728,451	53,389,738	8,257,311	1,082,576	164,376,903	3,848,376
Borrowings	*39*	19,264,434	-	-	-	-	16,455,037.00	2,809,397.00
		429,947,789	179,728,451	53,389,738	8,257,311	1,082,576	180,831,940	6,657,773

	Note	BANK 2012 Carrying amount ₦'000	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000
Assets subject to market risk:								
Cash and cash equivalent	*22*	120,210,252	120,210,252	-	-	-	-	-
Derivatives held for risk management	*25*	1,980,135	-	-	-	-	1,980,135	-
Loans and advances to customers	*26*	350,489,990	67,315,983	60,909,902	35,395,543	38,590,082	131,426,985	16,851,494
Assets pledged as collateral	*28*	40,793,601	1,974,186	398,129	-	13,388,683	25,032,603	-
Investment securities	*27(a)(b)*	232,296,979	9,235,255	8,884,329	308,163	89,993,875	65,900,183	57,975,175
		745,770,957	**198,735,676**	**70,192,360**	**35,703,706**	**141,972,640**	**224,339,906**	**74,826,669**
Liabilities subject to market risk:								
Derivatives held for risk management	*25*	1,980,135	-	-	-	-	1,980,135	-
Deposits from customers and banks	*37,38*	644,268,545	333,520,483	-	4,306,086	-	297,460,593	8,981,383
Borrowings	*39*	26,933,018	7,917,865	-	-	-	16,054,568	2,960,585
		673,181,698	**341,438,348**	**-**	**4,306,086**	**-**	**315,495,296**	**11,941,968**

		BANK 2011						
	Note	Carrying amount ₦'000	0–30 days ₦'000	31–90 days ₦'000	91–180 days ₦'000	181–365 days ₦'000	>1 year <5 years ₦'000	above 5 years ₦'000
Assets subject to market risk:								
Cash and cash equivalent	22	41,642,744	41,642,744	-	-	-	-	-
Loans and advances to customers	26	319,020,875	46,826,233	46,747,626	12,611,651	9,146,480	140,872,867	62,816,018
Assets pledged as collateral	28	27,253,832	104,609	3,345,870	1,847,330	1,680,481	19,582,685	692,857
Investment securities	27(a)(b)	128,206,995	603,717	-	7,695,493	1,924,943	104,499,065	13,483,777
		516,124,446	89,177,303	50,093,496	22,154,474	12,751,904	264,954,617	76,992,652
Liabilities subject to market risk:								
Deposits from customers and banks	37,38	412,030,645	181,075,741	53,389,738	8,257,311	1,082,576	164,376,903	3,848,376
Borrowings	39	19,264,434	-	-	-	-	16,455,037	2,809,397
		431,295,079	181,075,741	53,389,738	8,257,311	1,082,576	180,831,940	6,657,773

Sensitivity of Projected Net Interest Income

The management of interest rate risk against interest rate gap is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point and 100 basis point (bp) parallel fall or rise. The financial assets and liabilities sensitive to interest rate risk are loans and advances and deposits. A weighted average rate has been applied and the effects are shown in the table below.

		GROUP 2012						
	Note		**Weighted average interest rate ₦'000**	**Interest due at current weighted average rate ₦'000**	**50bps ₦'000**	**(50bps) ₦'000**	**100bps ₦'000**	**Total (100bps) ₦'000**
Loans and advances	26(b)	364,865,215	17%	60,633,085	62,416,411	58,849,758	64,199,737	57,066,432
Deposits	38	646,216,767	8%	34,462,509	36,616,416	32,308,602	38,770,322	30,154,695
				26,170,576	25,799,995	26,541,156	25,429,415	26,911,737
Impact on net interest income					(370,581)	370,581	(741,162)	741,162

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP 2011						
	Note		Weighted average interest rate ₦'000	Interest due at current weighted average rate ₦'000	50bps ₦'000	(50bps) ₦'000	100bps ₦'000	Total (100bps) ₦'000
Loans and advances	*26(b)*	332,273,803	17%	53,589,475	55,165,636	52,013,314	56,741,797	50,437,153
Deposits	*38*	410,683,355	8%	26,932,432	28,615,709	25,249,155	30,298,986	23,565,878
				26,657,043	26,549,927	26,764,159	26,442,811	26,871,275
Impact on net interest income					(107,116)	107,116	(214,234)	214,232

		BANK 2012						
	Note		**Weighted average interest rate ₦'000**	**Interest due at current weighted average rate ₦'000**	**50bps ₦'000**	**(50bps) ₦'000**	**100bps ₦'000**	**Total (100bps) ₦'000**
Loans and advances	*26(b)*	356,665,203	17%	60,633,085	62,416,411	58,849,758	64,199,737	57,066,432
Deposits	*38*	644,268,545	8%	34,462,509	36,616,416	32,308,602	38,770,322	30,154,695
				26,170,576	25,799,995	26,541,156	25,429,415	26,911,737
Impact on net interest income					(370,581)	370,581	(741,162)	741,162

		BANK 2011						
	Note		Weighted average interest rate ₦'000	Interest due at current weighted average rate ₦'000	50bps ₦'000	(50bps) ₦'000	100bps ₦'000	Total (100bps) ₦'000
Loans and advances	*26(b)*	327,347,724	17%	53,589,475	55,165,636	52,013,314	56,741,797	50,437,153
Deposits	*38*	412,030,645	8%	26,932,432	28,615,709	25,249,155	30,298,986	23,565,878
				26,657,043	26,549,927	26,764,159	26,442,811	26,871,275
Impact on net interest income					(107,116)	107,116	(214,232)	214,232

Exposure to Other Market Risk Non-Trading Portfolios

The Non-trading book includes the loans, deposits, investments, placements etc. Price risk in non-trading portfolios is measured with portfolio duration and convexity. The sensitivity of earnings to specified upward and downward instantaneous parallel 100 and 200 basis point shifts in the yield curve, over one-year horizons under business-as-usual conditions assuming static portfolio indicates the potential risk.

Foreign Exchange Risk

FCMB takes on foreign exchange risks through its activities in both the trading and banking books. The Group engages in currency trading on behalf of itself and creates foreign currency positions on the Banking book in the course of its financial intermediation role. The Group is thus exposed to the risk of loss on both its Trading and Banking book positions in the event of adverse movements in currency prices.

The Group sets exposure limits (open position limits) at currency levels and uses a combination of counterparty, dealer and stop loss limits to manage market risks inherent in all foreign currency trading positions. All limits are set for both overnight and intra-day positions and approved by the Board of Directors. Compliance with the Board-approved limits is monitored on a daily basis by the Risk Management and Compliance Division.

		GROUP 2012					
	Note	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Others ₦'000	Grand total ₦'000
Assets							
Cash and cash equivalent	*22*	62,644,538	55,476,764	2,032,115	-	3,298,323	123,451,740
Restricted reserve deposit	*23*	57,891,360	-	-	-	-	57,891,360
Non-pledged trading assets	*24*	1,169,708	-	-	-	-	1,169,708
Derivative assets held	*25*	-	1,980,135	-	-	-	1,980,135
Loans and advances (net)	*26*	232,885,776	124,588,034	73,932	251,056	-	357,798,798
Investment securities	*27*	242,963,694	1,561,925	-	-	-	244,525,619
Investment in subsidiaries and associates	*29,30*	467,456	-	-	-	-	467,456
Intangible assets	*33*	11,894,789	-	-	-	-	11,894,789
Assets pledged as collateral	*28*	40,793,601	-	-	-	-	40,793,601
Assets classified as held for sale	*36*	13,547,417	-	-	-	-	13,547,417
Deferred tax assets	*34*	4,937,656	-	-	-	-	4,937,656
Other assets	*35*	9,707,651	14,034,556	6,759	7,345	-	23,756,311
Property and equipment	*32*	25,513,580	817,586	-	-	-	26,331,166
Total financial assets		**704,417,226**	**198,459,000**	**2,112,806**	**258,401**	**3,298,323**	**908,545,756**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP 2012					
	Note	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Others ₦'000	Grand total ₦'000
Liabilities							
Deposits from customers	38	498,499,131	143,649,131	1,280,278	2,726,094	62,133	646,216,767
Deposits from banks	37	52,000	-	-	-	-	52,000
Liabilities classified as held for sale	36	9,038,589	-	-	-	-	9,038,589
Borrowings	39	9,017,344	17,915,674	-	-	-	26,933,018
Derivative liability held	25	-	1,980,135	-	-	-	1,980,135
Current income tax liabilities	21	2,850,275	-	-	-	-	2,850,275
Other liabilities	42	67,539,253	20,836,578	130,728	486,538	-	88,993,097
Deferred taxation	34	22,067	-	-	-	-	22,067
Retirement benefit obligations	40	109,008	-	-	-	-	109,008
Other long-term benefits	41	335,397	-	-	-	-	335,397
Total financial liabilities		**587,463,064**	**184,381,518**	**1,411,006**	**3,212,632**	**62,133**	**776,530,353**
Net on-balance sheet financial position		**116,954,162**	**14,077,482**	**701,800**	**(2,954,231)**	**3,236,190**	**132,015,403**
Off-balance sheet financial position		**76,228,262**	**56,358,696**	**11,074**	**(11,715,887)**	**199,190**	**121,081,335**

		GROUP 2011					
	Note	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Others ₦'000	Grand total ₦'000
Assets							
Cash and cash equivalent	*22*	21,893,192	20,694,414	2,929,780	2,788,046	111,249	48,416,681
Restricted reserve deposit	*23*	21,963,780	0	0	0	0	21,963,780
Non-pledged trading assets	*24*	3,119,799	0	0	0	0	3,119,799
Loans and advances to customers	*26*	243,449,237	79,562,140	24,714	244,743	72,872	323,353,706
Investment securities	*27*	129,427,839	7,905,954	0	0	0	137,333,793
Investment in subsidiaries and associates	*29,30*	230,656	0	0	0	0	230,656
Deferred tax	*34*	3,578,836	0	0	0	0	3,578,836
Other assets	*35*	4,201,339	6,638,342	3,168	3,441	0	10,846,290
Investment property	*31*	131,778	0	0	0	0	131,778
Property and equipment	*32*	18,785,380	0	0	0	0	18,785,380
Intangible assets	*33*	6,601,963	0	0	0	0	6,601,963
Assets pledged as collateral	*36*	27,253,832	0	0	0	0	27,253,832
Total financial assets		**480,637,631**	**114,800,850**	**2,957,662**	**3,036,230**	**184,121**	**601,616,494**
Liabilities							
Deposits from customers	*38*	320,649,454	87,132,150	1,803,373	1,026,252	72,126	410,683,355
Deposits from banks	*37*	-	-	-	-	-	-
Borrowings	*39*	-	19,264,434	-	-	-	19,264,434
Current income tax liabilities	*21*	1,783,422	-	-	-	-	1,783,422
Other liabilities	*42*	34,203,936	13,187,293	1,078,774	2,206,476	107,813	50,784,292
Deferred taxation	*34*	26,388	-	-	-	-	26,388.00
Retirement benefit obligations	*40*	12,971	-	-	-	-	12,971
Other long-term benefits	*41*	1,668,104	-	-	-	-	1,668,104
Total financial liabilities		**358,344,275**	**119,583,877**	**2,882,147**	**3,232,728**	**179,939**	**484,222,966**
Net on-balance sheet financial position		**122,293,356**	**(4,783,027)**	**75,515**	**(196,498)**	**4,182**	**117,393,528**
Off-balance sheet financial position		**32,598,652**	**60,959,334**	**812,823**	**2,691,118**	**198592**	**97,260,519**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		BANK 2012					
	Note	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Others ₦'000	Grand total ₦'000
Assets							
Cash and cash equivalent	22	59,403,050	55,476,764	2,032,115	-	3,298,323	120,210,252
Restricted reserve deposit	23	57,791,360	-	-	-	-	57,791,360
Non-pledged trading assets	24	685,664	-	-	-	-	685,664
Derivative assets held	25	-	1,980,135	-	-	-	1,980,135
Loans and advances (net)	26	225,576,968	124,588,034	73,932	251,056	-	350,489,990
Investment securities	27	240,101,526	1,561,925	-	-	-	241,663,451
Investment in subsidiaries and associates	29,30	11,941,311	-	-	-	-	11,941,311
Intangible assets	33	6,235,794	-	-	-	-	6,235,794
Assets pledged as collateral	28	40,793,601	-	-	-	-	40,793,601
Assets classified as held for sale	36	4,365,623	-	-	-	-	4,365,623
Deferred tax assets	34	4,757,597	-	-	-	-	4,757,597
Other assets	35	9,707,651	14,163,493	6,759	7,345	-	23,885,248
Property and equipment	32	25,513,580	-	-	-	-	25,513,580
Total financial assets		**686,873,725**	**197,770,351**	**2,112,806**	**258,401**	**3,298,323**	**890,313,606**
Liabilities							
Deposits from customers	38	496,550,909	143,649,131	1,280,278	2,726,094	62,133	644,268,545
Deposits from banks	37	-	-	-	-	-	-
Borrowings	39	9,017,344	17,915,674	-	-	-	26,933,018
Derivative liability held	25	-	1,980,135	-	-	-	1,980,135
Taxation	21	1,346,121	-	-	-	-	1,346,121
Other liabilities	42	63,202,000	20,836,578	130,728	486,538	-	84,655,844
Deferred taxation	34	-	-	-	-	-	-
Retirement benefit obligations	40	94,437	-	-	-	-	94,437
Other long-term benefits	41	144,793	-	-	-	-	144,793
Total financial liabilities		**570,355,604**	**184,381,518**	**1,411,006**	**3,212,632**	**62,133**	**759,422,893**
Net on-balance sheet financial position		**116,518,121**	**13,388,833**	**701,800**	**(2,954,231)**	**3,236,190**	**130,890,713**
Off-balance sheet financial position		**76,228,262**	**56,358,696**	**11,074**	**(11,715,887)**	**199,190**	**121,081,335**

		BANK 2011					
	Note	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Others ₦'000	Grand total ₦'000
Assets							
Cash and cash equivalent	22	15,119,255	20,694,414	2,929,780	2,788,046	111,249	41,642,744
Restricted reserve deposit	23	21,963,780	-	-	-	-	21,963,780
Non-pledged trading assets	24	3,010,135	-	-	-	-	3,010,135
Loans and advances to customers	26	239,116,406	79,562,140	24,714	244,743	72,872	319,020,875
Investment securities	27	127,914,608	7,905,954	-	-	-	135,820,562
Investment in subsidiaries and associates	29,30	11,305,868	-	-	-	-	11,305,868
Deferred tax	34	3,482,998	-	-	-	-	3,482,998
Other assets	35	4,108,056	6,638,342	3,168	3,441	-	10,753,007
Property and equipment	32	18,439,547	-	-	-	-	18,439,547
Intangible assets	33	421,014	-	-	-	-	421,014
Assets pledged as collateral	36	27,253,832	-	-	-	-	27,253,832
Total financial assets		**472,135,499**	**114,800,850**	**2,957,662**	**3,036,230**	**184,121**	**593,114,362**
Liabilities							
Deposits from customers	38	321,996,744	87,132,150	1,803,373	1,026,252	72,126	412,030,645
Deposits from banks	37	-	-	-	-	-	-
Borrowings	39	-	19,264,434	-	-	-	19,264,434
Taxation	21	951,402	-	-	-	-	951,402
Other liabilities	42	25,591,210	13,187,293	1,078,774	2,206,476	107,813	42,171,566
Deferred taxation	34	-	-	-	-	-	-
Retirement benefit obligations	40	9,447	-	-	-	-	9,447
Other long-term benefits	41	1,668,104	-	-	-	-	1,668,104
Total financial liabilities		**350,216,907**	**119,583,877**	**2,882,147**	**3,232,728**	**179,939**	**476,095,598**
Net on-balance sheet financial position		**121,918,592**	**(4,783,027)**	**75,515**	**(196,498)**	**4,182**	**117,018,764**
Off-balance sheet financial position		**32,598,652**	**60,959,334**	**812,823**	**2,691,118**	**198,592**	**97,260,519**

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(e) Operational risk management

FCMB defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our operational risk processes capture the following major types of losses:

- fraud (internal and external);
- fines, penalties or expenses incurred as a result of settlement delays and regulatory infractions;
- losses arising from litigation processes including out-of-court settlements;
- un-reconciled cash (Teller, Vault, ATM) shortages written off in the course of the year;
- losses incurred as a result of damages to the Group's assets;
- losses incurred as a result of system downtime, malfunction and/or disruption.

The Group's appetite for operational risk losses is set by the Board Risk Management Committee on an annual basis, and this sets the tone for operational risk management practices in the course of the year. The appetite is set in terms of the maximum amount of operational risk losses the Group expects to incur given risk-reward considerations for the period.

All process owners proactively identify weak-points/risks across their respective processes, activities and systems. The Risk Management and Compliance Division validates the risk maps for completeness and recommends appropriate mitigating controls to reduce/eliminate inherent process risks.

The Risk Management and Compliance Division conducts periodic independent control tests/checks across the Group as a key tool for revalidating the outcome of the Risk and Control Self-Assessment process. This independent assessment of controls enables the Group to determine if agreed controls have been fully implemented and if controls are effective.

The Group uses operational risk indicators to track/measure current operational risk exposures across all activities, processes and systems. Key Risk Indicators (KRIs) are defined for significant risks that require active monitoring and control. This process enables us to identify and resolve control issues before they crystallise into losses. Tolerance levels are set for each risk indicator and used as the basis for reporting risk exposures to the respective risk committees including Divisional Operational Risk Committees and the Board Risk Management Committee.

Operational risk losses are periodically collated and analysed by the Risk Management and Compliance Division. The analysed loss experience enables the Group to determine causal factors and put in place new controls/processes to mitigate the risk of re-occurrence. In addition, the loss collation and analysis process provides the Group with the basis for justifying the cost of new/improved controls and assessing the effectiveness of controls. The Group's loss experience is escalated to the Board Risk Management Committee, supported by clearly defined remedial action plans to correct the causes leading to the losses. Periodic operational risk meetings are held across the Group to boost risk awareness and improve risk management culture in the Group. This meeting also affords risk owners to better appreciate control gaps and required remedial actions.

Operational risk management processes have been linked to performance management through the use of a Risk and Control Index that represents a key component of employee performance appraisals. This initiative has helped to drive the desired behaviour in employees, ensuring that there is a concerted effort by all employees to manage operational risks across the Group.

Independent assurance of the adequacy and effectiveness of the operational risk management process is provided by the Group Internal Audit (GIA) function on an annual basis. The assessment report is presented to the Board Audit Committee as part of the annual review process.

The Group uses a combination of pricing and insurance to mitigate residual risks arising from operational risk events. A total of nine insurance policies have been undertaken by the Group to minimise the loss in the event of an operational risk incident, while operational risk is included in the pricing of transactions through the operational risk provision and the Group's risk-based pricing approach.

Capital is reserved for operational risks based on the Basel II standardised approach. The estimated operational risk capital is further allocated to the respective business units for risk-based performance management purposes (Economic Profit). The Group intends to comply with the Basel II Advanced Measurement Approach (AMA) for the calculation of operational risk capital in 2014, and has already put in place robust AMA-compliant operational risk processes.

The implemented operational risk management structures provide the Group with the capacity to continuously improve its processes and controls, thereby minimising losses and protecting shareholder value.

Operational risk loss experience

The Group's operational risk loss experience as at December 2012 was within the Board-approved risk appetite, although the gross loss amount is slightly higher than in the previous financial year due to combined operational risk losses from the acquired FinBank. All the operational risk losses have been fully recognised in the financial results for the year.

Internal fraud, which has been the major component of operational risk losses in the Group, was largely controlled by FCMB through the various manual and automated controls implemented in the course of the financial year. Although some loss events were inherited from FinBank, existing controls are being strengthened to address the identified lapses. It is important to also stress that the fraud trend in the industry since 2010 facilitated the introduction of constant control measures by the operators. The initiatives introduced and efforts made by groups and regulatory agencies to minimise the level of fraud within the industry also yielded positive outcomes.

To further protect the Group against re-occurrence and reduce overall losses attributable to internal and external fraud, the Group implemented a number of measures in 2011 which have been sustained and improved in the 2012 financial year. These include:

- deployment of new password policies for all critical internal systems as part of the Group's enhanced information security practices;
- implementing 2nd factor authentication processes on the Group's core processing platforms;
- enforcement of job rotation and annual leave/vacation policies;
- enhancing the whistle blowing framework to improve early detection.

Operational Risk Awareness

The Group intensified its operational risk awareness campaign in the course of the year through several mechanisms including electronic newsletters, risk meetings/workshops, continuous training and education of staff and customers. This is to embed risk management across the entire organisation and ensure that there is significant improvement in the risk management culture.

Group Operational Risk Practices

We have successfully extended the management of operational risk to all our subsidiaries and the representative office in the UK and South Africa. Frameworks have been developed and the operational risk tools have also been deployed across the different companies. This has further enhanced the Group's integrated approach to operational risk management and practices.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(f) Capital management

The Central Bank of Nigeria requires each Bank with international authorisation to hold minimum regulatory capital of N50 billion and maintain a capital adequacy ratio (total regulatory capital to risk weighted assets) of 15%.

The Risk Management Committee (RMC) has the delegated mandate of ensuring that capital levels (capital adequacy ratio) remain adequate and appropriate for the level of risks undertaken in the normal course of business. The committee is responsible for implementing the capital strategy of the Group, which includes:

- ensuring the Bank fully complies with minimum regulatory capital adequacy requirements and remains a going concern;
- ensuring the Group is adequately capitalised – that the Group has enough capital to support its level of risk exposures;
- ensuring disciplined and selective asset growth (based on desired obligor risk profile);
- maintaining expected losses (EL) within defined limits as a direct consequence of selective and disciplined asset growth;
- ensuring risks taken by the respective business lines are within approved limits and allocated capital;
- ensuring business lines generate adequate risk-adjusted returns on allocated capital;
- driving business unit and overall Group performance through the application of Economic Capital budgeting.

The Group's regulatory capital can be segmented into two tiers:

- Tier 1 capital includes: share capital, retained earnings and reserves created by appropriations to earnings. Book value of goodwill (where applicable) is deducted in arriving at Tier 1 capital.
- Tier 2 capital includes preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to a maximum of 1.25% of risk assets, and hybrid instruments – convertible bonds.

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

Risk-weighted assets are derived based on four-level pre-defined risk weights for different asset classes, specifically:

- 0% for cash and near cash equivalents;
- 20% for off-balance sheet exposures and placements in Groups (local and foreign);
- 50% for non-negotiable certificate of deposits;
- 100% for all other on-balance sheet exposures including loans and advances.

The table opposite shows the breakdown of the Group and the Bank's regulatory capital for the year ended December 31, 2012 and period ended December 31, 2011.

Capital adequacy computation: December 2011 and December 2012	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
TIER 1 CAPITAL				
Share capital	**9,520,534**	8,135,596	**9,520,534**	8,135,596
Share premium	**108,747,612**	108,369,199	**108,747,612**	108,369,199
Treasury shares	**(775,381)**	(851,234)	**(766,756)**	(842,609)
Statutory reserves	**11,973,809**	10,089,870	**11,973,809**	10,089,870
Other reserves	**1,776,359**	8,413,237	**1,776,360**	8,413,238
Retained earnings	**765,475**	(16,779,856)	**(360,846)**	(17,146,530)
Less: Goodwill	**(11,590,807)**	(6,074,045)	**(5,993,863)**	-
Total qualifying Tier 1 capital	**120,417,601**	111,302,767	**124,896,850**	117,018,764
TIER 2 CAPITAL				
Translation reserve	**6,995**	16,716	**-**	-
General provision	**2,604,302**	1,365,005	**1,713,098**	771,757
Total qualifying Tier 2 capital	**2,611,297**	1,381,721	**1,713,098**	771,757
Total regulatory capital	**123,028,898**	112,684,488	**126,609,948**	117,790,521
RISK-WEIGHTED ASSETS				
On-balance sheet	**467,281,000**	389,605,000	**498,236,179**	395,252,055
Off-balance sheet	**30,488,000**	35,458,000	**60,540,667**	48,630,260
	497,769,000	425,063,000	**558,776,846**	443,882,315
Capital adequacy ratio	**25%**	27%	**23%**	27%

Note on Capital Adequacy Ratio

The Group's capital adequacy ratio was 25% as at December 31, 2012 (December 2011: 27%), which was significantly above CBN capital adequacy requirements by 10%.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

5 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management discusses with the Group Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 4).

Key sources of estimation uncertainty

a. Impairment

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy.

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk functions.

A collective component of the total allowable is established for:

- groups of homogeneous loans that are not considered individually significant; and
- goups of assets that are individually significant but that were not found to be individually impaired (IBNR).

Collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historic loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimates the amount of loss. The estimate of loss arrived at on the basis of historical information is then reviewed to ensure that it appropriately reflects the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

Collective allowance for groups of assets that are individually significant but that were not found to be individually impaired (IBNR) cover credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, and held-to-maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Investments in equity securities were evaluated for impairment on the basis described in Note 3 of the accounting policy. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. In this respect, the Group regarded a decline in fair value in excess of 40% to be significant and a decline in a quoted market price that persisted for 12 months or longer to be prolonged.

An assessment as to whether an investment in debt securities is impaired may be complex. In making such an assessment, the group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of the creditworthiness.
- The ability of the country to access the capital markets for new debt issuance.
- The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

b. Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3 of the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group's accounting policy on fair value measurement is discussed in Note 3 of the accounting policy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the requirements.

- **Level 1:** Quoted market price in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations. 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.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets, and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates, or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and security for which there is no active market, and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation of model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default, and prepayments and selection of appropriate discount rates.

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

	Note	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	**Total ₦'000**
December 2012					
Trading assets	*24*	1,169,708	-	-	**1,169,708**
Derivative assets held	*25*	1,980,135	-	-	**1,980,135**
Investment securities	*27*	2,527,855	-	-	**2,527,855**
		5,677,698	-	-	**5,677,698**
December 2011					
Trading assets	*24*	3,119,799	-	-	**3,119,799**
Investment securities	*27*	2,367,541	-	-	**2,367,541**
		5,487,340	-	-	**5,487,340**

There was no reclassification and as such no table to show a reconciliation from the beginning balance to the ending balance for fair value measurements in level 3 of the fair value hierarchy.

c. Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

d. Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

e. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the Group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

f. Defined benefit plan

The present value of the long-term incentive plan depends on a number of factors that are determined in an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate. The Group determines the appropriate discount rate at the end of the reporting period. In determining the appropriate discount rate, reference is made to the yield on Nigerian Government Bonds that have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

g. Determination of regulatory risk reserves

Provisions under Prudential guidelines are determined using the time-based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, banks would be required to comply with the following:

(i) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under Prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential provisions are greater than IFRS provisions; the excess provision resulting should be transferred from the retained reserve account to a ‘regulatory risk reserve’.
- Prudential provisions are less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained reserve account.

(ii) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

The Bank has complied with the requirements of the guidelines as follows:

Prudential adjustments for the year ended December 31, 2012

	Note	2012 ₦'000
Loans and advances:		
Specific impairment allowances on loans to customers	*26(c)*	**4,462,115**
Collective impairment allowances on loans to customers	*26(d)*	**1,713,098**
Total impairment allowances on loans		**6,175,213**
Other financial assets:		
Specific impairment allowances on investment in subsidiaries	*29*	**7,688,201**
Specific impairment allowances on unquoted equity securities	*27(f)*	**1,028,997**
Specific impairment allowances on other assets	*35(a)*	**13,553,510**
Other contingent provision	*42*	**4,360,781**
AFS measured at fair value		**720,387**
Total impairment allowances on other financial assets		**27,351,876**
Total impairment allowances by the Bank (a)		**33,527,089**
Total regulatory impairment based on Prudential guidelines (b)		**35,908,621**
Required balance in regulatory risk reserves (c = b – a)		**2,381,532**
Balance, January 1, 2012		**8,491,563**
Excess over the required regulatory risk reserve		**6,110,031**

Prudential adjustments for the year ended December 31, 2011

	Note	2011 ₦'000
Loans and advances:		
Specific impairment allowances on loans to customers	*26(c)*	7,555,092
Collective impairment allowances on loans to customers	*26(d)*	771,757
Total impairment allowances on loans		8,326,849
Other financial assets:		
Specific impairment allowances on investment in subsidiaries	*29*	-
Specific impairment allowances on unquoted equity securities	*27(f)*	494,728
Specific impairment allowances on other assets	*35(a)*	953,099
Total impairment allowances on other financial assets		1,447,827
Total impairment allowances by the Bank (a)		9,774,676
Total regulatory impairment based on Prudential guidelines (b)		18,266,239
Required balance in regulatory risk reserves (c = b – a)		8,491,563
Balance, January 1, 2011		9,316,644
Excess over the required regulatory risk reserve		825,081

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for year ended December 31, 2012

Prudential adjustments for the year ended January 31, 2011

	Note	January 31, 2011 ₦'000
Loans and advances:		
Specific impairment allowances on loans to customers	*26(c)*	8,015,404
Collective impairment allowances on loans to customers	*26(d)*	3,706,369
Total impairment allowances on loans		11,721,773
Other financial assets:		
Specific impairment allowances on investment in subsidiaries	*29*	-
Specific impairment allowances on unquoted equity securities	*27(f)*	494,728
Specific impairment allowances on other assets	*35(a)*	912,214
Total impairment allowances on other financial assets		1,406,942
Total impairment allowances by the Bank (a)		13,128,715
Total regulatory impairment based on Prudential guidelines (b)		22,445,359
Required balance in regulatory risk reserves (c = b – a)		9,316,644
Balance, end of year		-
Excess over the required regulatory risk reserve		-

6 OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Executive Management Committee reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Retail Banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages. Small and Medium Enterprises (SME) with an annual turnover of less than ₦500 million are included in the retail banking segment.

Corporate and Commercial Banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The corporate and commercial banking business unit caters for the specific needs of companies with an annual turnover in excess of ₦2.5 billion.

Treasury and Financial Markets – providing funding support to various business segments while ensuring the liquidity of the Bank is not compromised. The group is also involved in currency trading incorporating financial instruments trading and structured financing.

Institutional Banking – government financing, financial institutions, multilateral agencies.

Investment Banking – provides comprehensive banking services to highly structured large corporate organisations. The group is also involved in capital raising activities for organisations both in money and capital markets as well as providing financial advisory services to organisations raising funds.

Information regarding the results of each reporting segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

No single external customer accounts for 10% or more of the Group's revenue.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Information about operating segments

(i) The business segment results are as follows:

	GROUP 2012					
	Investment Banking ₦'000	Corporate and Commercial Banking ₦'000	Retail Banking ₦'000	Institutional Banking ₦'000	Treasury and Financial Markets ₦'000	Total ₦'000
External revenues:						
Net interest income	579,092	8,998,785	23,915,040	9,594,538	251,856	**43,339,311**
Net fee and commission income	356,572	7,628,857	3,352,111	1,061,762	1,913,080	**14,312,382**
Net trading income	-	389,018	-	-	5,214,484	**5,603,502**
Net income from other financial instruments at fair value through profit or loss	(26,775)	-	-	-	(17,752)	**(44,527)**
Other revenue	902,128	3,690,727	4,213,000	500,055	36,320	**9,342,230**
Inter-segment revenue	-	304,896	4,856	(802)	(308,950)	-
Total segment revenue	**1,811,017**	**21,012,283**	**31,485,007**	**11,155,553**	**7,089,038**	**72,552,898**
Other material non-cash items:						
Impairment losses on financial assets	(7,892)	10,304,760	716,912	1,684,142	-	**12,697,922**
Reportable segment profit/(loss) before income tax	338,471	(2,744,860)	9,138,387	3,776,242	5,739,779	**16,248,019**
Reportable segment assets	8,218,492	308,584,955	100,017,990	39,855,815	211,366,785	**668,044,037**
Reportable segment liabilities	7,742,885	183,261,165	281,770,744	202,134,090	87,285,998	**762,194,882**

Information about operating segments continued

	GROUP 2011					
	Investment Banking ₦'000	Corporate and Commercial Banking ₦'000	Retail Banking ₦'000	Institutional Banking ₦'000	Treasury and Financial Markets ₦'000	Total ₦'000
External revenues:						
Net interest income	1,545,841	10,079,620	15,339,145	8,721,821	1,225,091	36,912,552
Net fee and commission income	568,366	2,678,668	2,004,590	890,038	1,315,420	7,457,082
Net trading income	-	-	-	-	2,104,267	2,104,267
Net income/(loss) from other financial instruments at fair value through profit or loss	-	-	-	-	(3,910,904)	(3,910,904)
Other revenue	639,979	984,429	2,354,229	216,872	2,428,258	6,623,767
Inter-segment revenue	-	617,711	8,724	51,615	(678,050)	-
Total segment revenue	2,754,186	14,360,428	19,706,688	9,880,346	2,484,082	49,186,764
Other material non-cash items:						
Impairment losses on financial assets	49,178	14,878,437	526,560	12,217,128	-	27,672,337
Reportable segment profit/(loss) before income tax	315,133	(4,850,732)	859,025	(7,883,495)	877,266	(10,682,803)
Reportable segment assets	8,149,810	235,346,966	57,866,967	42,408,758	158,134,919	501,907,420
Reportable segment liabilities	6,745,284	89,808,468	179,577,283	149,149,766	55,451,280	480,732,081

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP	
Information about operating segments continued (ii) Reconciliations of reportable segments revenues, profit or loss and assets and liabilities	**2012** **₦'000**	2011 ₦'000
Revenues		
Total revenue for reportable segments	**72,552,898**	49,186,764
Unallocated amounts	**-**	-
Elimination of inter-segment revenue	**-**	-
Consolidated revenue	**72,552,898**	49,186,764
Profit or loss		
Total profit or loss for reportable segments	**16,248,019**	(10,682,803)
Unallocated amounts	**-**	-
Consolidated profit before income tax	**16,248,019**	(10,682,803)
Assets		
Total assets for reportable segments	**668,044,037**	501,907,420
Other unallocated amounts	**240,501,719**	99,709,074
Consolidated total assets	**908,545,756**	601,616,494
Liabilities		
Total liabilities for reportable segments	**762,194,882**	480,732,081
Other unallocated amounts	**14,335,471**	3,490,885
Consolidated total liabilities	**776,530,353**	484,222,966

Geographical areas

- In presenting information on the basis of geographical areas, revenue is based on the customers' country of domicile and assets are based on the geographical location of the assets.

(iii) The geographical information result for December 31, 2012 is as follows:

	Nigeria ₦'000	Gambia ₦'000	Europe ₦'000	Total ₦'000
External revenues	72,244,810	150,537	157,551	**72,552,898**
Non-current assets	37,625,799	576,204	23,952	**38,225,955**

(iv) The geographical information result for December 31, 2011 is as follows:

	Nigeria ₦'000	Gambia ₦'000	Europe ₦'000	Total ₦'000
External revenues	48,846,313	-	340,451	49,186,764
Non-current assets (Note 6(vi))	25,462,643	-	56,478	25,519,121

(v) Non-current assets includes property and equipment, intangible assets and investment property.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

7 FINANCIAL ASSETS AND LIABILITIES

Accounting classification measurement basis and fair values

The table below sets out the carrying amounts and fair values of the Group's financial assets and liabilities:

		2012							
	Note	Trading ₦'000	Designated at fair value ₦'000	Held-to-maturity ₦'000	Loans and receivable ₦'000	Available for sale ₦'000	Other amortised cost ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Cash and cash equivalents	22	-	-	-	-	-	123,451,740	123,451,740	123,451,740
Non-pledged trading assets	24	1,169,708	-	-	-	-	-	1,169,708	1,169,708
Derivative assets held	25	-	1,980,135	-	-	-	-	1,980,135	1,980,135
Loans and advances to customers	26	-	-	-	357,798,798	-	-	357,798,798	358,892,095
Assets pledged as collateral	28	-	-	40,793,601	-	-	-	40,793,601	35,690,559
Investment securities	27	-		233,765,644	-	10,759,975	-	244,525,619	274,611,450
		1,169,708	**1,980,135**	**274,559,245**	**357,798,798**	**10,759,975**	**123,451,740**	**769,719,601**	**795,795,687**
Derivative liabilities held	25	-	1,980,135	-	-	-	-	1,980,135	1,980,135
Deposits from banks	37	-	-	52,000	-	-	-	52,000	52,000
Deposits from customers	38	-	-	646,216,767	-	-	-	646,216,767	646,216,767
Borrowings	39	-	-	26,933,018	-	-	-	26,933,018	26,933,018
		-	**1,980,135**	**673,201,785**	**-**	**-**	**-**	**675,181,920**	**675,181,920**

The table sets out the carrying amounts and fair values of the Group's financial assets and liabilities:	Note	2011							
		Trading ₦'000	Designated at fair value ₦'000	Held-to-maturity ₦'000	Loans at amortised cost ₦'000	Available for sale ₦'000	Other amortised cost ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Cash and cash equivalents	*22*	-	-	-	-	-	48,416,681	48,416,681	48,416,681
Non-pledged trading assets	*24*	3,119,799	-	-	-	-	-	3,119,799	3,119,799
Loans and advances to customers	*26*	-	-		323,353,706	-	-	323,353,706	324,447,003
Assets pledged as collateral	*28*	-	-	27,253,832	-	-	-	27,253,832	24,124,189
Investment securities	*27*	-	-	129,001,976	-	7,887,369	-	136,889,345	160,692,552
		3,119,799	**-**	**156,255,808**	**323,353,706**	**7,887,369**	**48,416,681**	**539,033,363**	**560,800,224**
Deposits from customers	*38*			410,683,355	-	-	-	410,683,355	410,683,355
Borrowings	*39*	-	-	19,264,434	-	-	-	19,264,434	19,264,434
		-	**-**	**429,947,789**	**-**	**-**	**-**	**429,947,789**	**429,947,789**

Financial instruments at fair value (including those held for trading, designated at fair value, available for sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate, yield curves, equities and prices.

Investment securities – unquoted equity securities at cost

The above table includes ₦8.23 billion (2011: ₦5.52 billion) of equity investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured. The investments are neither redeemable nor transferable and there is no market for them. The Group does not intend to dispose of these investments.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

8 BUSINESS COMBINATION OF FIRST CITY MONUMENT BANK PLC AND FINBANK

Pursuant to the acquisition of FinBank on February 8, 2012, the Group was restructured based on a scheme of merger dated September 11, 2012. As part of the merger process, FinBank was dissolved as a legal entity on October 22, 2012 and its operations integrated into First City Monument Bank Plc (FCMB Plc).

This business combination has been accounted for using the acquisition method as at the acquisition date, when control was transferred to FCMB Plc. The difference between the consideration paid and First City Monument Bank's share of the net assets of the acquiree has been accounted for as goodwill.

The net assets of FinBank acquired as at February 8, 2012 are as follows:

	Recognised book values on acquisition ₦'000
Cash and cash equivalents	38,124,000
Loans and advances to customers	17,023,000
Investment in subsidiary	2,137,000
Investment securities	156,912,000
Property and equipment	9,814,000
Other assets	6,932,000
Total assets	230,942,000
Deposits from banks	2,822,000
Deposits from customers	169,359,000
Retirement benefit obligations	3,662,000
Current tax liabilities	394,000
Other liabilities	47,328,000
Borrowings	7,377,000
Total liabilities	**230,942,000**
Net identifiable assets and liabilities	-
Non-controlling interest	-
First City Monument Bank's share of the net identifiable assets and liabilities acquired	-
Cost of investment in the Bank	(5,993,863)
Goodwill from business combination	**(5,993,863)**

9 INTEREST INCOME

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Loans and advances to banks	**5,697,322**	1,406,142	**5,436,702**	1,251,088
Loans and advances to customers	**55,395,040**	49,015,730	**49,625,915**	43,577,962
Investments in government and other securities	**25,928,899**	12,065,378	**25,855,887**	12,025,353
	87,021,261	62,487,250	**80,918,504**	56,854,403

10 INTEREST EXPENSE

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Deposits from banks	**5,192,404**	2,266,321	**5,192,404**	2,266,321
Deposits from customers	**36,435,103**	21,200,203	**36,272,804**	21,199,126
Borrowings	**2,054,443**	2,108,174	**2,054,443**	2,108,174
	43,681,950	25,574,698	**43,519,651**	25,573,621

11. IMPAIRMENT CHARGE FOR LOSSES

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
(a) Loans and advances to customers					
Increase in specific impairment	*26(c)*	**10,744,875**	9,415,533	**10,744,875**	9,415,534
Increase in collective impairment	*26(d)*	**7,542,962**	22,047,829	**7,157,932**	21,645,017
Reversal of specific impairment	*26(c)*	**(150,882)**	(2,018,041)	**(150,882)**	(2,018,041)
Income received on claims previously written off		**(7,912,828)**	(2,127,712)	**(7,854,963)**	(2,127,712)
		10,224,127	27,317,609	**9,896,962**	26,914,798
(b) Other assets and capital work in progress					
Increase in impairment	*35(a)*	**2,473,795**	354,728	**2,477,848**	329,350
		2,473,795	354,728	**2,477,848**	329,350
		12,697,922	27,672,337	**12,374,810**	27,244,148

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

12 NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Commissions on turnover	**5,446,559**	2,921,246	**5,446,559**	2,921,246
Letters of credit commission	**3,575,273**	2,376,095	**3,575,273**	2,376,095
Commission on off balance sheet transactions	**828,878**	866,677	**828,878**	866,677
Service charges fees and commissions	**5,059,147**	2,230,284	**3,955,048**	2,230,284
Gross fee and commission income	**14,909,857**	8,394,302	**13,805,758**	8,394,302
Credit card expenses	**(48,385)**	(1,807)	**(48,385)**	(1,807)
Other banks' charges	**(549,090)**	(935,413)	**(426,977)**	(935,413)
Fee and commission expenses	**(597,475)**	(937,220)	**(475,362)**	(937,220)
Net fee and commission income	**14,312,382**	7,457,082	**13,330,396**	7,457,082

13 NET TRADING INCOME

	GROUP		BANK	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Bonds trading income	**483,622**	(54,965)	**483,622**	(54,965)
Treasury bills trading income	**5,119,880**	471,902	**4,927,556**	471,902
Equities trading income	**-**	1,687,330	**-**	1,611,590
	5,603,502	2,104,267	**5,411,178**	2,028,527

14 NET GAINS/(LOSSES) FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH

	GROUP		BANK	
	2012 ₦'000	2011 ₦'000	**2012 ₦'000**	2011 ₦'000
Net gains/(losses) arising on:				
Fair value instruments held for trading	**105,659**	(73,754)	**171,278**	(116,736)
Losses on investment securities	**67,487**	162,882	**67,487**	215,494
Reversal of impairment on investment securities classified as held for sale	**-**	-	**-**	-

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Impairment for investment securities available for sale	**(217,673)**	(4,000,032)	**(256,517)**	(4,000,032)
	(44,527)	(3,910,904)	**(17,752)**	(3,901,274)

15 OTHER REVENUE

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Dividends on equity investment securities in the subsidiaries	**810,000**	1,080,000	**810,000**	1,080,000
Dividends on unquoted equity securities at cost	**1,313,018**	481,006	**1,284,349**	203,796
Foreign exchange gains/(losses)	**4,191,146**	3,947,203	**4,023,237**	3,947,203
Profit on sale of property and equipment	**1,446,639**	9,569	**1,445,657**	8,051
Other income	**1,581,427**	1,105,989	**1,516,892**	892,090
	9,342,230	6,623,767	**9,080,135**	6,131,140

16 PERSONNEL EXPENSES

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Wages and salaries	*47(b)*	**14,445,011**	10,788,135	**12,747,146**	9,175,454
Contributions to defined contribution plans		**318,427**	282,882	**307,654**	248,842
Defined benefit costs		**707,429**	715,163	**631,418**	713,418
Other staff cost		**3,074,467**	2,189,531	**3,072,253**	2,189,531
		18,545,334	13,975,711	**16,758,471**	12,327,245

17 DEPRECIATION AND AMORTISATION

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Amortisation of intangibles	*33(a)*	**258,447**	261,088	**204,097**	219,593
Depreciation of property and equipment	*32*	**3,874,127**	2,790,953	**3,694,069**	2,656,999
		4,132,574	3,052,041	**3,898,166**	2,876,592

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

18 GENERAL AND ADMINISTRATIVE EXPENSES

		GROUP		BANK	
	Note	**2012** **₦'000**	2011 ₦'000	**2012** **₦'000**	2011 ₦'000
Communication, stationery and postage		**915,769**	648,984	**901,161**	648,984
Business travel expenses		**748,521**	603,677	**747,927**	603,677
Adverts, promotion and corporate gifts		**1,407,342**	836,923	**1,387,827**	836,923
Business premises and equipment costs		**2,473,160**	2,630,660	**2,429,823**	1,453,462
Directors' emoluments and expenses	*47(e)*	**658,082**	601,392	**478,079**	404,931
IT expenses		**1,948,581**	1,156,895	**1,935,848**	1,156,895
Contract services		**1,992,211**	1,654,961	**1,991,810**	1,654,961
		10,143,666	8,133,492	**9,872,475**	6,759,833

19 OTHER EXPENSES

	GROUP		BANK	
	2012 **₦'000**	2011 ₦'000	**2012** **₦'000**	2011 ₦'000
Vehicle expenses	**701,938**	392,497	**698,470**	392,497
Security expenses	**1,825,005**	978,391	**1,819,695**	978,391
NDIC insurance premium and other insurances	**3,186,821**	1,751,094	**3,181,184**	1,751,094
Auditors' remuneration	**176,525**	129,794	**130,000**	100,000
Consulting expenses	**1,438,729**	1,862,069	**1,434,181**	1,903,303
AMCON expenses	**2,492,159**	1,500,000	**2,492,159**	1,500,000
Others	**1,126,006**	535,769	**125,583**	535,769
	10,947,183	7,149,614	**9,881,272**	7,161,054

AMCON expenses are payable to Asset Management Corporation of Nigeria (AMCON). This is accrued based on 0.3% of the prior year's total assets, which is based on financial statements prepared under Nigerian GAAP.

20 EARNINGS PER SHARE

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
Basic and diluted earnings per share				
The calculation of basic earnings per share at December 31, 2012 was based on the profit/(loss) attributable to ordinary shareholders of ₦15.29 billion (2011: ₦9.24 billion) and a weighted average number of ordinary shares outstanding of 19.04 billion (2011: 16.27 billion), calculated as follows:				
Profit/(loss) attributable to equity holders	**15,292,372**	(9,243,550)	**12,559,592**	(11,004,393)
Weighted average number of ordinary shares in issue	**19,041,068**	16,271,192	**19,041,068**	16,271,192
	0.80	(0.57)	**0.66**	(0.68)

The Group does not have dilutive potential ordinary shares as at December 31, 2012 (December 2011: nil).

21 TAX EXPENSE

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000
(i) Minimum and current tax expense:				
Minimum tax	**906,832**	681,729	**906,832**	681,729
Income tax expense	**1,272,909**	879,605	**-**	-
	2,179,741	1,561,334	**906,832**	681,729
Deferred tax expense:				
Reversal of temporary differences	**(1,053,426)**	(3,000,587)	**(1,048,808)**	(3,049,951)
Reduction in tax rate	**-**	-	**-**	-
Recognition of previously unrecognised tax losses	**-**	-	**-**	-
	(1,053,426)	(3,000,587)	**(1,048,808)**	(3,049,951)

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP				BANK			
		2012		2011		**2012**		2011
	%	**₦'000**	%	₦'000	**%**	**₦'000**	%	₦'000
(ii) Reconciliation of effective tax rate								
Profit before tax		**16,248,019**		(10,682,803)		**12,417,616**		(13,372,615)
Income tax using the domestic corporation tax rate	**(30.0)**	**(4,874,406)**	0.0	-	**(30.0)**	**(3,725,285)**	0.0	-
Balancing charge	**(3.8)**	**(616,812)**	0.1	(13,646)	**(5.1)**	**(629,895)**	0.1	(12,679)
Non-deductible expenses	**(59.1)**	**(9,596,877)**	44.3	(4,731,299)	**(75.5)**	**(9,379,696)**	27.3	(3,646,296)
Tax exempt income	**97.4**	**15,831,934**	(20.7)	2,215,813	**126.8**	**15,747,006**	(15.4)	2,058,812
Impact of minimum tax	**(11.5)**	**(1,870,154)**	(37.1)	3,968,385	**(15.1)**	**(1,870,154)**	(29.7)	3,968,385
Total tax expense	**(7.0)**	**(1,126,315)**	(13.4)	1,439,253	**1.1**	**141,976**	(17.7)	2,368,222

(iii) The Bank was assessed based on the minimum tax legislation for the year ended December 31, 2012 because of a tax exemption granted via Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 as contained in a gazette issued by the President of the Federal Republic of Nigeria, which took effect from January 2, 2012.

The Order exempts all interests earned on bonds (federal, state, local and corporate bodies including supra-nationals) and other short-term securities such as treasury bills and promissory notes from being subjected to tax imposed under the Companies Income Tax Act. The Order is valid for a period of 10 years from the effective date of the Order, except for Bonds issued by the Federal Government, which will continue to enjoy the exemption.

A significant portion of the Bank's income derives from short-term securities and government bonds, and as a result, the Bank's current income tax assessment for the year under review yields a tax credit in its favour. Consequently, the Bank has applied the provisions of the Companies Income Tax Act that mandate a minimum tax assessment, where a tax payer does not have any tax liability arising from its tax assessment.

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(iv) Current income tax liability						
Beginning of the year	**1,783,422**	1,867,603	2,451,430	**951,402**	1,200,495	1,655,286
Acquired subsidiary	**330,110**	-	-	**330,110**	-	-
Tax paid	**(1,442,998)**	(1,645,515)	(2,223,639)	**(842,223)**	(930,822)	(1,354,134)
Minimum tax	**906,832**	681,729	-	**906,832**	681,729	-
Income tax expense	**1,272,909**	879,605	1,639,812	**-**	-	899,343
	2,850,275	1,783,422	1,867,603	**1,346,121**	951,402	1,200,495

22 CASH AND CASH EQUIVALENTS	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Cash	**15,660,594**	11,323,268	7,663,861	**15,454,476**	11,323,018	7,663,406
Current balances within Nigeria	**3,627,443**	9,590,086	10,057,918	**3,428,095**	4,218,165	3,899,830
Current balances outside Nigeria	**50,982,793**	22,733,543	23,105,118	**50,734,414**	22,705,001	22,911,476
Placements with local banks	**33,349,359**	1,185,823	24,035,096	**31,028,764**	-	23,555,747
Placements with foreign banks	**4,577,099**	1,936,894	175,027	**4,451,096**	1,749,493	-
Unrestricted balances with central banks	**15,254,452**	1,647,067	2,940,052	**15,113,407**	1,647,067	2,940,052
	123,451,740	48,416,681	67,977,072	**120,210,252**	41,642,744	60,970,511

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.

Balance with banks outside Nigeria include ₦13.56 billion (December 2011: ₦14.0 billion) which represents the naira value of foreign currency amounts held by the Bank on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see Note 42).

23 RESTRICTED RESERVE DEPOSITS	*Note*	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Restricted mandatory reserve deposits with central banks	*23(a)*	**57,891,360**	21,963,780	2,802,980	**57,791,360**	21,963,780	2,802,980
		57,891,360	21,963,780	2,802,980	**57,791,360**	21,963,780	2,802,980

(a) Restricted mandatory reserve deposits are not available for use in the Bank and Group's day-to-day operations. Mandatory reserve deposits and escrow balances are non interest-bearing and are calculated as a fixed percentage of the Bank and Group's liabilities.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

24 TRADING ASSETS

GROUP	2012 Pledged trading assets ₦'000	2012 Non-pledged trading assets ₦'000	2012 Total trading assets ₦'000	2011 Pledged trading assets ₦'000	2011 Non-pledged trading assets ₦'000	2011 Total trading assets ₦'000	2010 Pledged trading assets ₦'000	2010 Non-pledged trading assets ₦'000	2010 Total trading assets ₦'000
Federal Government of Nigeria bonds	-	-	-	-	260,135	260,135	-	-	-
Treasury bills	-	**823,626**	**823,626**	-	2,750,000	2,750,000	-	19,838,314	19,838,314
Equity securities	-	**346,082**	**346,082**	-	109,664	109,664	-	289,996	289,996
	-	**1,169,708**	**1,169,708**	-	3,119,799	3,119,799	-	20,128,310	20,128,310

BANK	2012 Pledged trading assets ₦'000	2012 Non-pledged trading assets ₦'000	2012 Total trading assets ₦'000	2011 Pledged trading assets ₦'000	2011 Non-pledged trading assets ₦'000	2011 Total trading assets ₦'000	2010 Pledged trading assets ₦'000	2010 Non-pledged trading assets ₦'000	2010 Total trading assets ₦'000
Federal Government of Nigeria bonds	-	-	-	-	260,135	260,135	-	-	-
Treasury bills	-	**685,664**	**685,664**	-	2,750,000	2,750,000	-	19,838,314	19,838,314
Equity securities	-	-	-	-	-	-	-	-	-
	-	**685,664**	**685,664**	-	3,010,135	3,010,135	-	19,838,314	19,838,314

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges on which the Bank acts as an intermediary.

25 DERIVATIVE ASSETS AND LIABILITIES HELD

	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Instrument type						
Assets: customer transactions	**1,980,135**	-	-	**1,980,135**	-	-
	1,980,135	-	-	**1,980,135**	-	-
Liabilities: market transactions	**1,980,135**	-	-	**1,980,135**	-	-
	1,980,135	-	-	**1,980,135**	-	-

Customer transactions: the Bank has entered into options on Dated Brent with customers to allow those customers to hedge their exposure to the oil price.

Market transactions: the Bank has entered into back-to-back options on Dated Brent with regard to the customer transactions with market counterparties to completely mitigate the market risk exposure on the customer transactions.

The Bank has not applied hedge accounting.

The fair value gains and losses and the premium income and expenses have been presented in the consolidated statement of comprehensive income.

26 LOANS AND ADVANCES TO CUSTOMERS

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(a) Loans and advances to customers comprise:						
Loans and advances to customers at fair value through profit or loss	**-**	-		**-**	-	
Loans and advances to customers at amortised cost	**357,798,798**	323,353,706	330,818,648	**350,489,990**	319,020,875	327,450,177
	357,798,798	323,353,706	330,818,648	**350,489,990**	319,020,875	327,450,177

At December 31, 2012 ₦202 billion (2011: ₦115 billion) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

	GROUP								
(b) Loans and advances to customers at amortised cost	**2012**			2011			2010		
	Gross amount	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Retail customers:									
Mortgage lending	**1,655,568**	**(19,535)**	**1,636,033**	2,024,888	(16,366)	2,008,522	5,765,786	(148,255)	5,617,531
Personal loans	**42,809,916**	**(1,025,218)**	**41,784,698**	19,049,096	(635,005)	18,414,091	17,395,470	(3,521,051)	13,874,419
Credit cards	**90,767**	**(2,805)**	**87,962**	96,486	(3,273)	93,213	70,045	(22,238)	47,807
Corporate customers:									
Finance leases	**4,974,744**	**(10,586)**	**4,964,158**	3,098,747	-	3,098,747	3,521,022	(14,825)	3,506,197
Other secured lending	**315,334,220**	**(6,008,273)**	**309,325,947**	308,004,586	(8,265,453)	299,739,133	315,978,534	(8,205,840)	307,772,694
	364,865,215	**(7,066,417)**	**357,798,798**	332,273,803	(8,920,097)	323,353,706	342,730,857	(11,912,209)	330,818,648

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	BANK								
	2012			2011			2010		
b) Loans and advances to customers at amortised cost	**Gross amount**	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Retail customers:									
Mortgage lending	**1,655,568**	**(19,535)**	**1,636,033**	2,024,888	(16,366)	2,008,522	5,765,786	(148,255)	5,617,531
Personal loans	**42,809,916**	**(1,025,218)**	**41,784,698**	19,049,096	(635,005)	18,414,091	17,395,470	(3,521,051)	13,874,419
Credit cards	**90,767**	**(2,805)**	**87,962**	96,486	(3,273)	93,213	70,045	(22,238)	47,807
Corporate customers:									
Finance leases	**4,974,744**	**(10,586)**	**4,964,158**	3,098,747	-	3,098,747	3,521,022	(14,825)	3,506,197
Other secured lending	**307,134,208**	**(5,117,069)**	**302,017,139**	303,078,507	(7,672,205)	295,406,302	312,419,627	(8,015,404)	304,404,223
	356,665,203	**(6,175,213)**	**350,489,990**	327,347,724	(8,326,849)	319,020,875	339,171,950	(11,721,773)	327,450,177

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(c) Movement in allowances for impairment						
Specific allowances for impairment						
Balance at January 1	**7,555,092**	8,015,404	3,566,175	**7,555,092**	8,015,404	3,566,175
Impairment loss for the year:	**-**	-	-	**-**	-	-
Charge for the year	**10,744,875**	9,415,534	4,449,229	**10,744,875**	9,415,534	4,449,229
Impairment reverse	**(150,882)**	(2,018,041)		**(150,882)**	(2,018,041)	
Write offs	**(13,686,970)**	(7,857,805)	-	**(13,686,970)**	(7,857,805)	-
	4,462,115	7,555,092	8,015,404	**4,462,115**	7,555,092	8,015,404
(d) Collective allowances for impairment						
Balance at January 1	**1,365,005**	3,896,805	-	**771,757**	3,706,369	-
Acquired during the year	**3,612,549**	-	-	**3,612,549**	-	-
Impairment loss for the year:	**-**	-	-	**-**	-	-
Charge for the year	**7,542,962**	22,047,829	3,896,805	**7,157,932**	21,645,017	3,706,369

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Write offs	**(9,916,214)**	(24,579,629)	-	**(9,829,140)**	(24,579,629)	-
	2,604,302	1,365,005	3,896,805	**1,713,098**	771,757	3,706,369
	7,066,417	8,920,097	11,912,209	**6,175,213**	8,326,849	11,721,773
(e) Finance lease						
Loan and advances to customer at amortised cost include the following finance lease:						
Gross investment:						
Less than one year	**619,146**	251,617	624,644	**619,146**	251,617	624,644
Between one and five years	**6,829,569**	4,141,895	8,493,867	**6,829,569**	4,141,895	8,493,867
More than five years	**-**	-	-	**-**	-	-
	7,448,715	4,393,512	9,118,511	**7,448,715**	4,393,512	9,118,511
Unearned finance income	**(2,473,971)**	(1,294,765)	(5,597,489)	**(2,473,971)**	(1,294,765)	(5,597,489)
	4,974,744	3,098,747	3,521,022	**4,974,744**	3,098,747	3,521,022
(f) Net investment in finance leases						
Net investment in finance leases, receivables:						
Less than one year	**498,107**	241,683	547,892	**498,107**	241,683	547,892
Between one and five years	**4,476,637**	2,857,064	2,973,130	**4,476,637**	2,857,064	2,973,130
More than five years	**-**	-	-	**-**	-	-
	4,974,744	3,098,747	3,521,022	**4,974,744**	3,098,747	3,521,022

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

27 INVESTMENT SECURITIES	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Investment securities designated as at fair value through profit or loss	27(a)	**-**	444,448	4,444,480	**-**	444,448	4,444,480
Held-to-maturity investment securities	27(b)	**233,765,644**	129,001,976	37,490,087	**232,296,979**	127,762,547	36,428,379
Available-for-sale investment securities	27(c)	**10,759,975**	7,887,369	8,365,244	**9,366,472**	7,613,567	8,207,443
		244,525,619	137,333,793	50,299,811	**241,663,451**	135,820,562	49,080,302
(a) Investment securities designated as at fair value through profit or loss							
FinBank preference shares		**-**	444,448	4,444,480	**-**	444,448	4,444,480
		-	444,448	4,444,480	**-**	444,448	4,444,480
(b) Held-to-maturity investment securities							
Federal Government of Nigeria (FGN) bonds		**32,421,143**	25,215,983	23,359,011	**32,068,469**	23,976,554	22,338,136
Asset Management Corporation of Nigeria (AMCON) bonds		**144,639,798**	76,555,538	6,554,303	**144,639,798**	76,555,538	6,554,303
State Government bonds		**10,478,530**	4,556,391	1,160,033	**10,478,530**	4,556,391	1,119,200
Treasury bills		**36,174,581**	5,927,698	332,117	**35,058,590**	5,927,698	332,117
Corporate bonds		**10,051,592**	16,746,366	6,084,623	**10,051,592**	16,746,366	6,084,623
		233,765,644	129,001,976	37,490,087	**232,296,979**	127,762,547	36,428,379
(c) Available-for-sale investment securities							
Equity securities measured at fair value	27(d)	**2,527,855**	2,367,541	3,154,176	**2,527,855**	2,367,541	3,154,176
Unquoted equity securities measured at cost	27(e)	**8,232,120**	5,519,828	5,211,068	**6,838,617**	5,246,026	5,053,267
		10,759,975	7,887,369	8,365,244	**9,366,472**	7,613,567	8,207,443

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
(d) Equity securities measured at fair value under available-for-sale investments							
HTM Private Placement Underwriting		**1,058,985**	2,367,541	2,979,908	**1,058,985**	2,367,541	2,979,908
African Petroleum Plc (Forte Oil)		**61,511**	-	174,268	**61,511**	-	174,268
DAAR Communications Underwriting		**37,278**	-	-	**37,278**	-	-
Environmental Remediation Holding Company Plc		**655,161**	-	-	**655,161**	-	-
Unity Bank Plc		**560**	-	-	**560**	-	-
UTC Nigeria Plc		**10**	-	-	**10**	-	-
Standard Alliance Co Plc		**714,350**	-	-	**714,350**	-	-
		2,527,855	2,367,541	3,154,176	**2,527,855**	2,367,541	3,154,176
(e) Unquoted equity securities at cost under available-for-sale investments							
Kakawa Discount House Limited		**22,800**	22,800	22,800	**22,800**	22,800	22,800
Credit Reference Company Limited		**61,111**	61,111	61,111	**61,111**	61,111	61,111
Nigeria Inter-bank Settlement System Plc		**102,970**	52,583	52,583	**102,970**	52,583	52,583
Africa Finance Corporation		**2,558,388**	1,287,000	1,287,000	**2,558,388**	1,287,000	1,287,000
Rivers State Microfinance Agency		**1,000,000**	1,000,000	1,000,000	**1,000,000**	1,000,000	1,000,000
Private Equity Funds		**2,514,439**	2,731,077	2,537,411	**2,514,439**	2,731,077	2,537,411
SME Investments		**1,113,742**	513,379	514,287	**1,113,742**	513,379	514,286
Africa Export-Import Bank, Cario		**144,805**	-	-	**144,805**	-	-
Central Securities Clearing System		**87,500**	-	-	**87,500**	-	-
Express Discount House		**64,415**	-	-	**64,415**	-	-
Smartcard Nigeria Plc		**22,804**	22,804	22,804	**22,804**	22,804	22,804
ATSC Investment		**50,000**	50,000	50,000	**50,000**	50,000	50,000

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Currency Sorting Co		**24,640**	-	-	**24,640**	-	-
IMB Energy Master Fund		**100,000**	-	-	**100,000**	-	-
First City Asset Management (FCAM)		**40,000**	40,000	140,000	**-**	-	-
Industrial and General Insurance Plc		**85,000**	95,000	95,000	**-**	-	-
Food Concept Limited		**11,700**	11,700	11,700	**-**	-	-
Financial Derivative Limited		**10,000**	10,000	10,000	**-**	-	-
Hygeia Nigeria Limited		**602**	602	602	**-**	-	-
CSCS Limited		**3,500**	500	500	**-**	-	-
Legacy Fund		**76,000**	95,680	-	**-**	-	-
CSL Trustees		**-**	40,000	-	**-**	-	-
Others		**1,731,417**	-	-	**-**	-	-
		9,825,833	6,034,236	5,805,798	**7,867,614**	5,740,754	5,547,995
		9,825,833	6,034,236	5,805,798	**7,867,614**	5,740,754	5,547,995
Specific impairment for equities	*27(f)*	**(1,593,713)**	(514,408)	(594,730)	**(1,028,997)**	(494,728)	(494,728)
Carrying amount		**8,232,120**	5,519,828	5,211,068	**6,838,617**	5,246,026	5,053,267
(f) Specific allowances for impairment against available-for-sale							
Balance at January 1		**514,408**	594,730	594,730	**494,728**	494,728	494,728
Acquired during the year		**982,574**	-	-	**469,854**	-	-
Written off during the year		**(19,680)**	(100,000)	-	**-**	-	-
Charge for the year		**116,411**	19,678	-	**64,415**	-	-
Balance at December 31		**1,593,713**	514,408	594,730	**1,028,997**	494,728	494,728

(g) Investments in listed equities measured as at fair value through profit and loss represents stock held for short-term profit-making purposes.

(h) The Group made various investments into companies which operate strategic banking systems in the Nigerian market. These are required investments to continue to operate in the Nigerian banking system.

(i) Bonds issued by AMCON are fully guaranteed by The Federal Government of Nigeria. The bonds were issued in exchange for impaired loans.

(j) All debt securities have fixed coupons.

	GROUP			BANK		
28 ASSETS PLEDGED AS COLLATERAL	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
The nature and carrying amounts of the non-tradable financial assets pledged as collaterals are as follows:						
Treasury bills	**2,372,315**	3,342,441	2,467,466	**2,372,315**	3,342,441	2,467,466
Federal Government of Nigeria (FGN) bonds	**38,421,286**	23,911,391	23,813,808	**38,421,286**	23,911,391	23,813,808
Equities	**-**	-	-	**-**	-	-
	40,793,601	27,253,832	26,281,274	**40,793,601**	27,253,832	26,281,274

As at December 31, 2012, the Bank held no collateral, which it was permitted to sell or re-pledge in the absence of default by the owner of the collateral (December 31, 2011: nil).

		GROUP			BANK		
29 INVESTMENT IN SUBSIDIARIES	*Note*	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(a) Investment in subsidiaries comprises:							
FCMB Capital Markets Limited	*29(c)*	**-**	-	-	**240,000**	240,000	240,000
Credit Direct Limited	*29(d)*	**-**	-	-	**366,210**	150	150
FCMB (UK) Limited	*29(e)*	**-**	-	-	**1,375,397**	1,216,997	1,216,997
CSL Stockbrokers Limited (CSLS)	*29(f)*	**-**	-	-	**8,650,721**	8,650,721	8,650,721
City Securities (Registrar) Limited	*36*	**-**	-	-	**-**	898,000	898,000
Arab Gambian Islamic Bank Limited (AGIB)	*29(g)*	**-**	-	-	**1,311,830**	-	-
Fin Capital Limited	*29(h)*	**-**	-	-	**1,150,000**	-	-
Fin Securities & Asset Management Limited	*29(i)*	**-**	-	-	**6,160,354**	-	-
		-	-	-	**19,254,512**	11,005,868	11,005,868
Specific allowances for impairment		**-**	-	-	**(7,688,201)**	-	-
Carrying amount		**-**	-	-	**11,566,311**	11,005,868	11,005,868

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP			BANK		
	Note	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Specific allowances for impairment							
Balance at January 1		-	-	-	-	-	-
Acquired during the year		-	-	-	**7,688,201**	-	-
Written off during the year		-	-	-	-	-	-
Charge for the year		-	-	-	-	-	-
Balance at December 31		-	-	-	**7,688,201**	-	-

(b) Group entities

The subsidiary companies, country of incorporation, nature of business, percentage equity holding and period consolidated with the parent company is as detailed below:

Company name	Country of incorporation	Nature of business	Percentage of equity capital held (direct holdings)	Financial year end
(1) FCMB Capital Markets Limited (FCMB CM)	Nigeria	Capital market	100%	December 31, 2012
(2) Credit Direct Limited (CDL)	Nigeria	Micro-lending	100%	December 31, 2012
(3) FCMB (UK) Limited (FCMB UK)	United Kingdom	Banking	100%	December 31, 2012
(4) CSL Stockbrokers Limited	Nigeria	Stockbroking	100%	December 31, 2012
(5) Arab Gambian Islamic Bank Limited (AGIB)	Gambia	Banking	100%	December 31, 2012
(6) Fin Securities & Asset Management Limited	Nigeria	Stockbroking	100%	December 31, 2012
(7) Fin Capital Limited	Nigeria	Capital market	100%	December 31, 2012

(c) This represents the cost of the Bank's 100% equity holding in FCMB Capital Markets Limited. The Company was incorporated on April 4, 2002.

(d) This represents the cost of the Bank's 100% equity holding in Credit Direct Limited. The Company was incorporated on June 13, 2006 and commenced operations in January 2007. The Bank acquired 75% shareholding in the company in February 2007 and subsequently acquired the balance of 25% in October 2012 previously held by FCMB Capital Markets Limited.

(e) This represents the cost of the Bank's 100% equity holding in FCMB (UK) Limited. The Company was incorporated on June 16, 2008 and commenced actual trading operations in September 2009.

(f) This represents the cost of the Bank's 100% equity holding in CSL Stockbrokers Limited. The Company was incorporated on January 24, 1979 and commenced operations in May 1979. The Bank acquired the total holding in the company in May, 2009.

(g) This represents the cost of the Bank's 100% equity holding in Arab Gambian Islamic Bank Limited (AGIB). The Company was incorporated on November 11, 1994 in The Gambia to carry on Islamic banking services. It was licensed by the Central Bank of The Gambia on September 12, 1996 and commenced operations in the same year.

(h) This represents the cost of the Bank's 100% equity holding in Fin Capital Limited and commenced operations on October 23, 2008. The Company was incorporated on April 4, 2007. It was licensed to provide investment banking services.

(i) This represents the cost of the Bank's 100% equity holding in Fin Securities & Asset Management Limited. The Company was incorporated on August 3, 1990. It provides corporate investment advisory and asset management services. It commenced operations in May 2008.

(j) The investments are carried at cost less impairment.

30 INVESTMENT IN ASSOCIATES

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(a) Investment in associate company:						
Balance at January 1	**230,656**	145,000	300,000	**300,000**	300,000	300,000
Previously unrecognised reserve	**-**	(27,972)	(205,854)	**-**	-	-
Share of profit/(loss)	**161,800**	113,628	50,854	**-**	-	-
Additions during the year	**75,000**	-		**75,000**	-	-
At December 31	**467,456**	230,656	145,000	**375,000**	300,000	300,000
(b) Summarised financial information of the Group's principal associates are as follows:						
Assets	**1,998,094**	1,241,884	670,276	**-**	-	
Liabilities	**128,270**	319,259	90,278	**-**	-	
Net assets	**1,869,824**	922,625	579,998			
Revenues	**1,289,196**	1,019,539	718,323	**-**	-	
Profit	**647,201**	454,511	203,416	**-**	-	

(c) This represents the Bank's 25% (2011: 25%) equity interest holding in Legacy Limited, a pension fund manager licensed to carry on the business of fund and pension management. The company was incorporated in April 2005 and commenced operations in May 2005. The Bank acquired its 25% equity holding in February 2008. The financial statements used in applying the equity method may be as of a date or for a period that is different from the Group due to practical difficulties preventing the associate from producing coterminous figures in time for the Group's year end.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

31 INVESTMENT PROPERTIES	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Investment properties at fair value at January 1	**131,778**	131,778	131,778	**-**	-	-
Transfers to:	**-**	-	-	**-**	-	-
– Assets held for sale	**(131,778)**	-	-	**-**	-	-
Investment properties at fair value at December 31	**-**	131,778	131,778	**-**	-	-

Investment properties include a number of commercial properties that are leased to third parties. On average the leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee.

The carrying amount of investment property is the fair values determined with regard to recent market transactions for similar properties in the same location as the Group's investment property.

Rental income from investment property is recognised in other income.

32 PROPERTY AND EQUIPMENT	GROUP					
	Leasehold improvement and buildings ₦'000	**Motor vehicles ₦'000**	**Furniture, fittings and equipment ₦'000**	**Computer equipment ₦'000**	**Capital work in progress ₦'000**	**Total ₦'000**
Cost						
Balance at January 1, 2012	12,588,626	3,725,254	6,064,049	5,274,501	4,186,129	**31,838,559**
Acquired during the year	9,634,670	2,080,518	5,596,926	3,760,828	2,329,970	**23,402,912**
Addition during the year	439,997	852,366	445,922	188,309	631,146	**2,557,740**
Disposal during the year	(1,219,200)	(901,195)	(255,765)	(180,404)	-	**(2,556,564)**
Reclassifications	128,976	17,535	9,542	39,001	(195,054)	**-**
Items written off	(1,102)	(90,672)	(12,471)	(6,770)	(3,200)	**(114,215)**
Translation difference	-	-	-	-	-	**-**
Balance at December 31, 2012	**21,571,967**	**5,683,806**	**11,848,203**	**9,075,465**	**6,948,991**	**55,128,432**

	GROUP					
	Leasehold improvement and buildings ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital work in progress ₦'000	Total ₦'000
Balance at January 1, 2011	11,411,683	3,714,314	5,526,071	4,577,923	4,870,959	**30,100,950**
Addition during the year	383,507	500,026	504,755	398,492	571,221	**2,358,001**
Disposal during the year	(15,075)	(502,317)	(61,282)	(15,200)	-	**(593,874)**
Reclassifications	805,491	13,231	93,420	310,417	(1,222,559)	**-**
Items written off	-	-	-	-	(33,492)	**(33,492)**
Translation difference	3,020	-	1,085	2,869	-	**6,974**
Balance at December 31, 2011	12,588,626	3,725,254	6,064,049	5,274,501	4,186,129	**31,838,559**
Balance at January 1, 2010	9,858,309	3,742,251	4,931,331	4,053,104	6,382,603	**28,967,598**
Addition during the year	291,191	339,184	345,384	445,794	1,044,359	**2,465,912**
Disposals during the year	-	(408,700)	(46,747)	(2,182)	-	**(457,629)**
Reclassifications	1,300,105	-	323,241	153,441	(1,776,787)	**-**
Items written off	-	-	-	-	(779,300)	**(779,300)**
Translation difference	(37,922)	41,579	(27,138)	(72,234)	84	**(95,631)**
Balance at December 31, 2010	11,411,683	3,714,314	5,526,071	4,577,923	4,870,959	**30,100,950**
Depreciation and impairment losses						
Balance at January 1, 2012	1,739,278	2,890,059	4,528,515	3,895,327	-	**13,053,179**
Acquired during the year	2,102,282	1,879,382	4,267,262	3,126,042	2,101,500	**13,476,468**
Charge for the year	951,018	472,071	1,317,176	1,133,862	-	**3,874,127**
Eliminated on disposals	(411,358)	(782,196)	(216,784)	(91,110)	-	**(1,501,448)**
Items written off	(16,642)	(64,450)	(15,054)	(8,914)	-	**(105,060)**
Translation difference	-	-	-	-	-	**-**
Balance at December 31, 2012	**4,364,578**	**4,394,866**	**9,881,115**	**8,055,207**	**2,101,500**	**28,797,266**

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for year ended December 31, 2012

	GROUP					
	Leasehold improvement and buildings ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital work in progress ₦'000	Total ₦'000
Balance at January 1, 2011	1,360,735	2,837,067	3,537,970	3,045,105	-	**10,780,877**
Charge for the year	381,295	499,654	1,046,952	863,052	-	**2,790,953**
Eliminated on disposals	(5,077)	(446,662)	(56,070)	(15,036)	-	**(522,845)**
Reclassifications	-	-	(727)	-	-	**(727)**
Translation difference	2,325	-	390	2,206	-	**4,921**
Balance at December 31, 2011	1,739,278	2,890,059	4,528,515	3,895,327	-	**13,053,179**
Balance at January 1, 2010	999,019	2,368,259	2,562,505	1,832,651	-	**7,762,434**
Charge for the year	347,718	695,811	963,435	1,138,098	-	**3,145,062**
Eliminated on disposals	-	(318,244)	(27,999)	(2,181)	-	**(348,424)**
Translation difference	13,998	91,241	40,029	76,537	-	**221,805**
Balance at December 31, 2010	1,360,735	2,837,067	3,537,970	3,045,105	-	**10,780,877**
Carrying amounts:						
Balance at December 31, 2012	17,207,389	1,288,940	1,967,088	1,020,258	4,847,491	**26,331,166**
Balance at December 31, 2011	10,849,348	835,195	1,535,534	1,379,174	4,186,129	**18,785,380**
Balance at December 31, 2010	10,050,948	877,247	1,988,101	1,532,818	4,870,959	**19,320,073**

	BANK					
	Leasehold improvement and buildings ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital work in progress ₦'000	Total ₦'000
Cost						
Balance at January 1, 2012	12,511,705	3,381,111	5,853,044	5,093,909	4,186,129	**31,025,898**
Acquired during the year	9,056,651	2,080,518	5,596,926	3,760,828	2,329,970	**22,824,893**
Addition during the year	439,997	852,366	445,922	188,309	631,146	**2,557,740**
Disposals during the year	(1,219,200)	(859,213)	(221,170)	(91,792)	-	**(2,391,375)**
Reclassifications	128,976	17,535	9,542	39,001	(195,054)	**-**
Items written off	(1,102)	(90,672)	(12,471)	(6,770)	(3,200)	**(114,215)**
Balance at December 31, 2012	**20,917,027**	**5,381,645**	**11,671,793**	**8,983,484**	**6,948,991**	**53,902,940**
Balance at January 1, 2011	11,337,782	3,456,084	5,329,897	4,411,800	4,870,959	**29,406,522**
Addition during the year	383,507	361,902	483,142	635,062	571,221	**2,434,834**
Disposals during the year	(15,075)	(450,106)	(53,367)	(263,418)	-	**(781,966)**
Reclassifications	805,491	13,231	93,372	310,465	(1,222,559)	**-**
Items written off	-	-	-	-	(33,492)	**(33,492)**
Balance at December 31, 2011	12,511,705	3,381,111	5,853,044	5,093,909	4,186,129	**31,025,898**
Balance at January 1, 2010	9,799,271	3,594,554	4,796,803	4,000,818	6,382,687	**28,574,133**
Addition during the year	238,406	241,275	252,654	255,099	1,044,359	**2,031,793**
Disposals during the year	-	(379,745)	(38,177)	(2,182)	-	**(420,104)**
Reclassifications	1,300,105	-	318,617	158,065	(1,776,787)	**-**
Items written off	-	-	-	-	(779,300)	**(779,300)**
Balance at December 31, 2010	11,337,782	3,456,084	5,329,897	4,411,800	4,870,959	**29,406,522**
Depreciation and impairment losses						
Balance at January 1, 2012	1,694,159	2,720,309	4,403,730	3,768,153	-	**12,586,351**
Acquired during the year	2,102,282	1,879,382	4,267,262	3,126,042	2,101,500	**13,476,468**
Charge for the year	696,493	486,303	1,322,876	1,188,397	-	**3,694,069**
Eliminated on disposals	(172,378)	(782,196)	(216,784)	(91,110)	-	**(1,262,468)**

Notes to the consolidated financial statements continued...

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	BANK					
	Leasehold improvement and buildings ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital work in progress ₦'000	Total ₦'000
Items written off	(16,642)	(64,450)	(15,054)	(8,914)	-	**(105,060)**
Balance at December 31, 2012	4,303,914	4,239,348	9,762,030	7,982,568	2,101,500	**28,389,360**
Balance at January 1, 2011	1,334,532	2,674,513	3,439,526	2,948,877	-	**10,397,448**
Charge for the year	364,704	443,671	1,014,910	833,714	-	**2,656,999**
Eliminated on disposals	(5,077)	(397,875)	(50,706)	(14,438)	-	**(468,096)**
Balance at December 31, 2011	1,694,159	2,720,309	4,403,730	3,768,153	-	**12,586,351**
Balance at January 1, 2010	992,766	2,330,376	2,533,052	1,874,070	-	**7,730,264**
Charge for the year	341,766	647,120	932,778	1,076,988	-	**2,998,652**
Eliminated on disposals	-	(302,983)	(26,304)	(2,181)	-	**(331,468)**
Balance at December 31, 2010	1,334,532	2,674,513	3,439,526	2,948,877	-	**10,397,448**
Carrying amounts:						
Balance at December 31, 2012	16,613,113	1,142,297	1,909,763	1,000,916	4,847,491	**25,513,580**
Balance at December 31, 2011	10,817,546	660,802	1,449,314	1,325,756	4,186,129	**18,439,547**
Balance at December 31, 2010	10,003,250	781,571	1,890,371	1,462,923	4,870,959	**19,009,074**

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2011: nil).

33 INTANGIBLE ASSETS	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
(a) Softwares							
Cost							
Beginning of the year		**2,127,024**	1,824,505	-	**1,886,245**	1,635,780	-
Additions during the year		**8,469**	302,519	-	**25,014**	250,465	-
Classification		**-**	-	1,824,505	**-**	-	1,635,780
Disposals during the year		**-**	-	-	**-**	-	-
End of the year		**2,135,493**	2,127,024	1,824,505	**1,911,259**	1,886,245	1,635,780
Amortisation							
Beginning of the year		**1,599,106**	1,338,019	-	**1,465,231**	1,244,150	-
Classification		**(26,042)**	-	1,338,019	**-**	-	1,244,150
Charges for the year		**258,447**	261,087	-	**204,097**	221,081	-
Disposals during the year		**-**	-	-	**-**	-	-
End of the year		**1,831,511**	1,599,106	1,338,019	**1,669,328**	1,465,231	1,244,150
Carrying amount		**303,982**	527,918	486,486	**241,931**	421,014	391,630
(b) Goodwill							
Beginning of the year		**6,074,045**	6,074,045	6,074,045	**-**	-	-
Acquired during the year	*8*	**5,993,863**	-	-	**5,993,863**	-	-
Transfer to assets held for sale	*33(e)*	**(477,101)**	-	-	**-**	-	-
At end of the year		**11,590,807**	6,074,045	6,074,045	**5,993,863**	-	-
		11,894,789	6,601,963	6,560,531	**6,235,794**	421,014	391,630

(c) On May 2, 2009, the Bank acquired CSL Stock Brokers Limited (CSLS) and City Securities (Registrars) Limited, erstwhile related companies of the Bank by common directorship. The acquisition gave rise to the above goodwill.

(d) On February 9, 2012, the Bank acquired FinBank, erstwhile investee company of the Bank. The acquisition gave rise to the above goodwill acquired during the year.

(e) The Group discontinued the operation of City Securities (Registrars) Limited (CSRL), hence reclassifying the associated goodwill to assets held for sale.

(f) Goodwill is reviewed annually or more frequently for impairment when there are objective indicators that impairment may have occurred by comparing the carrying value to its recoverable amount. No impairment was identified in 2011 (2010: nil).

(g) There were no capitalised borrowing costs related to the acquisition to any internal development of software during the year (2011: nil).

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

34 DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	GROUP								
	2012			2011			2010		
	Assets ₦'000	**Liabilities ₦'000**	**Net ₦'000**	Assets ₦'000	Liabilities ₦'000	Net ₦'000	Assets ₦'000	Liabilities ₦'000	Net ₦'000
Property and equipment	**3,345,842**	**-**	**3,345,842**	(608,808)	-	(608,808)	265,475	-	265,475
Intangibles assets (software)	**(72,578)**	**-**	**(72,578)**	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	**216,116**	**-**	**216,116**	-	-	-	-	-	-
Available-for-sale financial assets	**-**	**-**	**-**	-	-	-	-	-	-
Defined benefits	**53,113**	**-**	**53,113**	429,047	-	429,047	167,573	-	167,573
Allowances for loan losses	**513,929**	**-**	**513,929**	971,027	-	971,027	-	-	-
Unrelieved loss carried forward	**881,234**	**-**	**881,234**	2,702,853	-	2,702,853	139,005	-	139,005
Revaluation losses	**-**	**-**	**-**	84,717	-	84,717	-	-	-
Other	**-**	**(22,067)**	**(22,067)**	-	(26,388)	(26,388)	-	(20,192)	(20,192)
	4,937,656	**(22,067)**	**4,915,589**	3,578,836	(26,388)	3,552,448	572,053	(20,192)	551,861

	BANK								
	2012			2011			2010		
	Assets ₦'000	Liabilities ₦'000	Net ₦'000	Assets ₦'000	Liabilities ₦'000	Net ₦'000	Assets ₦'000	Liabilities ₦'000	Net ₦'000
Property and equipment	**3,165,783**	**-**	**3,165,783**	(563,774)	-	(563,774)	265,475	-	265,475
Intangibles assets (software)	**(72,578)**	**-**	**(72,578)**	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	**216,116**	**-**	**216,116**	-	-	-	-	-	-
Available-for-sale financial assets	**-**	**-**	**-**	-	-	-	-	-	-
Defined benefits	**53,113**	**-**	**53,113**	422,548	-	422,548	167,572	-	167,572
Allowances for loan losses	**513,929**	**-**	**513,929**	958,880	-	958,880	-	-	-
Unrelieved loss carried forward	**881,234**	**-**	**881,234**	2,580,627	-	2,580,627	-	-	-
Revaluation losses	**-**	**-**	**-**	84,717	-	84,717	-	-	-
	4,757,597	**-**	**4,757,597**	3,482,998	-	3,482,998	433,047	-	433,047

(b) Movements in temporary differences during the year ended December 31, 2012:

	GROUP				BANK			
	Balance at January 1	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31	Balance at January 1	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31
Property and equipment	**(608,808)**	**1,891,148**	**-**	**1,282,340**	**(563,774)**	**1,806,927**	**-**	**1,243,153**
Intangibles assets (software)	**-**	**(72,579)**	**-**	**(72,579)**	**-**	**(72,579)**	**-**	**(72,579)**
Investment securities at fair value through other comprehensive income	**-**	**-**	**216,116**	**216,116**	**-**	**-**	**216,116**	**216,116**
Available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Defined benefits	**429,047**	**(379,110)**	**9,675**	**59,612**	**422,548**	**(379,110)**	**9,675**	**53,113**
Allowances for loan losses	**971,027**	**(444,951)**	**-**	**526,076**	**958,880**	**(444,951)**	**-**	**513,929**
Unrelieved loss carried forward	**2,702,853**	**223,238**	**-**	**2,926,091**	**2,580,627**	**223,238**	**-**	**2,803,865**
Revaluation losses	**84,717**	**(84,717)**	**-**	**-**	**84,717**	**(84,717)**	**-**	**-**
Other	**(26,388)**	**4,321**	**-**	**(22,067)**	**-**	**-**	**-**	**-**
	3,552,448	**1,137,350**	**225,791**	**4,915,589**	**3,482,998**	**1,048,808**	**225,791**	**4,757,597**

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Movements in temporary differences during the year ended December 31, 2011

	GROUP				BANK			
Movements in temporary differences during the year ended December 31, 2011:	Balance at January 1	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31	Balance at January 1	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31
Property and equipment	265,475	(874,283)	-	(608,808)	265,475	(829,249)	-	(563,774)
Intangibles assets (software)	-	-	-	-	-	-	-	-
Investment securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Defined benefits	167,573	261,474	-	429,047	167,572	254,976	-	422,548
Allowances for loan losses	-	971,027	-	971,027	-	958,880	-	958,880
Unrelieved loss carried forward	139,005	2,563,848	-	2,702,853	-	2,580,627	-	2,580,627
Revaluation losses	-	84,717	-	84,717	-	84,717	-	84,717
Other	(20,192)	(6,196)	-	(26,388)	-	-	-	-
	551,861	3,000,587	-	3,552,448	433,047	3,049,951	-	3,482,998

	GROUP			BANK		
(c) Unrecognised deferred tax assets	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Deferred tax assets have not been recognised in respect of the following items:						
Tax losses	**3,895,133**	-	-	**3,895,133**	-	-
Property and equipment (unutilised capital allowance)	**6,408,771**			**6,408,771**		
	10,303,904	-	-	**10,303,904**	-	-

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

35 OTHER ASSETS	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Prepayments	**4,769,676**	3,191,875	3,150,136	**4,271,645**	2,762,893	2,990,093
Accounts receivable	**32,021,404**	8,558,192	10,403,081	**32,374,110**	8,638,649	9,935,252
Consumables	**793,003**	304,564	262,713	**793,003**	304,564	262,713
	37,584,083	12,054,631	13,815,930	**37,438,758**	11,706,106	13,188,058
Less specific allowances for impairment (note (a) below)	**(13,827,772)**	(1,208,341)	(1,260,361)	**(13,553,510)**	(953,099)	(912,214)
	23,756,311	10,846,290	12,555,569	**23,885,248**	10,753,007	12,275,844
(a) Movement in impairment on other assets						
At start of year	**1,208,341**	1,260,361	1,344,899	**953,099**	912,214	636,179
Acquired during the year	**10,167,776**	-	-	**10,144,703**	-	-
Increase/(reverse) in impairment	**2,473,795**	354,728	565,481	**2,477,848**	329,350	298,105
Amounts written off	**(22,140)**	(406,748)	(650,019)	**(22,140)**	(288,465)	(22,070)
At end of year	**13,827,772**	1,208,341	1,260,361	**13,553,510**	953,099	912,214

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36 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the year, December 31, 2012, the Group committed to sell the following companies: City Securities (Registrars) Limited (CSRL), Fin Insurance Company Limited and Fin Registrars Limited. These companies were classified as held for sale and discontinued operation as at December 31, 2012, and the comparative condensed consolidated statement of comprehensive income has been represented to show the discontinued operation separately from continuing operation. Management expects to sell these companies early 2013 based on its strategic decision to place greater focus on the Group's key competencies.

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(i) Results of discontinued operation						
Interest income	**473,666**	-	-	**-**	-	-
Interest expense	**(2,410)**	-	-	**-**	-	-
Fees and commission income	**218,966**	-	-	**-**	-	-
Other revenue	**19,159**	-	-	**-**	-	-
Net impairment loss on financial assets	**(4,458)**	-	-	**-**	-	-
Personnel expenses	**(375,554)**	-	-	**-**	-	-
Depreciation and amortisation expenses	**(27,450)**	-	-	**-**	-	-
General and administrative expenses	**(71,592)**	-	-	**-**	-	-
Other expenses	**(6,000)**	-	-	**-**	-	-
Results from operating activities	**224,327**	-	-	**-**	-	-
Income tax	**(53,659)**	-	-	**-**	-	-
Results from operating activities, net of income tax	**170,668**	-	-	**-**	-	-
(ii) Cash flows effect of discontinued operation						
Cash flows from (used in) discontinued operation:						
Net cash used in operating activities	**1,006,503**	-	-	**-**	-	-
Net cash from investing activities	**418,572**	-	-	**-**	-	-
Net cash from financing activities	**(2,410)**	-	-	**-**	-	-
Effect on cash flow	**1,422,665**	-	-	**-**	-	-

(iii) Non-current assets and non-current liabilities held for sale	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
ASSETS						
Cash and cash equivalents	**6,816,347**	-	-	**-**	-	-
Loans and advances (staff loans)	**135,028**	-	-	**-**	-	-
Investment securities	**602,625**	-	-	**-**		-
Investment in subsidiaries	**-**	-	-	**4,365,623**	-	-
Investment property	**131,778**	-	-	**-**	-	-
Property and equipment	**42,477**	-	-	**-**	-	-
Intangible assets	**483,351**	-	-	**-**	-	-
Deferred tax assets	**9,222**	-	-	**-**	-	-
Other assets	**150,307**	-	-	**-**	-	-
Assets acquired for disposal	**5,176,282**	-	-	**-**	-	-
Total assets	**13,547,417**	-	-	**4,365,623**	-	-
LIABILITIES						
Current income tax liabilities	**68,156**	-	-	**-**	-	-
Other liabilities	**6,910,163**	-	-	**-**	-	-
Liabilities with assets acquired for disposal	**2,060,270**	-	-	**-**	-	-
Total liabilities	**9,038,589**	-	-	**-**	-	-
Net asset value	**4,508,828**	-	-	**4,365,623**	-	-

An impairment loss on remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses in the condensed consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP			BANK		
37 DEPOSITS FROM BANKS	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Other deposits from banks	**52,000**	-	580,844	**-**	-	580,844
	52,000	-	580,844	**-**	-	580,844

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

	GROUP			BANK		
38 DEPOSITS FROM CUSTOMERS	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Retail customers:						
Term deposits	**117,156,779**	49,062,068	55,927,763	**117,156,779**	49,062,068	55,927,763
Current deposits	**213,404,739**	73,889,505	41,647,496	**213,487,184**	75,236,795	51,724,154
Savings	**55,565,804**	27,112,648	23,313,014	**53,892,105**	27,112,648	23,313,014
	386,127,322	150,064,221	120,888,273	**384,536,068**	151,411,511	130,964,931
Corporate customers:						
Term deposits	**92,856,616**	95,856,616	85,856,616	**92,856,616**	95,856,616	85,856,616
Current deposits	**140,504,657**	125,504,657	105,504,657	**140,504,657**	125,504,657	95,504,657
Other	**26,728,172**	39,257,861	22,880,356	**26,371,204**	39,257,861	22,880,356
	260,089,445	260,619,134	214,241,629	**259,732,477**	260,619,134	204,241,629
	646,216,767	410,683,355	335,129,902	**644,268,545**	412,030,645	335,206,560

At December 31, 2012 ₦644 billion (2011: ₦412 billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

39 BORROWINGS

		GROUP			BANK		
	Note	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Borrowings comprise:							
Standard Bank, London	*39(a)(i)*	**7,826,185**	8,083,684	14,052,808	**7,826,185**	8,083,684	14,052,808
International Finance Corporation (IFC)	*39(a)(ii)*	**7,206,778**	7,986,250	7,986,250	**7,206,778**	7,986,250	7,986,250
International Finance Corporation (IFC)	*39(a)(iii)*	**2,882,711**	3,194,500	3,194,500	**2,882,711**	3,194,500	3,194,500
Citibank Nigeria	*39(a)(iv)*	**781,322**	-	-	**781,322**	-	-
Citibank N A	*39(a)(v)*	**2,343,249**	-	-	**2,343,249**	-	-
Bank of Industry	*39(a)(vi)*	**5,892,773**	-	-	**5,892,773**	-	-
		26,933,018	19,264,434	25,233,558	**26,933,018**	19,264,434	25,233,558

(a) (i) The amount of ₦7,826,185,000 (December 2011: ₦7,986,250,000 (USD 50,000,000)) represents facility granted by Standard Bank, London repayable after a tenor of five years with an interest rate of 3.3% above LIBOR payable semi-annually.

(ii) The amount of ₦7,206,778,000 (December 2011: ₦7,986,250,000 (USD 50,000,000)) represents facility granted by International Finance Corporation (IFC) repayable after a tenor of two years with an interest rate of 6-months LIBOR plus spread of 400–450 basis points payable semi-annually.

(iii) The amount of ₦2,882,711,000 (December 2011: ₦3,194,500,000 (USD 20,000,000)) represents convertible facility granted by International Finance Corporation (IFC) repayable after a tenor of two years with an interest rate of six-months LIBOR plus a spread of 400–450 basis points payable semi-annually.

(iv) The amount of ₦780,962,500 (USD 5,000,000) represents facility granted by Citibank Nigeria repayable after a tenor of three years with an interest rate of six-months LIBOR plus spread of 400–450 basis points payable semi-annually.

(v) The amount of ₦2,342,887,500 (USD15,000,000) represents facility granted by Citibank NY repayable after a tenor of three years with an interest rate of six-months LIBOR plus spread of 400–450 basis points payable semi-annually.

(vi) The amount of ₦5,892,773,486.49 relates to Bank of Industry (BOI) related loans for manufacturing/SME funds for 10–15 year term.

(vii) The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP			BANK		
(b) Movement in borrowings account during the year was as follows:	**2012 ₦'000**	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Balance, beginning of the year	**19,167,000**	25,116,189	30,178,530	**19,167,000**	25,116,189	30,178,530
Acquired during the year	**5,892,773**	-	-	**5,892,773**	-	-
Additions during the year	**3,208,268**	11,180,750	9,914,939	**3,208,268**	11,180,750	9,914,939
Repayments during the year	**(911,123)**	(17,515,564)	(15,221,700)	**(911,123)**	(17,515,564)	(15,221,700)
Translation difference	**(423,900)**	385,625	244,420	**(423,900)**	385,625	244,420
	26,933,018	19,167,000	25,116,189	**26,933,018**	19,167,000	25,116,189

40 RETIREMENT BENEFIT OBLIGATIONS

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.

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Total contributions to the scheme for the period were as follows:						
Balance at start of period	**12,971**	8,994	39,338	**9,447**	5,096	36,631
Charged to profit or loss	**318,427**	282,882	246,214	**307,654**	248,842	246,214
Employee contribution	**320,954**	335,507	306,624	**310,654**	332,670	305,433
Total amounts remitted	**(543,344)**	(614,412)	(583,182)	**(533,318)**	(577,161)	(583,182)
At end of year	**109,008**	12,971	8,994	**94,437**	9,447	5,096

		GROUP			BANK		
	Note	2012 ₦'000	2011 ₦'000	2010 ₦'000	2012 ₦'000	2011 ₦'000	2010 ₦'000
(i) The amounts recognised in the statements of financial position are as follows:							
Present value of unfunded obligations		-	-		-	-	-
Present value of funded obligations		2,335,397	1,668,104	1,502,390	2,144,793	1,668,104	1,502,390
Total present value of obligations		2,335,397	1,668,104	1,502,390	2,144,793	1,668,104	1,502,390
Fair value of plan assets		(2,000,000)	-	-	(2,000,000)	-	-
Present value of net obligations		335,397	1,668,104	1,502,390	144,793	1,668,104	1,502,390
Unrecognised actuarial losses		-	-		-	-	-
Recognised liability for non-contributory defined benefits obligations		335,397	1,668,104	1,502,390	144,793	1,668,104	1,502,390
(ii) Plan assets consist of the following:							
Federal Government of Nigeria (FGN) bonds		2,000,000	-	-	2,000,000	-	-
		2,000,000	-	-	2,000,000	-	-
(iii) Movement in the present value of defined benefit obligations:							
Liability for defined benefit obligations at the beginning of the reporting period		1,668,104	1,502,390	1,177,444	1,668,104	1,502,390	1,177,444
Contribution to the plan assets		(2,000,000)	-	-	(2,000,000)	-	-
Actuarial losses/(gains)		225,853	(232,708)	-	35,250	(232,708)	-
Benefits paid by the plan		(189,978)	(215,243)	(122,377)	(189,978)	(215,243)	(122,377)
Current service costs and interest	*41(v)*	631,418	613,665	447,323	631,418	613,665	447,323
Liability for defined benefit obligations at December 31, 2012		335,397	1,668,104	1,502,390	144,793	1,668,104	1,502,390

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

41 OTHER LONG-TERM BENEFITS	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
(iv) Movement in plan assets:							
Fair value of plan assets at the beginning of the reporting period		**-**	-	-	**-**	-	-
Contribution paid into the plan		**2,000,000**	-	-	**2,000,000**	-	-
Benefits paid by the plan		**-**	-	-	**-**	-	-
Actuarial (losses)/gains		**-**	-	-	**-**	-	-
Expected return on plan assets		**-**	-	-	**-**	-	-
Fair value of plan assets at December 31, 2012		**2,000,000**	-	-	**2,000,000**	-	-
(v) Expense recognised in profit and loss:							
Current service costs		**434,341**	455,137	306,343	**434,341**	455,137	306,343
Interest on obligation		**197,077**	158,528	140,980	**197,077**	158,528	140,980
Expected return on plan assets		**-**	-	-	**-**	-	-
		631,418	613,665	447,323	**631,418**	613,665	447,323
		%	%	%	**%**	%	%
(vi) Actuarial assumptions:							
The principal actuarial assumptions at the reporting date, expressed as weighted averages, were:							
Discount rate at December 31		**13**	13	13	**13**	13	13
Future salary increases		**12**	12	11	**12**	12	11
Rate of inflation		**10**	10	10	**10**	10	10

Assumptions regarding future mortality are based on published statistics and mortality tables, which have been rated down by one year to more accurately reflect mortality in Nigeria.

42 OTHER LIABILITIES

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
Customers' deposit for letters of credits	22	**13,555,672**	14,026,762	10,716,834	**13,555,672**	14,026,762	10,716,834
Bank cheques/drafts		**3,577,056**	2,778,237	2,593,873	**3,577,056**	2,734,734	2,437,980
Deferred income		**135,265**	327,277	269,787	**135,265**	327,277	269,787
Proceeds from public offers		**82,049**	65,658	64,470	**82,049**	-	-
Accounts payable		**59,677,188**	28,167,685	22,671,575	**55,826,315**	20,420,833	15,871,940
Accrued expenses		**7,605,086**	5,418,673	3,528,638	**7,118,706**	4,661,960	2,813,633
Operational risk provision		**4,360,781**	-	-	**4,360,781**	-	-
		88,993,097	50,784,292	39,845,177	**84,655,844**	42,171,566	32,110,174

43 SHARE CAPITAL

	Note	GROUP 2012 ₦'000	GROUP 2011 ₦'000	GROUP 2010 ₦'000	BANK 2012 ₦'000	BANK 2011 ₦'000	BANK 2010 ₦'000
(a) Authorised 20,000,000,000 ordinary shares of 50k each (2011: 20,000,000,000)	22	**10,000,000**	10,000,000	10,000,000	**10,000,000**	10,000,000	10,000,000
(b) Issued and fully paid							
19.04 billion ordinary shares of 50k each (2011: 16.56 billion)		**9,520,534**	8,135,596	8,135,596	**9,520,534**	8,135,596	8,135,596
The movement on the issued and fully paid-up share capital account during the year was as follows:							
Balance at January 1		**8,135,596**	8,135,596	8,135,596	**8,135,596**	8,135,596	8,135,596
Capitalised during the year	*43(c)*	**1,241,809**	-	-	**1,241,809**	-	-
Issue of new shares	*43(d)*	**143,129**	-	-	**143,129**	-	-
At December 31		**9,520,534**	8,135,596	8,135,596	**9,520,534**	8,135,596	8,135,596

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

		GROUP				BANK			
	Note	Number of shares (thousands)	Ordinary shares	Share premium	Treasury shares	Number of shares (thousands)	Ordinary shares	Share premium	Treasury shares
Balance at January 1, 2010		16,271,192	8,135,596	108,369,198	-	16,271,192	8,135,596	108,369,198	-
Purchases/(Sales) of treasury shares		-	-	-	(1,691,714)	-	-	-	(1,001,865)
At December 31, 2010/January 1, 2011		16,271,192	8,135,596	108,369,198	(1,691,714)	16,271,192	8,135,596	108,369,198	(1,001,865)
Purchases/(Sales) of treasury shares		-	-	-	840,480	-	-	-	159,256
Balance at December 31, 2011/January 1, 2012		16,271,192	8,135,596	108,369,198	(851,234)	16,271,192	8,135,596	108,369,198	(842,609)
Bonus capitalised	*43(c)*	2,483,618	1,241,809	(1,241,809)	-	2,483,618	1,241,809	(1,241,809)	-
Issue of new shares	*43(d)*	286,258	143,129	1,620,222	-	286,258	143,129	1,620,222	-
Purchases/(Sales) of treasury shares		-	-	-	75,853	-	-	-	75,853
At December 31, 2012		**19,041,068**	**9,520,534**	**108,747,611**	**(775,381)**	**19,041,068**	**9,520,534**	**108,747,611**	**(766,756)**

(c) This represents capitalise of bonus shares of 2,483,617,573 ordinary shares of 50 kobo from share premium account in the proportion of three new shares for every 20 held.

(d) This represents share exchange of 286,258,258 units issued at ₦6.16 per share in respect of FinBank shareholders that opted for shares settlement as a result of the acquisition consideration settlement.

44 SHARE PREMIUM AND RESERVES

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

(a) **Share premium:** The excess paid by shareholders over the nominal value for their shares. Premiums from the issue of shares are reported in share premium.

(b) **Statutory reserve:** Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital However, the Bank transferred 30% of its profit after tax to statutory reserves as at year end (2010: 30%).

(c) **SSI reserve:** The SSI reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated July 11, 2006), the contributions will be 10% of profit after tax and shall continue after the first five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries equity investment scheme reserves are non-distributable.

(d) **Treasury shares:** Treasury shares represent the Bank's shares of ₦775 million (2011: ₦851 million) held by the Bank on behalf of staff as at December 31, 2012.

(e) **Available for sale reserve (fair value reserve):** The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(f) **Regulatory risk reserve:** The regulatory risk reserves warehouses the difference between the impairment of loans and advances under the Nigeria GAAP and Central Bank of Nigeria Prudential guidelines, and the loss incurred model used in calculating the impairment balance under IFRS.

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

(h) **Revaluation reserve:** The revaluation 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.

(i) **Foreign currency translation reserve (FCTR):** Records exchange movements on the Group's net investment in foreign subsidiaries.

(j) **Actuarial gains and losses reserve:** This reserve shows the changes in the present value of defined benefits obligation resulting from experiences adjustments and changes in actuarial assumptions.

45 CONTINGENCIES, CLAIMS AND LITIGATION

(a) Legal proceedings

The Bank in its ordinary course of business is presently involved in 68 cases as a defendant (December 2011: 44) and 41 cases as a plaintiff (December 2011: 18). The total amount claimed in the 68 cases against the Bank is estimated at ₦23.13 billion (December 2011: ₦5.7 billion) while the total amount claimed in the 18 cases instituted by the Bank is ₦6.85 billion (December 2011: ₦4.13 billion). The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

(b) Contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances and issuance of performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. Other contingent liabilities include transaction-related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk.

Acceptances, bonds, guarantees and other obligations for the account of customers:

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Performance bonds and guarantees	**86,744,701**	25,497,970	18,100,591	**86,744,701**	25,497,970	18,100,591
Clean line letters of credit	**33,669,482**	53,352,164	38,121,412	**33,669,482**	53,352,164	38,121,412
Other commitments	**667,151**	18,410,385	9,027,738	**667,151**	18,410,385	9,027,738
	121,081,334	97,260,519	65,249,741	**121,081,334**	97,260,519	65,249,741

Clean line letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations, carry the same credit risk as loans.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

46 RELATED PARTIES

Parent:
First City Monument Bank Plc (incorporated in Nigeria) is the ultimate parent company of the Group.

Subsidiaries:
Transactions between First City Monument Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at December 31, 2012 are shown below.

Entity	Effective holding	Nominal share capital held ₦'000	Country of incorporation	Nature of business
(1) FCMB Capital Markets Limited (FCMB CM)	100%	240,000	Nigeria	Capital market
(2) Credit Direct Limited (CDL)	100%	366,210	Nigeria	Micro-lending
(3) FCMB (UK) Limited (FCMB UK)	100%	1,375,397	United Kingdom	Banking
(4) CSL Stockbrokers Limited	100%	8,650,721	Nigeria	Stockbroking
(5) Arab Gambian Islamic Bank Limited (AGIB)	100%	1,311,830	Gambia	Banking
(6) Fin Securities & Asset Management Limited	100%	1,150,000	Nigeria	Stockbroking
(7) Fin Capital Limited	100%	6,160,354	Nigeria	Capital market

Key management personnel
Key management personnel are defined as the Group's executive management, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

Key management compensation
Key management personnel compensation for the period comprised:

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Key management personnel	**333,532**	283,922	258,018	**333,532**	283,922	248,018
Salaries and other short-term benefits	**5,524**	4,422	2,133	**5,524**	4,422	2,133
Contributions to defined contribution plans	**339,056**	288,344	260,151	**339,056**	288,344	250,151
Loans and advances						
At start of the year	**14,179,101**	6,698,810	19,392,164	**14,179,101**	6,698,810	19,392,164
Granted during the year	**34,530,908**	7,918,030	1,493,455	**34,530,908**	7,918,030	1,493,455

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Repayment during the year	**(34,765,274)**	(437,739)	(14,186,809)	**(34,765,274)**	(437,739)	(14,186,809)
At end of the year	**13,944,735**	14,179,101	6,698,810	**13,944,735**	14,179,101	6,698,810
Interest earned	**2,016,950**	1,332,419	-	**2,016,950**	1,332,419	-

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefits plan on their behalf. Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognised in respect of loans granted to key management (2011: nil). Mortgage loans amounting to ₦321.07 million (2011: ₦121.45 million) are secured by the underlying assets. All loans are unsecured and interest rates charged on the related parties are at arm's length transaction.

Loans and advances outstanding:
Included in loans and advances is an amount of ₦13.94 billion (December 2011: ₦14.18 billion) representing credit facilities to companies in which certain directors have interests. The balances as at December 31, 2012 and 2011 were as follows:

Name of company/individual	Relationship	Facility type	2012 ₦'000	2011 ₦'000	Status	Security status
Dynamic Industries Limited	Directors-Shareholders	Overdraft	145,061	90,885	Performing	Perfected
Dynamic Industries Limited	Directors-Shareholders	Term loan	177,208	331,965	Performing	Perfected
Primrose Property Investment Ltd.	Directors-Shareholders	Term loan	-	3,000,000	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Overdraft	22,834	57,852	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Term loan	197,870	164,341	Performing	Perfected
Financial Derivatives Company	Directors-Shareholders	Overdraft	248,338	66,865	Performing	Perfected
S & B Printers Limited	Directors-Shareholders	Overdraft	1,864	-	Performing	Perfected
S & B Printers Limited	Directors-Shareholders	Term loan	61,183	79,691	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Overdraft	480,956	275,125	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Term loan	600,000	900,000	Performing	Perfected
Helios Towers Nigeria Limited	Directors-Shareholders	Term loan	3,212,609	3,297,151	Performing	Perfected
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Term loan	414,349	1,021,428	Performing	Perfected
Credit Direct Limited	Subsidiary	Overdraft	7,905,888	4,860,230	Performing	Perfected
Credit Direct Limited	Subsidiary	Term loan	476,575	33,568	Performing	Perfected
			13,944,735	**14,179,101**		

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Deposits outstanding

Included in deposits outstanding is an amount of ₦8.82 billion (December 2010: ₦9.31 billion) representing deposits from companies in which certain directors have interests. The balances as at December 31, 2012 and 2011 were as follows:

Name of company/individual	Relationship	Type of deposit	2012 ₦'000	2011 ₦'000
City Securities Limited	Directors-Shareholders	Current account	**43,908**	47,859
Dynamic Industries Limited	Directors-Shareholders	Current account	**127**	-
S & B Printers Limited	Directors-Shareholders	Current account	**358**	755
Helios Towers Nigeria Limited	Directors-Shareholders	Current account	**450,397**	800,925
First City Asset Management Limited	Directors-Shareholders	Current account	**42,232**	30,728
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current account	**195,001**	-
FDC Consulting Limited	Directors-Shareholders	Current account	**1,805**	1,761
Primrose Investments Limited	Shareholder	Current account	**195,730**	299
Blue-Chip Holdings Limited	Shareholder	Current account	**2,943**	12
Financial Derivatives Company	Shareholder	Current account	**459,785**	322,959
Lana Securities Limited	Shareholder	Current account	**101**	110
CSL Nominees Limited	Shareholder	Current account	**5**	34
ATSC International Limited	Shareholder	Current account	**384**	386
Primrose Property Investment Limited	Shareholder	Current account	**65,909**	51,057
Chapel Hill Advisory Partners	Shareholder	Current account	**703**	675
Primrose Development Company Limited	Shareholder	Current account	**6,084**	11,022
Swap Technology & Telecoms Limited	Director	Current account	**-**	2,127
Chellarams Plc	Directors-Shareholders	Time deposit	**12,415**	-
City Securities Limited	Directors-Shareholders	Time deposit	**-**	211
S & B Printers Limited	Directors-Shareholders	Time deposit	**-**	248
Helios Towers Nigeria Limited	Directors-Shareholders	Time deposit	**-**	774,183
First City Asset Management Limited	Directors-Shareholders	Time deposit	**-**	49,500
Primrose Investments Limited	Shareholder	Time deposit	**-**	16,746
Blue-Chip Holdings Limited	Shareholder	Time deposit	**-**	1,677
Financial Derivatives Company	Shareholder	Time deposit	**-**	299,000

Name of company/individual	Relationship	Type of deposit	2012 ₦'000	2011 ₦'000
Primrose Development Company Limited	Shareholder	Time deposit	**-**	437
CSL Stockbrokers Limited	Subsidiary	Current account	**362,505**	165,246
FCMB Capital Markets Limited	Subsidiary	Current account	**153,359**	1,388,305
City Securities (Registrars) Limited	Subsidiary	Current account	**358,820**	149,300
Credit Direct Limited	Subsidiary	Current account	**12,795**	1,920
FinBank Insurance Brokers Limited	Subsidiary	Current account	**69,428**	-
Fin Registrars Limited	Subsidiary	Current account	**8,890**	-
FinBank Insurance Brokers Limited	Subsidiary	Current account	**13,146**	-
FCMB UK Limited	Subsidiary	Placement	**2,318,701**	1,044,050
CSL Stockbrokers Limited	Subsidiary	Time deposit	**319,026**	2,760,965
FCMB Capital Markets Limited	Subsidiary	Time deposit	**650,000**	621,644
City Securities (Registrars) Limited	Subsidiary	Time deposit	**1,870,535**	689,290
FinBank Insurance Brokers Limited	Subsidiary	Time deposit	**544,717**	-
Fin Registrars Limited	Subsidiary	Time deposit	**656,233**	-
FCMB UK Limited	Subsidiary	Time deposit	**-**	80,120
			8,816,042	**9,313,551**

47 EMPLOYEES AND DIRECTORS

	GROUP			BANK		
	2012 Number	2011 Number	2010 Number	**2012 Number**	2011 Number	2010 Number
(a) The average number of persons employed during the year by category:						
Executive directors	**6**	7	6	**6**	5	4
Management	**833**	557	563	**833**	519	531
Non-management	**2,184**	1,879	2,001	**2,184**	1,255	1,495
	3,023	2,443	2,570	**3,023**	1,779	2,030

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
(b) Compensation for the above persons (excluding executive directors):						
Salaries and wages	**14,445,011**	10,788,135	13,584,618	**12,747,146**	9,175,454	11,955,741
Contributions to defined contribution plans	**318,427**	282,882	-	**307,654**	248,842	-
Defined benefit costs	**707,429**	715,163	693,537	**631,418**	713,418	693,537
Other staff cost	**3,074,467**	2,189,531	-	**3,072,253**	2,189,531	-
	18,545,334	13,975,711	14,278,155	**16,758,471**	12,327,245	12,649,278
(c) The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:						
Less than ₦1,800,000	**71**	644	530	**71**	74	75
₦1,800,001–2,500,000	**3**	500	666	**3**	460	628
₦2,500,001–3,500,000	**1,381**	387	457	**1,381**	375	445
₦3,500,001–4,500,000	**4**	204	359	**4**	190	347
₦4,500,001–5,500,000	**388**	160	147	**388**	156	144
₦5,500,000 and above	**1,176**	548	411	**1,176**	524	391
	3,023	2,443	2,570	**3,023**	1,779	2,030

(d) Diversity in employment

(i) A total of 696 women were employed by the Bank during the financial year ended December 31, 2012 (2011: 696), which represents 39% of the total workforce (2011: 39%).

(ii) A total of 14 women were in the top management position as at the year ended December 31, 2012 (2011: 14), which represents 27% of the total workforce in this position (2011: 27%). There was no woman on the Board of Directors.

	2012			2011		
(iii) The analysis by grade is as shown below	**Female**	**Male**	**Total**	Female	Male	Total
Grade level						
Assistant Vice President (AVP)	**9**	**33**	**42**	6	21	27
Vice President (VP)	**8**	**17**	**25**	4	10	14
Senior Vice President (SVP)	**3**	**7**	**10**	4	7	11
Total	**20**	**57**	**77**	14	38	52
Executive Director (ED)	**-**	**4**	**4**	-	3	3
Deputy Managing Director (DMD)	**-**	**1**	**1**	-	1	1
Group Managing Director/Chief Executive Officer (GMD/CEO)	**-**	**1**	**1**	-	1	1
Non-executive directors	**-**	**9**	**9**		13	13
Total	**-**	**15**	**15**	-	18	18

(iv) The Bank is committed to maintain a positive work environment and to conduct business in a positive, professional manner, and will ensure equal employment opportunity.

(e) Directors

The remuneration paid to the directors of the Bank (excluding pension and certain allowances) was:

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
Fees and sitting allowances	**85,000**	136,190	129,996	**85,000**	85,067	51,996
Executive compensation	**333,532**	283,922	258,018	**333,532**	283,922	248,018
	418,532	420,112	388,014	**418,532**	368,989	300,014
Directors' other expenses	**239,550**	181,280	239,933	**59,547**	35,942	76,150
	658,082	601,392	627,947	**478,079**	404,931	376,164
The directors' remuneration shown above includes:						
The Chairman	**5,900**	6,650	4,758	**5,900**	6,650	4,758
Highest paid director	**89,568**	89,568	48,162	**89,568**	89,568	48,162

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

	GROUP			BANK		
	2012 ₦'000	2011 ₦'000	2010 ₦'000	**2012 ₦'000**	2011 ₦'000	2010 ₦'000
The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:						
Below ₦1,000,000	**1**	-		**1**	-	
₦1,000,001–₦5,000,000	**1**	3		**1**	3	
₦5,000,001–₦10,000,000	**7**	9		**7**	9	
₦10,000,001 and above	**7**	6		**7**	6	
	16	18		**16**	18	

48 COMPLIANCE WITH BANKING REGULATIONS

During the year, the Bank (including the defunct FinBank) contravened the following sections of the provision of the Banks and Other Financial Institutions Act and relevant CBN circulars, and was penalised as follows:

Section	Nature	Number of times	Penalties
Memorandum of the CBN Foreign Exchange Manual, 2006.	The Bank failed to return to the CBN unutilised WDAS funds	1	2,000
Memorandum of the CBN Foreign Exchange Manual, 2006.	Remittance of WDAS funds as consultancy fees without a license agreement and confirmation of reasonableness of fees by NOTAP	1	2,000
Memorandum 10(5)(iv) of the CBN Foreign Exchange Manual, 2006.	The Bank failed to report to the CBN an oil and gas customer who defaulted in the submission of the product certification report (PCR) and single good declaration (SGD) form	1	2,000
Memorandum of the CBN Foreign Exchange Manual, 2006.	The Bank makes use of WDAS instead of interbank funds to liquidate a customer facility.	1	2,000

All the penalties totalling ₦8 million were paid during the year.

49 SUBSEQUENT EVENTS

There were no post balance sheet events which could have a material effect on the financial position of the Bank as at December 31, 2012 or the profit for the year ended on that date that have not been adequately provided for or disclosed (2011: none).

50 EXPLANATION OF TRANSITION TO IFRS

As stated in the accounting policies, these are the Group's first financial statements prepared in accordance with IFRS. The Group has applied IFRS 1 in preparing these consolidated financial statements and the accounting policies set out in Notes 2 and 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2011, and in the preparation of an opening IFRS statement of financial position at January 1, 2011 (the Group's date of transition to IFRS).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ('Nigerian GAAP'). An explanation of how the transition from previous Nigerian GAAP to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Exceptions from full retrospective application – followed by the Group
The Group applied the following mandatory exceptions from retrospective application:

Derecognition of financial assets and liabilities exception:
Financial assets and liabilities derecognised before January 1, 2011 are not re-recognised under IFRS.

Hedge accounting exception:
This exception requires the Group to apply hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS 39. The Group has not applied hedge accounting under IFRS.

Non-controlling interests exception:
From January 1, 2011 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) from January 1, 2011.

The guidance contained in IFRS on accounting for the loss of control of a subsidiary is applied prospectively from January 1, 2011.

Estimates exception:
Estimates under IFRS at January 1, 2011 should be consistent with estimates made for the same date under Nigerian GAAP, unless there is evidence that those estimates were in error.

The Group applied the following optional exemptions from retrospective application:

Business combinations:
First City Monument Bank has elected to apply the exemption for previous business combinations in the manner required by the regulatory filter as issued by the Financial Reporting Council.. As a result of this election the previous Nigerian GAAP numbers were carried forward. No additional assets were recognised.

Foreign currency translation:
First City Monument Bank has elected to apply the exemption to set the foreign currency translation reserve in respect of its UK subsidiary to zero. As a result of this exemption the opening balance of the foreign currency translation reserve was reclassified to retained earnings.

Investments in subsidiaries, associates and joint ventures:
First City Monument Bank has elected to apply the exemption to retain its current Nigerian GAAP numbers as the deemed cost of its investments in subsidiaries, joint ventures and associates in the company standalone financial statements.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(i) Reconciliation of equity	Note	GROUP Previous GAAP	GROUP Effect of transition to IFRS	GROUP IFRS	BANK Previous GAAP	BANK Effect of transition to IFRS	BANK IFRS
		January 1, 2011			December 31, 2011		
ASSETS							
Cash and cash equivalents	50(a)(ii)	67,915,649	61,423	67,977,072	48,347,294	69,387	48,416,681
Restricted reserve deposits		2,802,980	-	2,802,980	21,963,780	-	21,963,780
Non-pledged trading assets	50(a)(i)	-	20,128,310	20,128,310	-	3,119,799	3,119,799
Loans and advances to customers	50(a)(i)	330,420,554	398,094	330,818,648	322,501,967	851,739	323,353,706
Assets pledged as collateral	50(a)(i)	-	26,281,274	26,281,274	-	27,253,832	27,253,832
Investment securities	50(a)(i)	96,777,235	(46,477,424)	50,299,811	167,061,887	(29,728,094)	137,333,793
Investment in associates		145,000	-	145,000	230,656	-	230,656
Investment property		131,778	-	131,778	131,778	-	131,778
Property and equipment	50(a)(iii)	19,291,248	28,825	19,320,073	19,092,716	(307,336)	18,785,380
Intangible assets	50(a)(iii)	6,715,629	(155,098)	6,560,531	6,495,640	106,323	6,601,963
Deferred tax assets		572,053	-	572,053	3,578,836	-	3,578,836
Other assets	50(a)(iv)	13,818,756	(1,263,187)	12,555,569	12,375,864	(1,529,574)	10,846,290
Total assets		538,590,882	(997,783)	537,593,099	601,780,418	(163,924)	601,616,494
LIABILITIES							
Deposits from banks	50(a)(v),(vi)	580,784	60	580,844	-	-	-
Deposits from customers	50(a)(vi)	334,821,192	308,710	335,129,902	409,231,355	1,452,000	410,683,355
Borrowings	50(a)(vii)	25,116,189	117,369	25,233,558	19,167,000	97,434	19,264,434
Retirement benefit obligations		8,994	-	8,994	12,971	-	12,971
Other long-term benefits	50(a)(viii)	591,739	910,651	1,502,390	1,464,716	203,388	1,668,104
Current income tax liabilities		1,867,603	-	1,867,603	1,783,422	-	1,783,422
Deferred tax liabilities		20,192	-	20,192	26,388	-	26,388
Other liabilities	50(a)(ix)	40,813,679	(968,502)	39,845,177	52,398,055	(1,613,763)	50,784,292
Total liabilities		403,820,372	368,288	404,188,660	484,083,907	139,059	484,222,966

		GROUP			BANK		
(i) Reconciliation of equity	*Note*	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
		January 1, 2011			December 31, 2011		
EQUITY							
Share capital		8,135,596	-	8,135,596	8,135,596	-	8,135,596
Share premium		108,369,199	-	108,369,199	108,369,199	-	108,369,199
Treasury shares	*50(c)*	-	(1,691,714)	(1,691,714)	-	(851,234)	(851,234)
Retained earnings	*50(c)*	7,634,012	(8,811,929)	(1,177,917)	(9,456,703)	(7,323,153)	(16,779,856)
Other reserves	*50(c)*	10,631,703	9,137,572	19,769,275	10,648,419	7,871,404	18,519,823
		134,770,510	(1,366,071)	133,404,439	117,696,511	(302,983)	117,393,528
Total liabilities and equity		538,590,882	(997,783)	537,593,099	601,780,418	(163,924)	601,616,494
		-	-	-	-	-	-

		GROUP			BANK		
(ii) Reconciliation of comprehensive income for the year ended December 31, 2011	*Note*	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
Interest income	*50(b)(i)*	57,683,316	4,803,934	62,487,250	53,748,587	3,105,816	56,854,403
Interest expense	*50(b)(i)*	25,620,635)	45,937	(25,574,698)	(25,619,558)	45,937	(25,573,621)
Net interest income		32,062,681	4,849,871	36,912,552	28,129,029	3,151,753	31,280,782
Fee and commission income	*50(b)(ii),(iii)*	14,403,630	(6,009,328)	8,394,302	12,745,538	(4,351,236)	8,394,302
Fee and commission expense	*50(b)(ii),(iii)*	(935,413)	(1,807)	(937,220)	(935,413)	(1,807)	(937,220)
Net fee and commission income		13,468,217	(6,011,135)	7,457,082	11,810,125	(4,353,043)	7,457,082
Net trading income	*50(b)(i)*	1,687,330	416,937	2,104,267	1,611,590	416,937	2,028,527
Net income/(losses) from financial instruments at fair value through profit or loss	*50(b)(iv)*	-	(3,910,904)	(3,910,904)	-	(3,901,274)	(3,901,274)

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(ii) Reconciliation of comprehensive income for the year ended December 31, 2011	Note	GROUP Previous GAAP	GROUP Effect of transition to IFRS	GROUP IFRS	BANK Previous GAAP	BANK Effect of transition to IFRS	BANK IFRS
Other revenue		6,623,767	0	6,623,767	6,131,140	-	6,131,140
Revenue		8,311,097	(3,493,967)	4,817,130	7,742,730	(3,484,337)	4,258,393
Net impairment loss on financial assets	50(b)(v)	(32,452,704)	4,780,367	(27,672,337)	(31,969,727)	4,725,579	(27,244,148)
Personnel expenses	50(b)(vi)	(14,768,645)	792,934	(13,975,711)	(13,097,119)	769,874	(12,327,245)
Depreciation and amortisation expenses	50(b)(vii)	(2,977,301)	(74,740)	(3,052,041)	(2,801,851)	(74,741)	(2,876,592)
General and administrative expenses	50(b)(vii)	-	(8,133,492)	(8,133,492)	-	(6,759,833)	(6,759,833)
Other expenses	50(b)(vii)	(15,111,374)	7,961,760	(7,149,614)	(13,749,153)	6,588,099	(7,161,054)
Results from operating activities		(11,468,029)	671,598	(10,796,431)	(13,935,966)	563,351	(13,372,615)
Share of profit/(loss) of equity accounted investees (net of tax)		113,628	-	113,628	-	-	-
(Loss)/profit before tax		(11,354,401)	671,598	(10,682,803)	(13,935,966)	563,351	(13,372,615)
Tax credit/(charge)		1,439,253	-	1,439,253	2,368,222	-	2,368,222
(Loss)/profit after tax attributable to group shareholders		(9,915,148)	671,598	(9,243,550)	(11,567,744)	563,351	(11,004,393)
Other comprehensive income, net of income tax:							
Foreign currency translation differences for foreign operations	50(c)	-	16,716	16,716	-	-	-
Net change in fair value of available-for-sale financial assets	50(c)	-	(673,795)	(673,795)	-	(673,795)	(673,795)
Defined benefit plan actuarial gains/(losses)	50(c), (a)(viii)	-	232,708	232,708	-	232,708	232,708

(ii) Reconciliation of comprehensive income for the year ended December 31, 2011	Note	GROUP Previous GAAP	GROUP Effect of transition to IFRS	GROUP IFRS	BANK Previous GAAP	BANK Effect of transition to IFRS	BANK IFRS
Other comprehensive income for the year, net of tax		-	(424,371)	(424,371)	-	(441,087)	(441,087)
Total comprehensive income for the year		(9,915,148)	247,227	(9,667,921)	(11,567,744)	122,264	(11,445,480)
Profit attributable to:							
Equity holders of the Bank		(9,915,148)	671,598	(9,243,550)	(11,567,744)	563,351	(11,004,393)
Non-controlling interests		-		-	-		-
		(9,915,148)	671,598	(9,243,550)	(11,567,744)	563,351	(11,004,393)
Total comprehensive income attributable to:							
Equity holders of the Bank		(9,915,148)	247,227	(9,667,921)	(11,567,744)	122,264	(11,445,480)
Non-controlling interests		-		-	-		-
		(9,915,148)	247,227	(9,667,921)	(11,567,744)	122,264	(11,445,480)
(Loss)/earnings per share in kobo (basic)		(0.61)	0 .04	(0.57)	(0.61)	(0.07)	(0.68)

Notes to the reconciliations:

The Bank adopted IFRSs effective January 1, 2011. The key principle of IFRS 1 First-time Adoption of International Financial Reporting Standards for reporting entities with an adoption date subsequent to January 1, 2006 is a full retrospective application of IFRSs. However, this statement provides exemption from retrospective application in certain instances due to costs and practical considerations. The Bank has adopted the transitional elections in the manner required by the regulatory filter as issued by the Financial Reporting Council. The Bank's transitional elections in this regard are set out below:

(a) Key impact analysis of IFRS on the financial position

(i) Explanation of adjustments to financial instruments

Under IFRSs, financial assets and liabilities are required to be classified as held-for-trading financial instruments at fair value through profit or loss, available-for-sale financial assets at fair value through other comprehensive income, loans and receivables, held-to-maturity investments and other liabilities at amortised cost. Financial instruments are measured based on their classification. Nigerian GAAP does not require such classification of financial instruments and measurement. The basis of valuation of individual instruments is provided in the accompanying statement of significant accounting policies.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Financial assets at fair value through profit or loss

Under IFRS, these are assets held for trading, which are not pledged as collateral, comprising treasury bills and quoted equities under NGAAP that were carried at cost less provision for impairment determined on the basis of market-related prices. These investments were marked to market under both NGAAP and IFRS and as such there is no discrepancy in the measurement. However, for presentation purposes the investments are shown separately on the face of the financial statements. A comparison with NGAAP is shown below.

Nigerian GAAP	IFRS
Investment securities	Non-pledged trading assets
Provision for other assets	Fair value loss on held-for-trading assets

The impact arising from the change is summarised as follows:

	2011 ₦'000	January 1, 2011 ₦'000
Entries to reclassify held for trading investment to non-pledged trading assets	2,124,002	20,141,124
Entries to recognise fair value gain/loss on these assets (FVTPL)	995,797	(12,814)
Net reclassification from investment securities	3,119,799	20,128,310
Impact on profit or loss	1,008,610	-
Impact on equity	995,797	(12,814)

Assets held as collateral

Under NGAAP, pledged assets are not required to be separately recognised on the face of the financial statements; rather, they are to be addressed by way of notes to the account. However IFRS requires that assets pledged as collateral should be disclosed. The summary is shown below.

	2011 ₦'000	January 1, 2011 ₦'000
Reclassification from investment securities	27,257,261	26,289,613
Entries to properly state at amortised cost	(3,429)	6,934
Entries to properly state at fair value	-	(15,274)
	27,253,832	26,281,273
Impact on profit or loss	(10,364)	-
Impact on equity	(3,429)	6,935
Impact on AFS reserve	-	(15,274)

Loans and receivables

Measurement

The Bank's loans and advances are measured at gross loan disbursed less any repayment. Under IFRS, the loans and advances were measured at amortised cost using effective interest rate, in which all integral credit-related fees have been incorporated. In line with IFRS, loans issued at interest rates below market rate have been adjusted for the fair value loss.

As at January 1, 2011 and December 31, 2011, the amortised cost was lower than the NGAAP gross loan amount (see analysis below).

Impairment

Under NGAAP, loans and advances are measured at costs net of impairment losses using an expected loss model. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as uncertain. This provision is made for each account that is not performing in accordance with the Prudential Guidelines issued by the Central Bank of Nigeria. A general reserve of at least 1% is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio while all interest accruing to specifically impaired loans are held in suspense.

Under IFRS, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before the financial position date. IFRS also allows for the recognition of a credit impairment loss for incurred but not reported losses in order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired. IFRS does not allow suspension of interest on specifically impaired loans.

As at January 1, 2011, the impairment for credit losses determined in accordance with IFRS was lower than the level required by the CBN and so, the difference was credited to regulatory risk reserve. Similarly, as at December 31, 2011, the impairment for credit losses determined in accordance with IFRS was lower than the level required by the CBN largely due to write-off of several loans and sale to AMCON. As a result, the shortfall on impairment for credit losses was set aside in a regulatory risk reserve within total equity.

The impact arising from the change is summarised as follows:

	2011 ₦'000	January 1, 2011 ₦'000
Aggregate of entries to properly state loans and advances at amortised cost and restate loans granted at below-market interest rate	(1,429,701)	(1,888,858)
Aggregate of entries to recognise impairment under IFRS (including derecognition of interest-in-suspense)	3,124,049	2,626,877
Aggregate entries to derecognise staff loans granted to purchase FCMB shares (transfer to treasury shares)	(842,609)	(339,925)
	851,739	398,094
Impact on profit or loss	456,206	-
Impact on equity	2,681,084	2,224,878

Held-to-maturity investments (HTM)

The investments in this category under IFRS are the Bank's investment in FGN bonds, state bonds, AMCON bonds, corporate bonds and treasury bills which were included as part of investment securities under NGAAP. Besides this, the investments were measured at amortised cost in line with IFRS.

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Available-for-sale financial assets (AFS)

Under IFRS, available-for-sale financial assets are classified as either pledged assets or investment securities. NGAAP did not require separate classification of pledged assets and as such they were included in their respective classes under NGAAP. In accordance with IFRS, financial assets designated as available-for-sale have been measured at fair value through other comprehensive income, except those whose fair values cannot be reliably measured. Under NGAAP, some of these financial instruments were not measured at fair value.

The summary for AFS and HTM investments are as follows:	2011 ₦'000	January 1, 2011 ₦'000
Held to maturity		
Reclassification to assets held as collateral	(27,257,261)	(26,289,613)
Entries to properly state the investments at amortised cost	631,350	872,706
Entries to properly derecognise treasury shares (FCMB shares held by subsidiaries)	(8,510)	(683,999)
Available for sale		
Entries to properly state assets at fair value	(969,671)	(235,394)
Entries to reclassify held for trading investments to non-pledged trading assets	(2,124,002)	(20,141,124)
Impact on profit or loss	(29,728,094)	(46,477,424)
Impact on equity	(1,276,170)	-
Impact on AFS reserve	(1,588,909)	(304,829)
	(969,671)	(295,875)

(ii) Explanation of material adjustments to cash and cash equivalents

The net impact of application of IFRS on cash and cash equivalents of the Bank as at December 31, 2011 is a decrease in cash and cash equivalents by ₦61.4 billion (January 1, 2011: ₦69.3 billion). The decrease is mainly caused by the net effect of reclassification of interest receivable on placements from Other assets to cash and Cash equivalent.

(iii) Explanation of material adjustments to property and equipment

The net impact of application of IFRS on property and equipment is reclassification of computer software from PPE to intangible assets and additional depreciation on available for use assets within Capital work in progress. This is in line with IAS 38 and IAS 16.

(iv) Explanation of material adjustments to other assets

The adjustment to other assets is mainly due to recognition of employee benefits due to fair valuation of staff loans (IAS 39:43), reclassification of interest receivable and interest paid in advance to their various underlying assets/liabilities.

(v) Explanation of material adjustments to deposit from banks

The adjustment to deposit from banks is due to reclassification of interest payable on interbank takings from other liabilities.

(vi) Explanation of material adjustments to deposit from customer

The adjustment to deposit from customer is summarised below.

	2011 ₦'000	January 1, 2011 ₦'000
Reclassification of interest paid in advance from other assets	(82,742)	(445,319)
Amortised cost adjustment on term deposit	(2,045)	(5,006)
Reclassification of interest payable from other liabilities	1,536,787	759,035
	1,452,000	308,710

(vii) Explanation of material adjustments to borrowings

The difference between IFRS and Nigerian GAAP is attributable to the recognition of amortised cost on borrowings and reclassification of interest payable from other liabilities. This is summarised as follows.

	2011 ₦'000	January 1, 2011 ₦'000
Amortised cost adjustment on borrowings	-	48,897
Reclassification of interest payable from other liabilities	97,434	68,472
	97,434	117,369

(viii) Explanation of material adjustments to other long term benefits retirement benefit obligation (ROB)

The difference between IFRS and Nigerian GAAP is attributable to the recognition of RBO based on actuarial valuation. IAS 19 requires that an actuarial valuation should be carried out in determining the amount to be recognised.

The summary for RBO is as follows:

	2011 ₦'000	January 1, 2011 ₦'000
Entries to recognise additional provision	203,388	910,651
Impact on profit or loss	474,555	-
Impact on equity	(436,096)	(910,651)
Impact on AFS reserve	232,708	-

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

(ix) Explanation of material adjustments to other liabilities

In addition to the adjustments in Notes (v) and (vii) above, the following adjustments were raised.

Reversal of operational risk provision as it did not meet the criteria stated in IAS 37 (i.e. no occurrence of past events) 2011: ₦176 million (2010: ₦61 million).

Adjustment for unearned portion of fees charged on LC transactions: ₦277 million (2010: ₦266 million)

(b) Explanation of material changes to profit or loss items

(i) Interest and fee income

Under IFRS, interest income and expense on financial instruments are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the present value of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Under Nigerian GAAP, interest income and expense are recognised in accordance with the contractual terms of the related facility on an accrual basis.

The material impact arising from the changes is summarised as follows:

	GROUP	BANK
	2011 ₦'000	2011 ₦'000
Entries to properly state financial assets at amortised cost	(778,513)	(818,538)
Reclassification of credit related fees from fee income to interest income	5,581,413	3,923,320
	4,802,900	3,104,782
Impact on profit or loss	(778,513)	(818,538)
Impact on equity	**(778,513)**	(818,538)

(ii) Fee and commission income

In addition to adjustment in Note b(i) above, there was an additional adjustment to reclass to trading income

	GROUP	BANK
	2011 ₦'000	2011 ₦'000
Reclassification of fee income to trading income	(427,915)	(427,915)

(iii) Trading income

The difference is majorly due to reclassification from fee income (see Note b(ii) above).

(iv) Net income/(losses) from financial instruments at fair value through profit or loss

This is mainly due to reclassification of impairment charge (₦4.8 billion) from net impairment loss on financial assets and fair value movements on investments securities.

(v) Net impairment loss on financial assets

See Note (iv) above.

(vi) Personnel expenses

The adjustments here are mainly due to amortisation/expensing of employee benefits and recognition of additional charge on retirement benefit obligation.

(vii) General/Admin and other operating expenses

The changes in these amounts from the Nigerian GAAP to IFRS were mainly attributable to reclassifications done to present the items fairly in line with IFRS.

(c) Impact of changes to the retained earnings and reserves

The adoption of IFRSs decreased/(increased) the Group's treasury shares, retained earnings and other reserves are as follows:

Name of company/individual	Retained earnings January 2011	Other reserves January 2011	Treasury shares January 2011
Foreign currency reserve (Transfer of balance to retained earnings)	(116,804)	116,804	-
Investment securities (Recognition of amortised cost)	(385,246)	-	-
Treasury shares (Reversal of impairment on treasury shares)	5,850	-	-
Investment securities (Recognition of fair value changes)	61,753	-	-
Property, plant and equipment (Additional depreciation on available for use assets)	(126,272)	-	-
Loans (Fair valuation of below market rate and amortised cost recognition)	(401,999)	-	-
Loans (Recognition of impairment in line with IFRS)	2,626,877	-	-
Retirement benefit obligation (Recognition of additional provision)	(910,651)	-	-
Deposits and borrowings (Amortised cost recognition)	(43,891)	-	-
Other liabilities (Reversal of provision and recognition of unearned fees)	(204,902)	-	-

Notes to the consolidated financial statements continued...

for year ended December 31, 2012

Name of company/individual	Retained earnings January 2011	Other reserves January 2011	Treasury shares January 2011
Regulatory reserves (Transfer from retained earnings in line with CBN guidelines)	(9,316,644)	9,316,644	
Loans (Transfer of staff loans used to purchase FCMB shares)	-	-	(1,001,865)
Investments (Transfer of FCMB shares owned by subsidiaries)	-	-	(689,849)
Investments (Recognition of fair value changes in AFS investments)	-	(295,876)	
Net impact of adjustments as at January 1, 2011	(8,811,929)	9,137,572	(1,691,714)
Foreign currency reserve (Transfer of balance to retained earnings)	-	-	-
Investment securities (Recognition of amortised cost)	(1,233,139)	-	-
Treasury shares (Reversal of impairment)	2,175	-	-
Treasury shares (Loss on sale transferred to retained earnings)	(7,910)	-	-
Investment securities (Recognition of fair value changes)	963,404	-	-
Property, plant and equipment (Additional depreciation on available for use assets)	(74,740)	-	-
Loans (Fair valuation of below market rate and amortised cost recognition)	(40,966)	-	-
Loans (Recognition of impairment in line with IFRS)	497,171	-	-
Retirement benefit obligation (Recognition of additional provision)	474,555	-	-
Retirement benefit obligation (Actuarial gains)	-	232,708	-
Deposits and borrowings (Amortised cost recognition)	45,936	-	-
Other liabilities (Reversal of provision and recognition of unearned fees)	37,209	-	-
Regulatory reserves (Transfer from retained earnings in line with CBN guidelines)	825,081	(825,081)	-
Loans (Derecognition of staff loans used to purchase FCMB shares)	-	-	159,256
Investments (Derecognition of FCMB shares owned by subsidiaries)	-	-	681,224
Investments (Recognition of fair value changes in AFS investments)	-	(673,795)	
Net impact of adjustments for the year ended December 31, 2011	1,488,776	(1,266,168)	840,480
Net impact of adjustments as at December 31, 2011	(7,323,153)	7,871,404	(851,234)

Value added statement

for year ended December 31, 2012

	GROUP				BANK			
	2012 ₦'000	**%**	2011 ₦'000	%	**2012 ₦'000**	**%**	2011 ₦'000	%
Gross income	**116,832,323**		75,698,682		**109,197,823**		69,507,098	
Group's share of associates' profits	**161,800**		113,628		**-**		-	
Profit/(loss) from discontinued operation (net of tax)	**170,668**		-		**-**		-	
Interest expense and charges	**(44,279,425)**		(26,511,918)		**(43,995,013)**		(26,510,841)	
	72,885,366		49,300,392		**65,202,810**		42,996,257	
Impairment losses	**(12,697,922)**		(27,672,337)		**(12,374,810)**		(27,244,148)	
Administrative overhead	**(21,090,849)**		(15,283,106)		**(19,753,747)**		(13,920,887)	
Value added	**39,096,595**	**100**	6,344,949	100	**33,074,253**	100	1,831,222	100
Distribution								
Employees								
Salaries and benefits	**18,545,334**	**47**	13,975,711	220	**16,758,471**	51	12,327,245	673
Government								
Taxation	**1,126,315**	**3**	(1,439,253)	(23)	**(141,976)**	(0)	(2,368,222)	(129)
The future								
Asset replacement	**4,132,574**	**11**	3,052,041	48	**3,898,166**	12	2,876,592	157
Proposed dividend	**-**	**0**	-	0	**-**	0	-	0
Expansion (transfers to reserve)	**15,292,372**	**39**	(9,243,550)	(145)	**12,559,592**	37	(11,004,393)	(601)
Value added	**39,096,595**	**100**	6,344,949	100	**33,074,253**	100	1,831,222	100

This statement represents the distribution of wealth created through the use of the Group's assets through its own and its employees' efforts.

Five-year financial summary – Group

	GROUP				
	2012 ₦'000	2011 ₦'000	2010 ₦'000	December 31, 2009* ₦'000	April 30, 2009* ₦'000
ASSETS EMPLOYED					
Cash and cash equivalents	**123,451,740**	48,416,681	67,977,072	128,824,517	171,042,998
Restricted reserve deposits	**57,891,360**	21,963,780	2,802,980	1,972,579	1,271,614
Non-pledged trading assets	**1,169,708**	3,119,799	20,128,310	-	-
Derivative assets held	**1,980,135**	-	-	-	-
Loans and advances to customers	**357,798,798**	323,353,706	330,818,648	239,897,986	273,217,105
Assets pledged as collateral	**40,793,601**	27,253,832	26,281,274	-	-
Investment securities	**244,525,619**	137,333,793	50,299,811	49,984,594	37,318,824
Assets classified as held for sale	**13,547,417**	-	-	-	-
Investment in associates	**467,456**	230,656	145,000	300,000	-
Investment property	**-**	131,778	131,778	-	-
Property and equipment	**26,331,166**	18,785,380	19,320,073	21,817,923	21,001,009
Intangible assets	**11,894,789**	6,601,963	6,560,531	6,074,045	-
Deferred tax assets	**4,937,656**	3,578,836	572,053	1,107,267	1,300,378
Other assets	**23,756,311**	10,846,290	12,555,569	13,662,332	10,449,657
	908,545,756	601,616,494	537,593,099	463,641,243	515,601,585
FINANCED BY					
Share capital	**9,520,534**	8,135,596	8,135,596	8,135,596	8,135,596
Share premium	**108,747,612**	108,369,199	108,369,199	108,369,199	108,369,199
Treasury shares	**(775,381)**	(851,234)	(1,691,714)	-	-
Retained earnings/(accumulated loss)	**765,475**	(16,779,856)	(1,177,917)	3,464,803	3,000,871
Other reserves	**13,757,163**	18,519,823	19,769,275	9,623,446	9,549,753
Derivative liabilities held	**1,980,135**	-	-	-	-
Deposits from banks	**52,000**	-	580,844	13,681,208	27,015,927
Deposits from customers	**646,216,767**	410,683,355	335,129,902	266,012,607	321,219,293
Liabilities classified as held for sale	**9,038,589**	-	-	-	-
Borrowings	**26,933,018**	19,264,434	25,233,558	30,178,530	11,183,932
Retirement benefit obligations	**109,008**	12,971	8,994	39,338	26,319

	GROUP				
	2012 **₦'000**	2011 ₦'000	2010 ₦'000	December 31, 2009* ₦'000	April 30, 2009* ₦'000
Other long-term benefits	**335,397**	1,668,104	1,502,390	252,335	213,487
Current income tax liabilities	**2,850,275**	1,783,422	1,867,603	2,451,430	2,584,437
Deferred tax liabilities	**22,067**	26,388	20,192	1,104,447	2,096,961
Other liabilities	**88,993,097**	50,784,292	39,845,177	20,328,304	22,205,810
	908,545,756	601,616,494	537,593,099	463,641,243	515,601,585
Acceptances and guarantees	**121,081,334**	97,260,519	65,249,741	50,492,799	42,160,999

	12 months December 2012 ₦'000	12 months December 2011 ₦'000	12 months December 2010 ₦'000	8 months December 2009* ₦'000	12 months April 2009* ₦'000
PROFIT AND LOSS ACCOUNT					
Gross earnings	**116,234,848**	74,761,462	62,686,096	35,789,264	72,698,313
Profit/(loss) before tax	**16,248,019**	(10,682,803)	9,025,742	856,600	4,773,765
Tax	**1,053,426**	3,000,587	(1,090,771)	(292,262)	(779,222)
Profit/(loss) after tax	**17,301,445**	(7,682,216)	7,934,971	564,338	3,994,543
Transfer to reserves	**15,292,372**	(9,243,550)	7,934,971	564,338	3,994,543
Earnings per share – basic and diluted (naira)	**0.80**	(0.57)	0.49	0.05	0.25

Five-year financial summary – Bank

	BANK				
	2012 ₦'000	2011 ₦'000	2010 ₦'000	December 31, 2009* ₦'000	April 30, 2009* ₦'000
ASSETS EMPLOYED					
Cash and cash equivalents	**120,210,252**	41,642,744	60,970,511	125,690,084	171,046,410
Restricted reserve deposits	**57,791,360**	21,963,780	2,802,980	1,971,579	1,271,614
Non-pledged trading assets	**685,664**	3,010,135	19,838,314	-	-
Derivative assets held	**1,980,135**	-	-	-	-
Loans and advances to customers	**350,489,990**	319,020,875	327,450,177	238,010,395	272,302,609
Assets pledged as collateral	**40,793,601**	27,253,832	26,281,274	-	-
Investment securities	**241,663,451**	135,820,562	49,080,302	48,505,248	37,220,886
Assets classified as held for sale	**4,365,623**	-	-	-	-
Investment in subsidiaries	**11,566,311**	11,005,868	11,005,868	10,865,468	240,150
Investment in associates	**375,000**	300,000	300,000	300,000	-
Property and equipment	**25,513,580**	18,439,547	19,009,074	21,361,771	20,906,484
Intangible assets	**6,235,794**	421,014	391,630	-	-
Deferred tax assets	**4,757,597**	3,482,998	433,047	854,279	1,229,671
Other assets	**23,885,248**	10,753,007	12,275,844	12,522,270	10,191,790
	890,313,606	593,114,362	529,839,021	460,081,094	514,409,614
FINANCED BY					
Share capital	**9,520,534**	8,135,596	8,135,596	8,135,596	8,135,596
Share premium	**108,747,612**	108,369,199	108,369,199	108,369,199	108,369,199
Treasury shares	**(766,756)**	(842,609)	(1,001,865)	-	-
Retained earnings/(accumulated loss)	**(360,846)**	(17,146,530)	(1,272,301)	1,972,106	1,403,141
Other reserves	**13,750,169**	18,503,108	19,769,275	9,650,159	9,549,753
Derivative liabilities held	**1,980,135**	-	-	-	-
Deposits from banks	**-**	-	580,844	13,681,101	27,023,049
Deposits from customers	**644,268,545**	412,030,645	335,206,560	272,624,017	322,418,759
Liabilities classified as held for sale	**-**	-	-	-	-

	BANK				
	2012 ₦'000	2011 ₦'000	2010 ₦'000	December 31, 2009* ₦'000	April 30, 2009* ₦'000
Borrowings	**26,933,018**	19,264,434	25,233,558	30,178,530	11,183,932
Retirement benefit obligations	**94,437**	9,447	5,096	36,631	21,647
Other long-term benefits	**144,793**	1,668,104	1,502,390	233,630	194,782
Current income tax liabilities	**1,346,121**	951,402	1,200,495	1,655,286	2,187,383
Deferred tax liabilities	**-**	-	-	1,078,009	2,087,590
Other liabilities	**84,655,844**	42,171,566	32,110,174	12,466,830	21,834,783
	890,313,606	593,114,362	529,839,021	460,081,094	514,409,614
Acceptances and guarantees	**121,081,334**	97,260,519	65,249,741	50,492,799	42,160,999

	12 months December 2012 ₦'000	12 months December 2011 ₦'000	12 months December 2010 ₦'000	8 months December 2009* ₦'000	12 months April 2009* ₦'000
PROFIT AND LOSS ACCOUNT					
Gross earnings	**108,722,461**	68,569,878	57,835,577	33,398,740	71,063,543
Profit/(loss) before tax	**12,417,616**	(13,372,615)	7,564,888	724,834	3,979,274
Tax	**1,048,808**	3,049,951	(242,566)	(55,463)	(513,462)
Profit/(loss) after tax	**13,466,424**	(10,322,664)	7,322,322	669,371	3,465,812
Transfer to reserves	**12,559,592**	(11,004,393)	7,322,322	669,371	3,465,812
Earnings per share – basic and diluted (naira)	**0.66**	(0.68)	0.45	0.06	0.21

Note: The balances for December 2008 and April 2009 are NGAAP balances.*

List of branches

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Head Office Main Branch	Primrose Tower, 17A, Tinubu St. Lagos	Lagos
Abuja Branch	Plot 252 Herbert Macauly Way. Cdb, Abuja	Abuja (FCT)
Port Harcourt Branch	Plot 282A Port Harcourt/Aba Exp	Rivers
Kano Branch	145 Murtala Mohammed Way, Kano	Kano
Victoria Island	Plot 1661 Oyin Jolayemi Street, Victoria Island	Lagos
Apapa Branch	28 Creek Road, Apapa	Lagos
Ikeja Branch	29 Oba Akran Avenue, Ikeja	Lagos
Warri Branch	Plot 161/163 Okumagba Avenue, Warri	Delta
Benin Branch	112 Mission Road, Benin City	Edo
Idumagbo Branch	34 Idumagbo Avenue, Lagos Island	Lagos
Ijebu-Ode Branch	168 Folagbade Street, Ijebu-Ode, Ogun State	Ogun
Aba Branch	90 Asa Road, Aba	Abia
Abeokuta Branch	21 Lalubu Street Oke-Ilewo Abeokuta	Ogun
Onitsha Branch	9A New Market Road,	Anambra
Adeola Odeku Branch	11B Adeola Odeku Street, Victoria Island	Lagos
Sagamu Branch	141 Akarigbo Street, Sagamu, Ogun State	Ogun
Alaba Branch	Obosi Plaza, A-Line, Alaba International Market, Alaba	Lagos
Awolowo Road Branch	68 Awolowo Road, Ikoyi	Lagos
Uyo Branch	143 Abak Road, Uyo, Akwa Ibom State	Akwa-Ibom
Ibadan Branch	23/25 Lebanon Street, Dugbe Ibadan	Oyo
Alagbado Branch	757 Lagos Abeokuta Expressway, Ojokoro	Ogun
Allen Avenue Branch	36 Allen Avenue, Ikeja	Lagos
Oke-Arin Branch	5 Daddy Alaja Street, Oke-Arin, P.O.Box 9117, Lagos	Lagos
Otta Branch	57 Lagos Abeokuta Expressway, Sango Ota, Ogun State	Ogun
Ajah Branch	Km 23 Lekki-Epe Expressway, Ajah	Lagos

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Makurdi Branch	12 Bridgehead Way, Makurdi	Benue
Akute Branch	73 Ojodu-Akute Road, Akute, Lagos.	Ogun
Idumota Branch	22 Idoluwo Street, Idumota, Lagos Island	Lagos
Calabar Branch	14 Calabar Road, Calaba	Cross River
Broad Street Branch	Banuso House 88/89 Broad Street, Lagos	Lagos
Eket Branch	Grace Bill Road/Marina Junction, Eket	Akwa-Ibom
Oron Road Branch Uyo	105 Oron Road Uyo	Akwa-Ibom
Olu Obasanjo Way Bra	80 Olu Obasanjo Road, Port Harcourt, Rivers State	Rivers
Garrison Branch	85 Aba Road, By Garrison Junction, Port Harcourt	Port Harcourt
Ogbomosho Street Bra	5 Ogbomosho Street, Area 8, Garki	Abuja (FCT)
Faulks Road Branch A	161 Faulks Road, Aba	Abia
Yenegoa Branch	Nikton Junction, Mbiama Yenagoa Road	Bayelsa
Kaduna Branch	1A Ahmadu Bello Way, Kaduna	Kaduna
Ado-Ekiti Branch	New Secretariat Road, Ado Ekiti	Ekiti
Airport Road Ikeja	23/25 Muritala Muhammemed International	Lagos
Asaba Branch	370 Nnebisi Road,Asaba	Delta
Bello Road Branch Kano	17/18 Bello Road, Kano, Kano State	Kano
Commercial Road Branch	16 Warehouse Road, Apapa	Lagos
Enugu Branch	12A Market Road, Enugu, Enugu State	Enugu
Ibadan Bodija Branch	Plot 3 U.I Sec Road, Bodija-Ibadan	Oyo
Ikom Branch	7 Calabar Road, Ikom, Cross River State	Cross River
Ikorodu Branch	7 Lagos Road, Ikorodu	Lagos
Ikot Ekpene Branch	5 Harley Drive Ikot Ekpene, Akwa Ibom State	Akwa-Ibom
Ikwerre Road Branch	19 Ikwerre Road, Port Harcourt	Rivers
Motor Ways Avenue Branch Ikeja	Motor Way Buildingmotorway Ave, Ikeja	Lagos
Ojo Branch	148A Olojo Drive, Ojo, Lagos.	Lagos

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Oko Branch	4 Hospital Road, Oko, Anambra State	Anambra
Osogbo Branch	Km 3 Gbongan/Ibadan Road, Oshogbo	Osun
Sanusi Fafunwa Branch	17 Sanusi Fafunwa Street, Victoria Island	Lagos
Warri-Efurun Branch	300 Effurun Sapele Road, Warri, Delta State	Delta
Maitama Fed Sec Branch	Federal Secretariat Complex Phase 3, Abuja	Abuja (F C T)
Minna Branch	Along Paiko Road, opposite Cbn Minna	Niger
Mushin Isolo Branch	253 Agege Motor Road, Mushin, Lagos	Lagos
Akowonjo Branch	Shasha Roundabout Akowonjo	Lagos
Uch(Ibadan) Branch	Opposite Total Filling Station, Uch Ibadan	Oyo
Umuahia Branch	5 Library Avenue,Umuahia	Abia
Adeniran Ogunsanya	33 Adeniran Ogunsanya Street, Surulere	Lagos
Maiduguri Branch	Baga Road, Maiduguri, Borno	Borno
Ogba Branch	23 Ogba Ijaiye Road, opposite Waec Ogba	Lagos
Yaba Branch	43 Ojuelegba Road, Yaba	Lagos
Palms Branch	The Palms Shopping Centre, Lekki-Epe Exp	Lagos
Garden Avenue Enugu	41 Garden Avenue, Enugu, Enugu State	Enugu
Owerri Branch	81 Wetheral Road, Owerri, Imo State	Imo
Ugbowo Branch	183 Ugbowo-Lagos Roadbenin City	Edo
Matori Branch	91 Ladipo Street, Matori, Lagos	Lagos
Jos Branch	British/American Junction, Jos	Plateau
Kaduna 1 Branch	1/2A Kachia Road, Kaduna	Kaduna
Okota Branch	117 Okota Road, Okota, Lagos.	Lagos
Gombe Branch	11 Biu Link Road, opposite Main Market Gombe	Gombe
Yola Branch	20 Atiku Abubakar Way, Yola	Adamawa
Awka Branch	84A Nnamdi Azikiwe Ave, Awka Anambra State	Anambra
Lekki 2 Branch	Igbokushu Village, opposite Jakande Estate Lekki	Lagos

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Katsina Branch	132 Ibb Way Katsina	Katsina
Bauchi Branch	Commercial Rd Near State Library Bauchi	Bauchi
Igbokoda Branch	Plot 1E, 5B, Gra Igbokoda, Ilajeondo	Ondo
Lokoja Branch	16 Aliyu Obaje Road, Lokoja	Kogi
Lafia Branch	Jos Road, opposite State Cid Lafia, Nasarawa State	Nasarawa
Ilesha Branch	F16, Ereguru Street, Ilesha, Osun State	Osun
Ketu Branch	545/547 Ketu, Ikorodu Express Way, Lagos	Lagos
Oyigbo Branch	290 Old Aba Road, Oyigbo Rivers State	Rivers
Abuloma Branch	46A Abuloma Road, Port Harcourt	Rivers
Adeola Hopewell Branch	38 Adeola Hopewell Street, Victoria Island	Lagos
Wuse Ii Branch	Plot 108 Adetokunbo Ademola Cadastral	Abuja (FCT)
Abakiliki Branch	36B Sam Egwu Way, Abakalikiebonyi State	Ebonyi
Obajana Branch	Opposite Obajana Cement Factory, Kogi State	Kogi
Agege Branch	Old Abeokuta Express Road, Oko-Oba	Lagos
Agbara Branch	1 Ilaro Street, Agbara Industrial Estate	Ogun
Jalingo Branch	73 Hammaruwa Way, Jal	Taraba
Damaturu Branch	29/32 Bukar Abba Ibrahim Waydam, Yobe	Yobe
Orile Coker Branch	8910 Alaba Meta Farm Orile Coker.	Lagos
Macarthy Branch	10/12 Macarthy Street, Onikan, Lagos	Lagos
Birnin Kebbi Branch	Ahmadu Bello Way, Birnin, Kebbi	Kebbi
Ilorin Branch	33 Murtala Mohammed Ilorin, Kwara Sate	Kwara
Ojoo Branch	1C Oyo Road, Sabo Garage, Ojoo, Ibadan	Oyo
Shomolu	31 Shipeolu Street, Onipan, Shomolu.	Lagos
Gusau Branch	Plot 103 Sani Abacha Way, Gusau	Zamfara
Agrrey Road Branch	81 Agrrey Road, Port Harcourt	Rivers
Sokoto Branch	27 Sani Abacha Way, Sok	Sokoto
Zaria Branch	F3 Kaduna Road, Pz Area	Kaduna
Idimu Branch	218 Egbeda-Idimu Road, Idimu, Lagos	Lagos

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Nnewi Branch	15 Oraifite Road Nnewi Anambra State	Anambra
Adetokunbo Ademola	Plot 719 Adetokunbo Ademola Street, Victoria Island	Lagos
Akure 2 Branch	5 Bishop Fagun Road, Alagbaka, Akure	Ondo
Trans Amadi 2 Branch	466/467 Trans Amadi Industrial Layout, Port Harcourt	Rivers
Marina Branch	44 Marina, Lagos	Lagos
Ijebu-Ode2 Branch	52 Ejirin Road, Imepe	Ogun
Ikeja Gra Branch	48/50 Isaac John Street, Ikeja Gra, Lagos	Lagos
Banex Plaza	Plot 750 Aminu Kano Crescent, Abuja	Abuja (FCT)
Aspamda Branch	R1 Zone D, Auto Spares	Lagos
Onitsha Bridgehead Branch	40 Ugah Street, Bridd	Anambra
Allen Avenue	103 Allen Avenue Ikeja, Lagos	Lagos
Wharf Road	Eleganza Plaza Wharf Road, Lagos	Lagos
Ikoyi Branch	156 Awolowo Road, Ikoyi, Lagos	Lagos
Oba Akran Branch	34 Oba Akran Road, Ikeja, Lagos	Lagos
Onipanu	178, Ikorodu Road, Onipanu, Lagos	Lagos
Davies	1 Davies Street, Untl Building off Marina, Lagos Island, Lagos	Lagos
Bba Tradefair	Above Plaza Bba Trade Fair Badagry Expressway, Lagos	Lagos
Moshood Abiola	10 Moshood Abiola Way, Challenge, Ibadan, Oyo State	Oyo
Akure	1 Olukayode House, Oshinle, Akure, Ondo State	Ondo
VGC	Ikota Shopping Complex, VGC, Lagos	Lagos
Osogbo	4 Gbogan Road, opposite Fakunle Comprehensive High School, Osogbo, Osun State	Osun
Ibrahim Taiwo Road, Ilorin	79B Ibrahim Taiwo Road, Ilorin, Kwara State	Kwara

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Osolo Way	33 Osolo Way, Ajao Estate, Lagos	Lagos
A/Azeez Atta, Ilorin	120 Abdulazeez Atta Road, Surulere, Ilorin Kwara State	Kwara
Randle Road	10 Randle Road, Apapa, Lagos	Lagos
Aspamda	Olusegun Obasanjo Hall, Aspamda, Trade Fair Complex, Badagry Expressway, Lagos	Lagos
Opebi	66B Opebi Road, Ikeja, Lagos	Lagos
Local Airport	General Aviation Terminal, Domestic Airport, Ikeja, Lagos	Lagos
Idowu Taylor	Okoi-Arikpo House, 5 Idowu Taylor Street, Victoria Island, Lagos	Lagos
Akin Adesola	1 Akin Adesola Street, Victoria Island, Lagos	Lagos
Idumota	12 Oroyinyin Street, Idumota, Lagos Island, Lagos	Lagos
Commercial Road	24 Commercial Road, Apapa, Lagos	Lagos
Alaba1	Shop D51 Electrical Section, Alaba International Market, Alaba Ojo, Lagos	Lagos
Oregun	80 Kudirat Abiola Way, Oregun, Ikeja, Lagos	Lagos
Ladipo	122/124 Ladipo Street, Beside Ap Filling Station, Ladipo, Mushin, Lagos	Lagos
Toyin Branch	29 Toyin Street, Ikeja, Lagos	Lagos
Joseph Street	2 Joseph Street, Lagos Island, Lagos	Lagos
Ajose Adeogun	Plot 273A Ajose Adeogun Street, Victoria Island Lagos	Lagos
Iddo	2-4 Iddo Road, Iddo Lagos	Lagos
Creek Road	1-3 Nnewi Building, Creek Road, Apapa, Lagos	Lagos
Agbeni	57 Agbeni Market Road, Agbeni, Ibadan, Oyo State	Oyo
Agbowo	30, Oyo Road, opposite U.I Post Office, Ibadan, Oyo State	Oyo

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Oke Afa	6 Jakande Estate Road, Oke Afa, Isolo, Lagos	Lagos
Festac	Plot 1572 4Th Avenue Festac Town Lagos	Lagos
Lekki	Km 18 Lekki-Epe Expressway, before Chevron Roundabout, Lekki, Lagos	Lagos
Ogudu	Plot 111 Ogudu Gra, Ojota Road, Ogudu, Lagos	Lagos
Agodi Gate	Inaolaji Shopping Complex, Agodi Gate, Ibadan, Oyo State	Oyo
Ifaki Ekiti	Iwore Junction, Along Oye Road, Ifaki Ekiti, Ekiti State	Ekiti
Mazamaza	15 Sikiru Otunoba Street, Mazamaza, Lagos	Lagos
Ibafon Branch	18/19 Apapa Oshodi Expressway, Ibafon Apapa, Lagos	Lagos
Ilupeju	25B Ilupeju Bypass, Ilupeju, Lagos	Lagos
Ap Plaza	Ap Plaza, 212F, Adetokunbo Ademola Crescent, Wuse 2, Abuja	Abuja (FCT)
Mm Way I	9C, Murtala Mohammed Road, Kano	Kano
Kano Road	Ad 9 Kano Road, Kaduna	Kaduna
Yola Street	1 Yola Street, Area 7, Garki Abuja	Abuja (FCT)
Beach Road , Jos	4 Beach Road, Jos	Plateau
Gusau	17 Canteen Road, Gusau, Zamfara	Zamfara
Lokoja	28, Murtala Mohammed Way, opposite Lokoja Lga Secretariat, Lokoja, Kogi State	Kogi
Wuse Zone 4	Plot 532 Ibb Way, Zone 4 Wuse, Abuja	Abuja (FCT)
Akintola Blvd Garki II	Plot 1,640 Ladoke Akintola Boulevard, Garki II, Abuja	Abuja (FCT)
Azare	4 Jamaare Road, Azare, Bauchi State	Bauchi
Jos Road	19/23 Jos Road, Bauchi (Isa Yuguda House)	Bauchi
Bama Road	Bama Road, Maiduguri, Borno State	Borno
Gombe 2	New Market Road, off Biu, Gombe	Gombe
Bajoga	Gombe/Potiskum Road, Bajoga, Gombe State	Gombe
Dutse	3 Kiyawa Road, Dutse, Jigawa State	Jigawa
Kakuri	12 Kachia Road, Kakuri, Kaduna	Kaduna
Ali Akilu/Maska Road	40 Ali Akilu Road Kaduna	Kaduna
Mm Way Ii	40 Murtala Mohammed Way, Kano	Kano
Ibrahim Taiwo	58E Ibrahim Taiwo Road Kano	Kano
Kebbi	Plot 20 Emir Haruna Road, Birnin Kebbi, Kebbi State	Kebbi
Lafia	43 Sani Abacha Way (Jos Road), Lafia	Nasarawa
M/M Way, Jos	7 Murtala Mohammed Way, Jos, Plateau State	Plateau
Potiskum	Mohammed Idris Way, opposite F.C.E, Potiskum, Yobe State	Yobe
Port Harcourt Crescent	14 Port Harcourt Crescent, off Gimbiya Street, Area 11-Garki, Abuja	Abuja (FCT)
Federal Secretariat	Federal Secretariat, Phase 1, Ground Floor, Annex Ii, Abuja	Abuja (FCT)
Maitama Branch	4 Mediterranean Street, Imani Estate, Maitama, Abuja	Abuja (FCT)
Victory Plaza	Victory Plaza, Plot 1,490, Gimbiya Street, off Ahmadu Bello Way, Garki	Abuja (FCT)
Kachia	Beside Kachia Police Station, Kaduna.	Kaduna
Yakubu Gowon Way	6 Yakubu Gowon Way, Kaduna	Kaduna
Sheikh Abubakar Gumi Market	Sheik Abubakar Gumi Main Market, Broadcasting Road, Kaduna	Kaduna
Zaria	4B Main Street, Zaria, Kaduna State	Kaduna
Bompai Road	7 Bompai Road, Kano	Kano
Katsina	Nicon Building Ibb Way, Katsina	Katsina
Minna	9 Paiko Road Minna	Niger
Damaturu	Plot 5 Ahmadu Bello Way	Yobe

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Naia	Domestic Wing, Nnamdi Azikiwe International Airport, Abuja	Abuja (FCT)
Bwari	1 Council Secretariat Avenue, Bwari Area Council Abuja	Abuja (FCT)
Kantin Kwari	Opposite Sheikh Ahmed Tijjani Mosque, Kantin Kwari Market, Kano	Kano
Aminu Kano Crescent	Opposite Shaif Plaza, Aminu Kano Crescent Wuse 2	Abuja (FCT)
Keffi	75 Audu Zanga Way, Tsohon Tasha, Keffi, Nassarawa State	Nasarawa
Izon Wari	Izon Wari House, 1,038 Shehu Shagari Way, Maitama, Abuja	Abuja (FCT)
National Assembly	National Assembly Complex, Three Arms Zone, Abuja	Abuja (FCT)
Anyigba	Beside Texaco Filling Station, Idah-Ajaokuta Road, Anyigba, Kogi State	Kogi
Gwagwalada	203A Phase One Quarters, Specialist Hospital Road, Gwagwalada, Abuja	Abuja (FCT)
Kuje	Plot 33A Sauka Extension, Kuje Town Centre, FCT	Abuja (FCT)
Gwarimpa	1st Avenue Crest Plaza, Gwarimpa, Abuja	Abuja (FCT)
Kaduna Refinery	Km 16 Kachia Road, Kaduna Refining And Petro-Chemical Complex, Kaduna South	Kaduna
Doma	10 Wadata Lafuia/Doma Road, Doma, Nasarawa State	Nasarawa
Kubwa	Plot 136B Gado Nasko Road, Kubwa, Abuja	Abuja (FCT)
Suleja	18 Suleiman Barau Road, Suleja, Niger State	Niger
Exclusive Stores	Plot 1,202 Ademola Adetokunbo Crescent, Wuse Ii, Abuja	Abuja (FCT)
133 Olu Obasanjo	133 Olu Obasanjo Street, Port Harcourt, Rivers State	Rivers

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Warri Airport Road	52 Airport Road, Warri, Delta State	Delta
New Secretariat	New Secretariat Complex, Murtala Mohammed Highway, Calabar, Cross River State	Cross River
New Market Road 1	36 New Market Road, Banex Plaza, Onitsha, Anambra State	Anambra
Brass Road, Aba	10 Brass Road Branch, Aba, Abia State	Abia
Nnebisi Road, Asaba	461 Nnebisi Road Asaba, Delta State	Delta
Ikwerre Road	457 Ikwerre Road, Port Harcourt, Rivers State	Rivers
Yenagoa	76 Mbiama/Yenagoa Road (by Chief Obele Street Junction), Ovom-Yenagoa, Bayelsa State	Bayelsa
Wetheral	40 Wetheral Road, Owerri, Imo State	Imo
Aka Road	23 Aka Road, Uyo, Akwa Ibom State	Akwa-Ibom
Awka 1	38 Zik Avenue, Awka, Anambra State	Anambra
Bank Road, Orlu	4A Bank Road, Orlu, Imo State	Imo
Ekwulobia	10 Awka Road, Ekwulobia, Anambra State	Anambra
Faulks Road, Aba	214 Faulks Road, Aba, Abia State	Abia
Ikot Abasi	Alscon Complex, Ikot Abasi, Akwa-Ibom State	Akwa-Ibom
New Market Road 2	53 New Market Road Onitsha, Anambra State	Anambra
Fegge	12 Port Hacourt Road, Fegge, Onitsha, Anambra State	Anambra
Sakponba Road, Benin	72 Sakponba Road, Benin City, Edo State	Edo
Mbaise Rd	5B Mbaise Road, Owerri, Imo State	Imo
Azikiwe Road	7B Azikwe Road, Port Harcourt, Rivers State	Rivers
Rumuomasi Branch	2/3 Rumuokoro Street, Rumuomasi, Port Harcourt, Rivers State	Rivers
Grandhotel	112 Nnebisi Road, Asaba, Delta State	Delta

BRANCH NAME	BRANCH ADDRESS	STATE NAME
Aba Road	9 Aba, Port Harcourt Expressway, Niger Insurance, Port Harcourt, River State	Rivers
Ughelli	30 Ughelli/Warri Road, Ughelli, Delta State	Delta
Asa Road, Aba	46 Asa Rd, Aba, Abia State	Abia
Agbani Road	117 Agbani Road, Enugu, Enugu State	Enugu
Bori	26 Zaakpon/Poly Road, Bori, Rivers State	Rivers
Afikpo	10 Mgbom Unwana Road Afikpo, Ebonyi State	Ebonyi
Nsukka	7B University Road, Nsukka, Enugu State	Enugu
Uniport, Choba	Uniport Road, Choba, Rivers State	Rivers
Agbani Town	71 Enugu Road, Agbani Town, Enugu State	Enugu
Ekpoma	39 Royal Market Road, Ekpoma, Edo State	Edo
Trans Amadi	Plot 117, Trans Amadi Industrial L/Out, Port Harcourt, Rivers State	Rivers
Ihiala	Onitsha-Owerri Road, Ihiala, Anambra State	Anambra
Electrical Market Onitsha	Electrical Market, Obosi, Onitsha, Anambra State	Anambra
Nnewi	49 Old Onitsha Road, Nnnewi & Zone 19 Nkwo Market Nnewi, Anambra State	Anambra
Ust-Mile 3	199 Ikwerre Road, Port Harcourt, Rivers State	Rivers
Orlu Main	5 L.N. Obioha Road Orlu, Imo State	Imo
Ahiara Mbaise	Aba Road, by Ahiara Junction, Ahiazu Mbaise, Imo State	Imo
Rumuokoro	642 Ikwerre Road, Rumuokoro, Port Harcourt, Rivers State	Rivers
Omoku	226 Ahoda Road, Omoku, Rivers State	Rivers
Ogbor Hill	113 Ikot Ekpene Road, Ogbor Hill, Aba, Abia State	Abia
Presidential Road	4 Presidential Avenue, Nkpokiti Junction, Enugu, Enugu Tate	Enugu

CASH CENTRE – ADDRESS	STATE NAME
Guiness Depot, Osisioma, Aba	Abia
Phcn Premises, Oron, Akwa Ibom State	Akwa Ibom
Oando Premises, Warri	Delta
Guinness Premises, Ikpoba Hill, Agbor Road, Benin City	Edo
Ashaka Cement Complex	Gombe
Iponri Market, Iponri, Lagos	Lagos
757 Lagos Abeokuta Expressway, Ojokoro	Lagos
Sifax Terminal	Lagos
Guinness Premises, 24 Oba Akran Avenue	Lagos
Alaba International, Lagos State	Lagos
Zenon Direct Filling Station	Lagos
Phcn Premises, Eko, Lagos State	Lagos
Phcn Premises, Awoyaya, Ijebu-Lekki, Lagos State	Lagos
Phcn Premises, Ikorodu, Lagos State	Lagos
Phcn Premises, Isolo, Lagos State	Lagos
Phcn Premises, Oshodi, Lagos State	Lagos
Phcn Premises, Abiyan, Ijebu-Kekki , Lagos State	Lagos
Phcn Premises, Oba-Akran, Lagos State	Lagos
Phcn Premises, Ogba, Lagos State	Lagos
Phcn Premises, Okota, Lagos State	Lagos
Olabisi Onabanjo University	Ogun
Phcn Premises, Akute, Ogun State	Ogun
Phcn Premises, Shagamu, Ogun State	Ogun

Personal account application form

Individual/joint account holders

PLEASE RETURN TO: FCMB, Primrose Tower, 17A Tinubu Street, Lagos, Nigeria

Dear Sirs,

Kindly establish the following account(s) in my/our name(s) with First City Monument Bank Plc (FCMB). By selecting any type of account(s)/product(s) I agree to be bound by the terms and conditions governing the said account(s)/product(s) in FCMB. I also agree to be bound by the terms and conditions governing the assessment of your services via your non-branch channels which I have also selected with this application.

(PLEASE COMPLETE ALL SECTIONS IN CAPITAL LETTERS – TRUSTEE/JOINT ACCOUNT HOLDER DETAILS TO BE INDICATED AND SIGNED ON THE NEXT PAGE)

DETAILS OF: ☐ ACCOUNT HOLDER ☐ FIRST JOINT ACCOUNT HOLDER

Title: ☐ Mr ☐ Mrs ☐ Miss ☐ Dr ☐ Other

Surname Forenames

Mother's Maiden Name

Test Question

Answer

Date of Birth (DD/MM/YYYY) / / Nationality

Occupation

Pencom No.

Employer's Name

Employer's Address

Employer's Address:

Approx. Annual Income (₦)

Home Address

Home Address

City/Town State

Mobile Phone 1 Mobile Phone 2

Office Phone Home Phone

Correspondence Address

Correspondence Address

City/Town State

Email Address

Home Address

Next of Kin

PASSPORT PHOTOGRAPH HERE

I hereby certify that all the information given above is correct. I also certify that I have read, understood and agreed with the attached terms and conditions governing the account(s)/product(s) I have requested.

Customer's Signature

Mandate/Special Instructions

(including minimum confirmation amount, where required)

Account Type

☐ Classic Current Account

☐ Foreign Currency Account ☐ USD ☐ GBP ☐ EUR

☐ Classic Saver Account ☐ Corper Saver Account

☐ Premium Saver Account ☐ Scholar Saver Account

Selected Channels

☐ Automated Teller Machines

	Full Access	View Only
☐ Internet Banking	☐	☐
☐ Mobile Banking	☐	☐
☐ SMS Banking	☐	☐

Statement Preferences

☐ Email ☐ Post ☐ Hold

☐ Monthly ☐ Quarterly ☐ ½Yrly

Special Instructions

Transaction Confirmation Required

(The bank may charge for each transaction confirmed via telephone.)

☐ None ☐ Written ☐ Tel.

FOR OFFICE USE ONLY

Initial Deposit Taken (Y/N) Walk in (Y/N)

Account Officer

Broker

ID Type

ID No.

Issue Date / / (DD/MM/YYYY)

Expiry Date / / (DD/MM/YYYY)

List of Documents Attached (Y=Yes; N=No; X=Not Applicable)

Reference ☐ Passport Photograph ☐ Utility Bill ☐

Signature Cards ☐ Residence/Work Permit ☐ KYC Form ☐

Approval Code

CSM Signature CSM Staff #

B/M Signature

Personal account application form

Individual/joint account holders

(PLEASE COMPLETE ALL SECTIONS IN CAPITAL LETTERS)

DETAILS OF: ☐ SECOND JOINT ACCOUNT HOLDER ☐ TRUSTEE

Title: ☐ Mr ☐ Mrs ☐ Miss ☐ Dr ☐ Other

Surname Forenames

Mother's Maiden Name

Date of Birth (DD/MM/YYYY) / / Nationality

Occupation

Pencom No.

Employer's Name

Employer's Address

Employer's Address :

Approx. Annual Income (₦)

Home Address

Home Address

City/Town State

Mobile Phone 1 Mobile Phone 2

Office Phone Home Phone

Email Address

Home Address

PASSPORT
PHOTOGRAPH
HERE

I hereby certify that all the information given above is correct. I also certify that I have read, understood and agreed with the attached terms and conditions governing the account(s)/product(s) I have requested.

Customer's Signature

Mandate/Special Instructions

(including minimum confirmation amount, where required)

ID Type

(Select applicable one)

International Passport ☐

ID No.

National ID ☐

Issue Date / / (DD/MM/YYYY)

Expiry Date / / (DD/MM/YYYY)

Driving Licence ☐

Mandate for e-dividend payment

PLEASE RETURN TO: FCMB, Primrose Tower, 17A Tinubu Street, Lagos, Nigeria

It is our pleasure to inform you that you can henceforth collect your dividend through DIRECT CREDIT into your bank account. Consequently, we hereby request you to provide the following information to enable us to process direct payment of your dividend (when declared) into your bank account.

(PLEASE COMPLETE ALL SECTIONS IN CAPITAL LETTERS)

Shareholder's Account Number Date of Birth (DD/MM/YYYY) / /

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

Employer's Address:

City/Town State

Email Address

Mobile (GSM) Phone

Bank Name

Branch Address

Branch Address

Bank Account Number

Bank Sort Code

I/We hereby request that from now, all dividend warrant(s) due to me/our holding(s) in FCMB to be mandated to my/our bank named above.

Shareholder's Signature or Thumbprint

Company Seal/Incorporation Number
(Corporate Shareholder)

Shareholder's Signature or Thumbprint

Authorised Signature & Stamp of Bankers

E-bonus form

CSCS account notification

PLEASE RETURN TO: The Registrar, City Securities (Registrars) Ltd, 17A Tinubu Street, Lagos, Nigeria

Dear Sirs,

Please credit my account at Central Securities Clearing Systems Limited (CSCS) with all subsequent allotments and bonuses due to me from my holdings in First City Monument Bank Plc.

PERSONAL DATA

Surname

Other Names

Name of Company

Address

Mobile Phone

Email Address

Shareholder's Signature (1)

(2)

Company Seal/Stamp (for Corporate Shareholders)

CSCS DETAILS

Stockbroker

Clearing House Number

Authorised Signature & Stamp of Stockbroker

Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.

E-bonus form continued...

CSCS account notification

SHARE CAPITAL HISTORY

YEAR	AUTHORISED SHARE CAPITAL (₦)		REMARKS
	Increase	Cumulative	
1982		2,000,000	₦1.00 per share
April 25, 1985	3,000,000	5,000,000	₦1.00 per share
April 23, 1987	5,000,000	10,000,000	₦1.00 per share
November 24, 1987	10,000,000	20,000,000	₦1.00 per share
November 23, 1988	20,000,000	40,000,000	₦1.00 per share
September 20, 1989	10,000,000	50,000,000	₦1.00 per share
March 15, 1991	25,000,000	75,000,000	₦1.00 per share
April 25, 1991	25,000,000	100,000,000	₦1.00 per share
December 9, 1993	50,000,000	150,000,000	₦1.00 per share
November 17, 1994	50,000,000	200,000,000	₦1.00 per share
May 3, 1996	50,000,000	250,000,000	₦1.00 per share
February 18, 1997	250,000,000	500,000,000	₦1.00 per share
January 15, 1998	250,000,000	750,000,000	₦1.00 per share
June 10, 1999	250,000,000	1,000,000,000	₦1.00 per share
June 20, 2002	1,000,000,000	2,000,000,000	₦1.00 per share
July 15, 2004		2,000,000,000	Stock split from ₦1.00 to 50k
October 28, 2004	3,000,000,000	5,000,000,000	50k per share
October 20, 2006	5,000,000,000	10,000,000,000	50k per share
October 20, 2006 to April 30, 2009		10,000,000,000	50k per share

DISCLOSURE OF DIVIDEND PAYMENT HISTORY

DIV. NO.	PAID UP CAPITAL	DIVIDEND RATE	GROSS AMOUNT	DATE PAYABLE
1	4,500,000,000	₦0.075	337,500,000.00	10/20/2005
2	9,502,430,142	₦0.13	1,235,315,918.46	10/30/2006
3	9,502,430,142	₦0.35	3,325,850,549.70	10/10/2007
4	16,271,192,202	₦0.50	8,135,596,101.00	10/14/2008
5	16,271,192,202	₦0.05	813,560,000	07/12/2010
6	16,271,192,202	₦0.35	5,694,917,270.70	19/05/2011

Proxy form and resolutions

FIRST CITY MONUMENT BANK PLC (RC 46713) 30TH ANNUAL GENERAL MEETING to be held at the Shell Hall, MUSON Centre, Onikan, Lagos on Wednesday June 19, 2013 at 11 am.

I/We ______________________________

being a member/members of First City Monument Bank Plc hereby appoint

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(block capitals please)

or failing him, the Chairman of the Meeting as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of First City Monument Bank Plc which will be held at Shell Hall, MUSON Centre, Onikan, Lagos at 11.00 a.m. on Wednesday June 19, 2013 or at any adjournment thereof.

Dated this ______ day of ____________________ 2013.

Shareholder's signature ______________________________

NOTE:

(1) A member (shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy and the above Proxy form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.

(2) Following the normal practice, the Chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, but if you wish, you may insert in the blank space (marked*) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf.

(3) Please sign and post the proxy form so as to reach "The Registrar City Securities (Registrars) Limited, Primrose Tower, 17A, Tinubu Street, Lagos, not later than 48 hours before the time appointed for the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.

(4) If executed by a corporate body, the proxy form should be sealed with the Common Seal or under the hand of an officer or Attorney duly authorized in that behalf.

	RESOLUTIONS	For	Against
1	To receive and consider the Report of the Directors and the Financial Statements for the year ended December 31, 2012, the Auditors Report thereon and the Audit Committee Report.		
2	To authorise the Directors to fix the remuneration of the Auditors.		
3	To re-elect directors in place of those retiring.		
4	To elect/re-elect members of the Audit Committee.		
	To consider and if thought fit pass the following as Ordinary Resolutions:		
5	(i) "To approve the remuneration of Directors"		
	(ii)"That the appointments of Messrs Nath Ude, Adam Nuru and Mrs Tokunbo Ishmael as Directors be and are hereby approved." (iii)"That following the recommendation of the Directors, the sum of ₦380,821,960.00 be and is hereby capitalised from the Share Premium Account into 761,643,920 Ordinary Shares of 50 kobo each and appropriated to the members whose names appear in the Register of Members at the close of business on Tuesday, June 4, 2013 in the proportion of one (1) new share for every twenty-five (25) shares registered in such member's names on that date, subject to the approval of the appropriate regulatory authorities, the shares so distributed being treated for all purposes as capital and not as income, ranking pari passu with the existing shares of the Company". These shares shall be distributed under the FCMB Group Plc. (the Holding Company).		

Before posting this form, tear off this part and retain it.

ADMISSION CARD

FIRST CITY MONUMENT BANK PLC
30th Annual General Meeting

PLEASE ADMIT ONLY THE SHAREHOLDER NAMED ON THIS CARD OR HIS DULY APPOINTED PROXY TO THE 30TH ANNUAL GENERAL MEETING BEING HELD AT THE SHELL HALL, MUSON CENTRE, ONIKAN, LAGOS ON WEDNESDAY JUNE 19, 2013 AT 11.00 A.M.

NAME OF SHAREHOLDER/PROXY

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SIGNATURE ______________________________

ADDRESS ______________________________

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THIS CARD IS TO BE SIGNED AT THE VENUE IN THE PRESENCE OF THE REGISTRARS.

Our vision: To be the Premier Financial Services Group of African Origin.

First City Monument Bank Plc
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P.O. Box 9117, Lagos State, Nigeria

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www.firstcitygroup.com

Designed by Flag, UK.