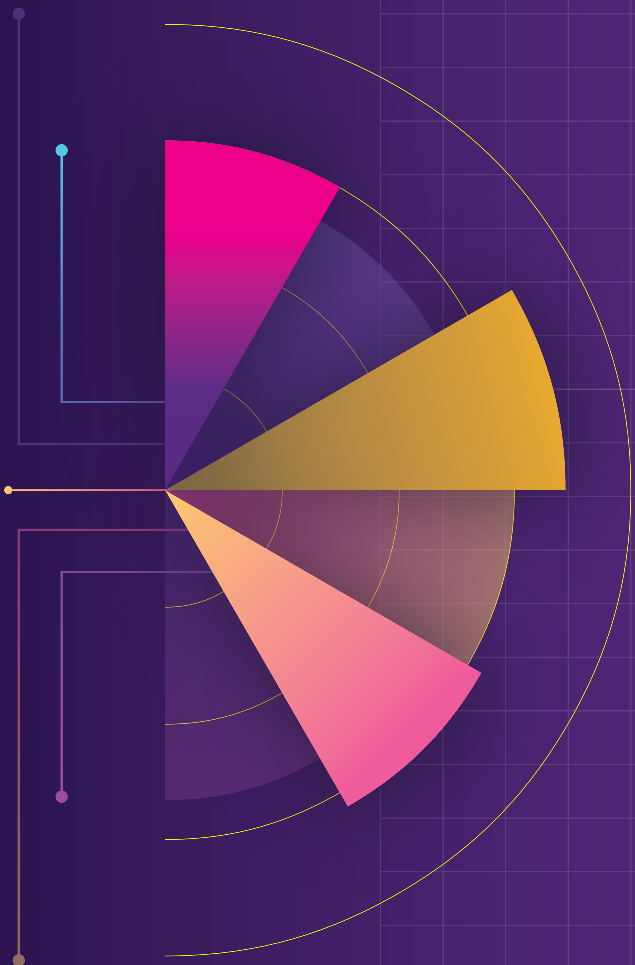
FCMB



FCMB GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2018

FCMB GROUP PLC ANNUAL REPORT AND ACCOUNTS

FCMB Group Plc,
First City Plaza,
44 Marina, Lagos,
Nigeria.

www.fcmbgroupplc.com

FCMB GROUP PLC

OUR VISION

To be the premier financial services group of African origin.

OUR MISSION

To attain the highest levels of customer advocacy, be a great place to work, and deliver superior and sustainable returns to our shareholders.

OUR CORE VALUES

- Execution
- Professionalism
- Innovation
- Customer Focus

ANNUAL REPORT 2018

At FCMB, we place great value on being a responsible institution.

By creating a great place to work for our people, selling our products and services responsibly, effecting positive social outcomes and mitigating the environmental impact of our operations, we believe that we can make a greater positive contribution to our operating environment.

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Read more about our businesses at:
www.fcmbgroup.com

Introduction

About FCMB Group Plc

FCMB Group Plc is a bank-led financial services group, headquartered in Lagos, Nigeria, with operating companies divided along three business groups – Commercial and Retail Banking (First City Monument Bank Limited, Credit Direct Limited, FCMB (UK) Limited and FCMB Microfinance Bank Limited); Investment Banking (FCMB Capital Markets Limited and CSL Stockbrokers Limited); and Asset & Wealth Management (FCMB Pensions Limited, First City Asset Management Limited and CSL Trustees Limited). Listed on the Nigerian Stock Exchange (NSE) with the ticker symbol 'FCMB', FCMB Group Plc has 19.8 billion ordinary shares held by about 517,000 shareholders.

First City Monument Bank Limited, the wholly owned flagship company of FCMB Group Plc, is a top-10 lender in Nigeria and has over 4.9 million customers and 205 branches in Nigeria and a banking subsidiary in the United Kingdom through FCMB Bank (UK) Limited (which is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA in the United Kingdom).

More information can be found at:
www.fcmbgroup.com

1977

1977: Founded

City Securities Limited is established

1982

1982: Acquired Banking Licence

First City Merchant Bank is licensed, becoming the first local bank in Nigeria to be established without government support

2001

2001: Name Change

Name change from First City Merchant Bank to First City Monument Bank following FCMB's transformation to a universal bank

2004

2004: Private Placement

Private placement of shares raises over ₦7 billion, followed by conversion to a public liability company

2005

2005: Initial Public Offering

Through an initial public offering, FCMB raises over ₦16 billion and acquires Cooperative Development Bank, Nigerian American Bank and Midas Bank Nigeria. It achieves the ₦25 billion share capital target stipulated by the CBN

2007

2007: Public Offering

The bank attracts sizeable foreign shareholding. Tier 1 capital raised through public offering increases from just over ₦31 billion to ₦133 billion

2012

2012: Merger with FinBank

The Federal High Court of Nigeria approves the merger of FCMB Plc ('FCMB') and FinBank Plc ('FinBank')

2013

2013: Group Restructuring

Migration of FCMB shareholders to FCMB Group Plc (HoldCo) and subsequent de-listing of FCMB Plc and listing of the HoldCo on the Nigerian Stock Exchange (NSE)

2014

2014: FCMB (UK) Licence

FCMB (UK) Limited obtains commercial banking licence to operate in the United Kingdom

2017

2017: Acquired Legacy Pensions

FCMB acquires majority stake in Legacy Pension Managers Limited (now FCMB Pensions Limited)

Tribute to Late Dr. Jonathan A D Long

Otunba Michael O. Balogun, CON
Founder

Tribute to my late bosom friend and colleague, Dr. Jonathan Arthur Deverell Long, aged 71

FCMB Group has lost a passionate, extremely devoted, loyal staff, and an exemplary associate builder who, has given the longest service to the institution among the professional staff, apart from my humble self! I too have lost a bosom and extremely loyal friend, who when we became close, shared with me my aspirations to build a mega financial institution, without a foreign technical partner – (a Bank); as was required by the Regulators (Central Bank of Nigeria and Federal Ministry of Finance) in those days! We have earlier announced in the Obituary Notice that Jonathan Long only retired as Group Chairman of the Board of Directors of FCMB Group on the 11th of April, 2018, because of his somehow protracted illness. I will even say that until he breathed his last in the early hours of Saturday, 9th of February, 2019, every moment of his existence in life, after the age of 31, was taken up by his thoughts for FCMB Group and its future! So was Jonathan's love and attachment to the institution, that he had helped his friend, Mike Balogun, to build and nurture to what we have today as FCMB Group.

It would appear to me that there was a Divine intervention in his ultimate employment and the consummate service he gave to the Group, as it was never planned nor conjectured by me that he would stay on that long in the service of the Institution.

City Securities Limited, the foundation company of the Group, a fledgling new financial institution, imbued with tall aspirations, had won a landmark mandate from the Nigerian National Petroleum Corporation (NNPC) to advise the corporation on the restructuring of its management to enable it effectively fulfil the objectives set for it by the Government of Nigeria. It was a mandate also competed for by a number of subsidiaries of International Financial institutions in Nigeria, and one or two local branches of International Accounting and Consulting Firms. Appreciating the enormity of the assignment and not to lose credibility with those who gave the new City Securities Limited the mandate, we decided to look for a financial institution with considerable experience in the Oil Industry in the United Kingdom to work with City Securities Limited on the assignment. A very good friend of mine, Nicholas Toosey, a former co-director with me on the Board of Icon Limited (Merchant Bankers) representing their technical partners, Baring Brothers (Merchant Bankers) in London, suggested to City Securities that an appropriate partner in executing this major mandate should be a London merchant bank with considerable interest in the oil industry, and he further went on to suggest Charterhouse Japhet, a merchant bank with investments in the North Sea Oil in the United Kingdom, and it was he who approached Charterhouse Japhet on behalf of City Securities Limited. Charterhouse Japhet readily agreed to send a team of three senior bankers, led by a Mr. Clive Rudkin, the youngest member of this team being a 29 year-old Dr. Jonathan Long.

We arranged to lodge the team in Ikoyi Hotel, but Jonathan, the youngest in the team, had a very serious cold; whereupon my wife and I, suggested that he alone could move to our home in Victoria Island, and we invited some very close physician friends of ours to take care of Jonathan and he recovered quickly. Jonathan was so touched by the care my wife and I gave him, and he developed a personal close relationship with me and my wife. The mandate was successfully executed, and we earned good fees which we shared with Charterhouse Japhet. Jonathan and I became personal friends.

Not long after this, City Securities Limited had obtained a merchant banking licence to set up an Investment Bank with the then usual condition that it would bring in a foreign technical partner, (a bank), to assist in running the new merchant bank, which we named, First City Merchant Bank Limited (FCMB), and which was the first to be single handedly set up by a Nigerian at that time in the country. Jonathan Long with a number of friends from the City of London and even New York, assisted City Securities in identifying a suitable technical partner, but we were not successful in identifying any foreign institution that would come and join us in Nigeria, particularly because of the bad press Nigeria was having in view of the military regime which made all foreign financial institutions to be cautious in coming to set up business in Nigeria.

After about a year of scouting round without luck, we went back to the Central Bank seeking an interim concession whereby we would look for expatriate staff from foreign banks to join us. Jonathan's name naturally came to my mind, but he was just over 30 years and not married. Naturally, he hesitated initially. In the meantime, we were able to secure a former Chief Executive of an American merchant bank in Nigeria, originally known as First Chicago, and later known as International Merchant Bank (IMB) who agreed to join us as he had stayed in Nigeria for over 4 years and was familiar with the environment. His name was Martin White. He was about my age or slightly older. To my joyful surprise, a few days later, Jonathan having been assured that he would be taken good care of by his friend, Mike Balogun, telephoned me to say that he was ready to take a chance, and because of his loyalty and support in the course of our looking for a foreign technical partner, I could not turn his offer down. Hence, we decided to take Jonathan Long and Mr. Martin White to join us.

My wife and I, therefore invited both Jonathan and Martin White to a Dinner in London, during which we agreed that Martin White being senior would be Managing Director & Chief Operating Officer, while Jonathan Long would be Executive Director (Corporate Finance). At that time, we were then strictly a merchant or investment bank. Both Jonathan and Martin joined at the levels agreed upon. I remained Chairman & Chief Executive of the new merchant bank. About four years later, Martin White being fairly senior, returned to Britain. Meanwhile, Jonathan rose through the ranks, first as Deputy Managing Director & Deputy Chief Operating Officer and later on succeeded Martin White as Managing Director & Chief Operating Officer of the Bank, while the Founder remained the Chairman & Chief Executive. Jonathan with me was partly

Tribute to Late Dr. Jonathan A D Long

Continued

instrumental to the growth and development of the bank's investment and corporate finance services for which we were regarded at that time in the Nigerian Market as Numero Uno.

In the course of time, Universal Banking, was introduced by the Central Bank of Nigeria and the licences of all the existing banks were converted by the same Central Bank to that of Universal Banking, that is, there would no longer be a dichotomy in the licences - any bank can undertake both investment banking as well as commercial banking. Jonathan had earlier had some experience in setting up the commercial banking operations of Standard Chartered Bank in Geneva. It was therefore not difficult for him to also join in supervising commercial banking operations of the new Universal Bank, FCMB. In the course of time, we were recruiting a number of senior foreign staff from international banks in London and New York, who were styled "Executive Directors".

Jonathan was my right-hand man and we jointly scouted for and recruited a number of these senior staff. We also had the wisdom not to play down our Investment and Corporate Finance activities for which, as I said before, we had become very well recognised as a leader. We handled a number of Capital Issues being a member of the Nigerian Stock Exchange. We changed our name from First City Merchant Bank to First City Monument Bank, as we were no longer an investment bank and we wanted to retain the acronym "FCMB". With this development of our wanting to be involved in both Capital Market, Commercial Banking, and other ancillary financial services, I decided that we should adopt a Group Structure whereby we could manage our other financial institutions together. We first started with the title, "First City Group", embracing all our different activities, Corporate and Retail Banking, Capital Markets Services and other ancillary activities like Stockbroking and Registrars. We decided that I would be the Group Chairman and Jonathan, the Group Managing Director of what we called at that time, "The First City Group" initially. In the meantime, Ladi Balogun had been rising through the ranks, first as Executive Director; later on, as Deputy to Jonathan as Deputy Managing Director of the Bank. Subsequently, when Jonathan moved to be the Group Chairman, he also became Group Managing Director of the Bank. Fairly soon after that, we were going to quote the entire activities of the Group on the Stock Exchange, and so we decided to change the name of the quoted entity to "FCMB Group" covering all our activities.

Jonathan's devotion and loyalty to the Institution and his attachment to the future of the Bank was so formidable that I virtually made him my right-hand man and we had a few other expatriate staff in addition to seasoned versatile Nigerian investment and commercial bankers.

On my retirement at the age of 70, Jonathan Long was unanimously selected to be the Chairman of the FCMB Group, a position he held until 11th of April, 2018, only to retire because of his ill health. Among other positions, Jonathan Long remained Executive Vice Chairman of FCMB Capital Markets, while I was Chairman of this company which is responsible for our Investment Banking activities.

In the course of his services with FCMB Group, we nominated him, and he became a Director of Kakawa Discount House, which was set up by a group of commercial banks in Lagos. As I have said earlier, in the management of our capital market services, Jonathan Long was my immediate colleague. He was not only associated with Stockbroking as well as the Stock Exchange, he served as my alternate on the Council of the Nigerian Stock Exchange, when this was the practice. He was by my side when we were setting up the Chartered Institute of Stockbrokers. When I became the Deputy Chairman of this Institute, I also made Jonathan Long, my alternate. Jonathan Long became very much part of the Nigerian Capital Markets and was always my alternate and contributed tremendously to many Capital Issues that FCMB and City Securities Limited brought to the Market. He was either a Director or even Vice Chairman, when I was Chairman of any of these companies.

Jonathan had earlier a distinguished career with other banks before he joined the FCMB Group and this encouraged me to bring him on board, because of the related experiences he had acquired in the course of his earlier employments. He had worked with Williams & Glyns Limited in London (now Royal Bank of Scotland), Charterhouse Japhet in London, an Investment Bank, Charterhouse Suisse S.A. Geneva, a subsidiary of Charterhouse Japhet London, and later on, established the operations of Standard Chartered Bank in Geneva in Switzerland.

Earlier, Jonathan had obtained a Bachelor's Degree in 1967 and Master's Degree (1970) from Balliol College, Oxford and a Doctorate Degree (1973) from St. Anthony's College, also at Oxford University in the United Kingdom.

While on the different boards of the Bank and companies in the FCMB Group, his invaluable contributions, his wealth of experience, as well as his absolute loyalty, endeared him to everyone associated with the FCMB Group. His total loyalty to FCMB Group and his love of the Nigerian financial environment, will forever be remembered and appreciated. He made many friends, both Nigerians and non-Nigerians whom he interacted with while serving the Group. He loved Nigeria and Nigerians till the end of his life. Jonathan indeed paid his dues as an all-round banker and gave his services and his entire life to FCMB Group. We will miss him. Every staff, both past and present of FCMB Group recalls his inspiring relationship with them.

Many people associated with him either on the Boards of different companies within the FCMB Group, as well as in his different interactions in Nigeria, regard him as dependable. I personally would miss a bosom and loyal friend.

On behalf of the entire FCMB Group, Directors and Staff, I am sending our condolences to both his wife, Chantal and his brother, Dr. Marcus Long.

Adieu, Jonathan, as I affectionately always call him. You have gone to be with the Lord, your Creator. I am sure you are resting in the bosom of your Maker. Rest in perfect peace. Amen.

OTUNBA (DR) MICHAEL OLASUBOMI BALOGUN, CON
The Olori Omo-Oba & The Asiwaju of IJEBU CHRISTIANS.

Chairman's Statement

Mr Oladipupo Jadesimi
Chairman

Distinguished ladies and gentlemen, fellow shareholders, it is my pleasure and privilege to present to you the FCMB Group Plc's ('the Group's') Annual Report and Accounts for the year ended 31 December 2018.

I warmly welcome you all to the sixth Annual Meeting of the Group since our corporate reorganisation and restructuring. I thank you for your continued loyalty and support throughout the years, including the 2018 fiscal year. I am very pleased indeed to inform you that in spite of the challenging environment, as reflected in the negligible GDP growth registered in the period under review, all three of our distinct businesses, namely, Commercial and Retail banking, Asset and Wealth Management, and last but by no means least, Investment Banking, turned in significantly improved performances in terms of higher earnings and profits compared to the preceding year.

Companies of the Group

The Board of the Group has responsibility for monitoring the activities of all group companies under its ownership, which include First City Monument Bank (FCMB) Limited, FCMB Capital Markets Limited, CSL Stockbrokers Limited, CSL Trustees Limited, FCMB Microfinance Bank Limited, FCMB Pensions Limited and Credit Direct Limited. Two of our companies also monitor subsidiaries that they own: FCMB Limited monitors and owns FCMB (UK) Limited, and CSL Stockbrokers Limited monitors and owns First City Asset Management. The Group remains committed to the implementation of the Corporate Governance rules of the Central Bank of Nigeria (CBN), the Nigerian Stock Exchange and the Securities and Exchange Commission. As we operate in international jurisdictions such as the United Kingdom, our respective subsidiaries also operate to the highest standards, as expected by their regulators.

Board Changes

As I start my first full year as your Chairman, I must take a couple of moments to express my profound gratitude to my predecessor, the late Dr Jonathan Long, who stepped down as Chairman of the Board on 8 March 2018, for ensuring a characteristically smooth transition and handover. He remained on the Board until his retirement on 11 April 2018. Dr Jonathan Long sadly passed away prematurely on 7 February 2019. I am sure you all join in my tributes to him. I knew him for all of the more than 40 years he spent with the Group. He was fiercely and completely loyal as much to the Founder of the Group, Olori Omo Oba, Michael Olasubomi Balogun, as he was to the FCMB family.

He was a quintessential English gentleman and the most astute of bankers. He served us with the utmost distinction and helped to bequeath a strong legacy. He will be sorely missed. During an evening of tributes in his honour held on 5 March 2019, it was announced that a Professorial Chair for Corporate Finance will be established in his honour at the Lagos Business School. A most befitting testimonial remembrance indeed. May his soul forever rest in peace.

2018 also saw another Board change as we said another goodbye, on 25 October, to Mr Martin Dirks, who provided a valuable service and wise counsel to the Board. I thank him warmly for his excellent advice and support.

Board Composition and Committees

As at 31 December 2018, the Board, led by myself as Non-Executive Chairman, was composed of nine Directors (seven Non-Executive Directors and two Executive Directors), in line with international best practice that requires the number of Non-Executive Directors to be more than the Executive Directors.

Mr Ladi Balogun as the Group Chief Executive and Mr Peter Obaseki as the Chief Operating Officer made up the two Executive Directors, while the Non-Executive Directors comprised Alhaji Mustapha Damcida, Mr Olutola O Mobolurin, Mrs Olapeju Sofowora, Professor Oluwatoyin Ashiru and Dr (Engr) Gregory O Ero. Mr Bismarck Rewane and Mr Olusegun Odubogun served as Non-Executive Independent Directors.

The Board met five times during 2018, with an average attendance rate of 82%. The Board was supported by three Committees that reported to it, namely the Board Risk, Audit and Finance Committee; the Board Governance and Remuneration Committee; and the Statutory Audit Committee. The Board Risk, Audit and Finance Committee, which consisted of Mr Bismarck Rewane (Chairman), Mr Olusegun Odubogun, Dr (Engr) Gregory O Ero and Mr Martin Dirks, met four times in 2018 with an average attendance rate of 81%.

The Board Governance and Remuneration Committee, which was made up of only Non-Executive Directors (the Group Chief Executive and the Chief Operating Officer attend meetings when required), consisted of the following as members during the year: Mr Olutola O Mobolurin (Chairman), Professor Oluwatoyin Ashiru, Alhaji Mustapha Damcida and Mrs Olapeju Sofowora. The committee met four times within the year, with an average attendance rate of 92%.

The Statutory Audit Committee, which consisted of Evangelist Akinola Soares (Chairman), Alhaji S B Daranijo, Mr Hakeem Batula, Mr Bismarck Rewane, Mr Olutola O Mobolurin and Mr Olusegun Odubogun, also met four times, with an average attendance rate of 96%.

These committees enabled the Board of FCMB Group Plc to monitor and supervise the implementation of business plans of each company in the Group on a regular and consistent basis.

Chairman's Statement

Continued

Transparency and Disclosure

In 2018, we continued to move forward on the path of good governance, strengthening and improving our corporate governance structure and bringing it into line with our long-term strategy and with the highest international standards in order to increase the confidence of our shareholders, investors and other stakeholders, in an environment that is demanding even more transparency.

The Board of Directors, fully engaged and committed to the Group's corporate culture and strategy, has the experience, knowledge, dedication and diversity needed to accomplish our objective of making FCMB one of the leading financial services groups of African origin, helping people and businesses prosper and upholding the values in which we believe of execution, professionalism, innovation and customer focus.

Profits and Per Share Information

FCMB Group Plc's Board of Directors has adopted a policy that seeks to provide investors with a stable and sustainable form of capital distribution, with consideration given to the growth and capital requirements of the business, thereby maximising long-term share value for shareholders.

For the full year ended 31 December 2018, the Group declared a profit before tax of ₦18.4 billion, up 73% from full year 2017. These improved results demonstrate both the strength and the potential of the Group. Consequently, our Board has recommended a dividend of 14 kobo per share, representing a dividend appropriation of ₦2.77 billion, compared to 10 kobo per share in 2017. Earnings per share, in 2018, was ₦0.75, compared to ₦0.48 in 2017. More details on the performance will be provided by the Group Chief Executive.

Thank you very much for your attention.

Mr Oladipupo Jadesimi
Chairman

Group Chief Executive's Report

Ladi Balogun
Group Chief Executive

Distinguished Shareholders, it is my pleasure to welcome you to the 6th annual general meeting of FCMB Group Plc and to present an overview of the performance of our businesses in 2018.

Macro-Economic Review

In 2018, the global economy became increasingly fragile and global markets witnessed intense volatility. Markets were spooked by Brexit uncertainty, China's economic slowdown, increased protectionism and populism, and tightening of financial conditions in developed economies that weighed on emerging market performance. The United States (US) was at the forefront of protectionism and challenged the non-partisan nature of the World Trade Organization (WTO) as it moved to narrow the trade deficit it maintained with a number of countries, including China, Japan, India and Turkey.

In a similar manner, the US pulled out of the now-defunct North American Free Trade Agreement (NAFTA) and agreed on new trade terms with Canada and Mexico that constitutes the United States-Mexico-Canada Agreement (USMCA). Its trade spat with China resulted in the latter's economy in Q4 of 2018 growing at its slowest annual rate since 1990 (6.4% y/y).

Also, aggressive monetary policy tightening by the US Federal Reserve Bank supported the strengthening of the dollar. This triggered a reversal of capital flows and put pressure on local currencies. Local currency devaluation caused by a reversal of capital flows increased the debt-service burden of US dollar-denominated debt on emerging economies. Commodity prices, with cocoa as an exception, also softened towards the end of the year pressured by the effect of a stronger dollar. In addition to the stronger dollar effect, the price of Brent crude oil came under pressure due to concerns of slowing demand from China. However, the average price of Brent crude oil in 2018 was higher by 7% than 2017's average.

On the domestic front, the Nigerian economy witnessed sluggish growth in the past year (1.9% y/y). Economic growth was driven by the utilities sector (information and communication,

Group Chief Executive's Report

Continued

transportation and storage, electricity, etc) and supported by marginal growth recorded in the real sector (agriculture, mining, manufacturing and construction), while trade and the oil sector contracted for the third consecutive year, albeit at a reduced rate.

The naira exchange rate was fairly stable across all major markets, while inflation eased to 11% levels by mid-year. The Central Bank of Nigeria (CBN) continued to support the Investors and Exporters (I&E) window, providing up to 28% of liquidity during the year. Political uncertainty increased in the run-up to the elections and this doused investor sentiment towards Nigerian assets. Consequently, portfolio flows weakened in the course of the year and the domestic bourse returned -17.8% in 2018 in spite of a strong rally witnessed in the first quarter. In a bid to stem the reversal of foreign capital, the Monetary Policy Committee (MPC) maintained a tight policy environment by retaining the Monetary Policy Rate (MPR) at 14.0%, while managing liquidity with open market operations (OMO).

The banking industry had a mix of positives such as recovery in macroeconomic conditions, decline in inflation and stable exchange rate, but had to contend with tight system liquidity, declining loan book, increase in non-performing loans and competition from Financial Technology (FinTech) companies and introduction of Payment Service Banks. The decision by the CBN to license Payment Service Banks (PSBs) to facilitate transactions in remittance services, micro savings and withdrawal services in rural areas increases the competition for retail customers.

The implementation of IFRS, which introduced the expected credit loss (ECL) model, resulted in lower capital position for banks, hence reducing capital adequacy ratio. The CBN introduced a four-year transitional arrangement that will require banks to hold static the Adjusted Day One impact of IFRS 9 impairment figures and spread it over a four-year period in order to reduce the impact of the ECL provisions on tier 1 capital.

The Nigerian equities market started the year on a bullish run with the NSE All Share Index growing by 17% in three weeks. These gains were, however, wiped out from the second quarter as investor confidence reduced, especially with concerns over government policy and the political environment. Foreign portfolio flows turned negative with a net outflow of ₦66.2 billion compared to a net inflow of ₦336.9 billion in 2017.

The total assets of the Nigerian pension industry grew by 15% to ₦8.6 trillion during the year. The industry continues to take advantage of relatively high returns in the fixed income market, with investments in bonds (government and corporate) and treasury bills making up 78.4% of total assets. Investments in equities reduced from 10.3% in 2017 to 7.7% in 2018. The Nigerian Pension Commission (PenCom) introduced the multi-fund structure, which split RSA holders into different fund types based on their age and investment preferences. PenCom also reduced the fees chargeable by pension fund administrators in the course of the year.

Performance of Business Groups

The CBN, pursuant to Section 9(c) of the AMCON (Amended) Act 2015, informed the banking subsidiary of its shortfall in contributions to the Banking Sector Resolution Cost Sinking Fund for the years 2016 and 2017. The shortfalls arose as a result of the erroneous application of the resolution trust deed's definition of 'Total Assets', which was amended to include off-balance sheet items. The financial statements for 2017 have been restated to reflect the revised contribution to AMCON.

The holding company and its subsidiaries recorded total profits after tax of ₦14.9 billion, an increase of 74% over the restated profits of ₦8.6 billion for 2017. The improved performance was driven largely by increase in non-interest income and income from our non-banking businesses.

The Commercial and Retail Banking Group (which includes First City Monument Bank Limited, Credit Direct Limited, FCMB (UK) Limited and FCMB Microfinance Bank Limited) grew its profits by 61%, driven by improved performance in our consumer finance business and increase in fees and commissions. Commercial and Retail Banking remains our largest group, contributing 83% of profits. Our banking franchise continued to grow as reflected by a 20% rise in deposits and our customer base also growing by 20% to 4.9 million customers.

There was reduced appetite for stock market investments and capital market transactions mainly because of concerns about the 2019 general elections. In spite of this, the pre-tax profits of our Investment Banking businesses (FCMB Capital Markets Limited and CSL Stockbrokers Limited) increased by 24% in 2018. This performance was driven by higher conversion of our investment banking deal pipeline as well as cost efficiencies. Our stockbroking business maintained its position as a top-three player in its sector.

Our Asset & Wealth Management businesses (FCMB Pensions Limited, First City Asset Management Limited and CSL Trustees Limited) increased combined assets under management to over ₦310 billion (24% increase). In spite of the reduction in fees charged by pension fund administrators by the primary regulator, our asset management businesses increased pre-tax profits by 15%. We acquired additional shares in FCMB Pensions Limited (formerly Legacy Pensions Limited) to increase our stake from 88.2% to 91.6% in 2018.

Outlook

We are optimistic that with the successful completion of the 2019 general elections, economic activities will intensify in the second quarter of the year and the economy will be on course to achieve its projected growth of 2.2% (World Bank).

Outlook for the banking sector remains broadly positive. Moderation in crude oil prices implies banks may still remain cautious and put more money into the relatively high yielding and less risky fixed income market, implying loan growth will remain very modest. We believe that that CBN will be actively mopping up liquidity in the money markets in order to alleviate pressures on the exchange rate.

We do not expect any significant deterioration in the loan books of banks in 2019 but we believe legacy issues will persist in many cases. Expectations of an increase in inflationary pressures in 2019 implies at least a marginal impact on banks' costs.

2019 should see continued growth along all key indices for the group, especially those around profitability, deposits, customer numbers and assets under management.

Ladi Balogun
Group Chief Executive

Operating Review

2018 Awards Won

FCMB Group Plc's commitment to excellence was recognised in 2018 by a number of awards:

Great Place to Work Institute

Best Workplace for Female in Africa (Large Corporates)

Second Best Company to Work for in Africa (Large Corporates)

May 2018

First City Monument Bank Limited

The Nigerian Stock Exchange CEO Awards

Fund Manager with the Largest Listed Fund Size

December 2018

First City Asset Management Limited

New Age Banking Summit and Awards

Excellence in Retail Banking

September 2018

First City Monument Bank Limited

BusinessDay Banking and Financial Institutions Award 2018

Best Bank in SME Financing

November 2018

First City Monument Bank Limited

Standards Organisation of Nigeria

ISO 9001:2015 Certificate for Quality Management System

May 2018

First City Monument Bank Limited

Sustainability, Enterprise and Responsibility Awards (SERAS)

Best Company in Support of SMEs

December 2018

First City Monument Bank Limited

TCIC Global Certification Limited

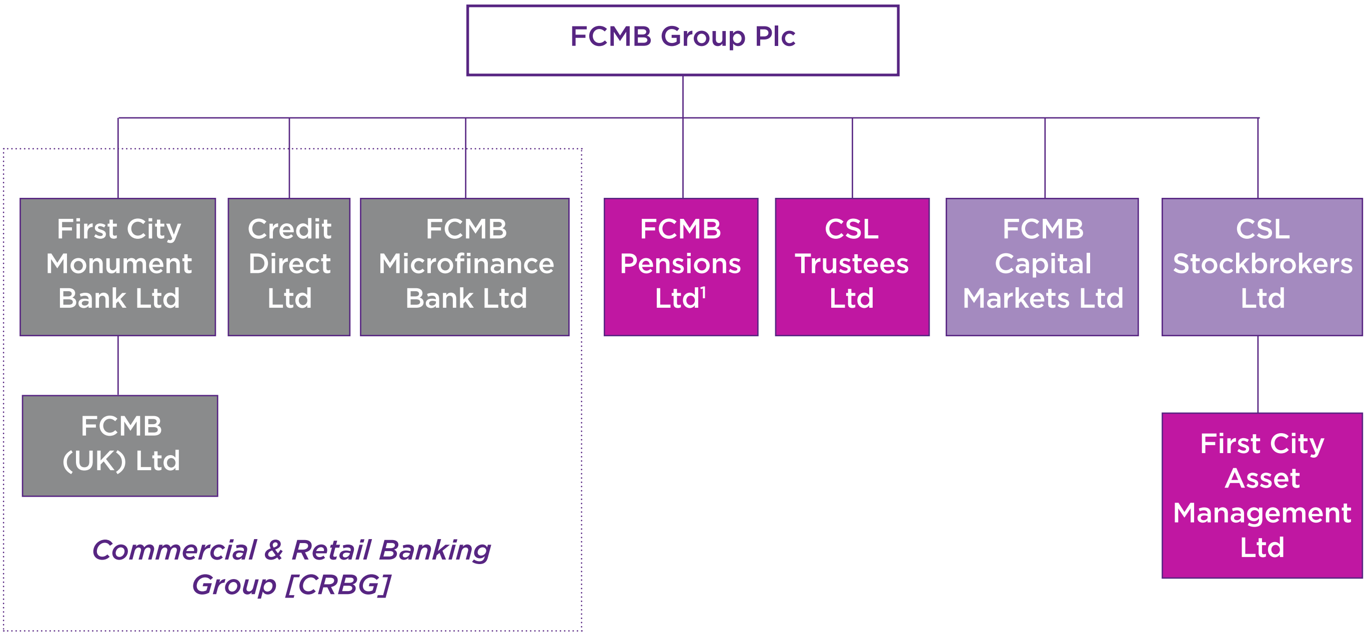
ISO 22301:2012 Certification for Business Continuity Management System

December 2018

First City Monument Bank Limited

About FCMB Group Plc

There are 10 entities in the FCMB Group, including the holding company



Commercial & Retail Banking | Asset and Wealth Management | Investment Banking

1. All subsidiaries are wholly owned except FCMB Pensions Limited, which is owned 91.6%.

Operating Companies' Performance Highlights
Commercial & Retail Banking Group

Adam Nuru
Managing Director
First City Monument Bank Limited

First City Monument Bank Limited's
Business Performance Highlights

Dear Shareholders,

I am delighted to welcome you and present the Bank's performance for the year 2018.

As we indicated at the beginning of the year, our primary objective was to consolidate our position in the evolving banking landscape by driving the full implementation of our strategic imperatives to strengthen our balance sheet, improve asset quality and leverage emerging technologies, including big data analytics and artificial intelligence, to increase engagement with our existing and prospective customers. We subsequently developed an array of digital products that are simple and easy to use and have helped position us as strong contenders in the new digital ecosystem. Our critical goal is to achieve the convergence of all our channels to deliver a seamless customer experience and exponentially scale up customer acquisition and transactions at a lower cost to serve.

I am happy to inform you that we are on track on all the initiatives and the digital journey has commenced with the launch of our digital chatbot, Temi, which provides a new channel for customer interactions with a human touch. We have also implemented a micro-lending platform to automate and scale risk asset deployment in our target market and launched our Hub One platform, a co-creation hub for digital innovation incubation to drive digital sustainability. In addition, the new digital app that will form the nucleus of our strategy to enhance customer experience is almost at the launch stage. We are building a mobile-first Financial Services Group and all major aspects of the digital projects are on track to either be completed or fully rolled out early in 2019.

Commercial & Retail Banking Group

Continued

Looking at the macro-economic environment, the first half of 2018 was volatile, which weighed on capital, asset quality and credit expansion, with key economic indices indicating a weak and fragile recovery from the recession. As a result, businesses dealt with tight margins on the back of moderating consumer prices, slow volume growth and high production cost. This situation, however, improved marginally towards the second half of the year as inflation gradually eased and the improved availability of foreign exchange restored some stability. However, these factors were not strong enough to galvanise the real sector back to sustainable growth.

Despite these trends, the Bank recorded a Profit before Tax (PBT) of ₦14.2 billion for the year 2018, representing a 63% growth compared to ₦8.7 billion recorded in 2017. This performance can be largely attributed to the increased focus on growing our non-interest income base, while cautiously weighing down cost elements. While net interest income remained relatively flat as we continued to sustain our balance sheet optimisation strategy, we gained significant traction by leveraging our digital play to boost non-interest revenue by about 16% from ₦14.5 billion in 2017 to ₦16.8 billion in 2018. This growth was largely driven by the increased patronage of our *329# USSD channel and growing adoption of the mobile apps, which drove our electronic fees and commission income to ₦8.3 billion in 2018, a 45% increase from the ₦5.7 billion reported in 2017. We believe these are early signs of greater things to come from this class of revenue streams as we continue our customer acquisition drive, focus on expanding our transacting customer base and ensure seamless onboarding experience on our platforms.

We sustained our moderate operating expenses and impairment growth posture, recording a 9% growth in overhead costs from ₦66.8 billion in 2017 to ₦73.1 billion in 2018. This increase was mainly due to the huge investment we made during the year on human capital development and IT-related spending to support the digital transformation drive, marketing to sensitise customers to our new digital product offerings and increased regulatory charges, specifically the AMCON levy. On the other hand, we recorded a 38% decline in our net impairment loss from ₦22.6 billion in 2017 to ₦13.9 billion in 2018, driven by the revised risk management framework introduced in 2017, while also aggressively driving recovery.

Overall, our balance sheet grew 19% from ₦1.17 trillion in 2017 to ₦1.39 trillion in 2018 as we continued to strengthen and optimise our balance sheet. Deposit volume grew 19% from ₦692 billion in 2017 to ₦825 billion in 2018, with about 71% of the deposit growth coming from low cost deposits, thus positively impacting our funding costs. Risk asset volume, on the other hand decreased marginally by about 5% from ₦649 billion in 2017 to ₦616 billion in 2018, as we made progress with the strategy to cautiously grow our loan book.

Business Segments

On a segment basis, our personal banking business continued to show resilience, growing its net revenue by about 3% from ₦38.2 billion in 2017 to ₦39.3 billion in 2018, despite the decline in risk asset volume during the year compared to 2017, as the bank continues to realign its customer segment focus in line with its risk management strategy. Low cost growth of 25% and fees and commission growth of 13% augmented the gap in asset revenue. Personal banking grew its customer base by over 788,000 in 2018 and an array of digital products were added. Most notably, our *329# USSD mobile banking channel recorded more than 1200% growth in transaction count, with transaction volume growing 1600% from ₦46 million in 2017 to ₦759 million in 2018. Other positives include robust customer engagement throughout the year and a revamped premium banking segment proposition.

Our small and medium enterprises (SME) business also showed remarkable improvement, growing net revenue by about 10% from ₦26.9 billion in 2017 to ₦29.6 billion in 2018, with attributable segment profit growing by over 100%. The segment's performance was impacted by the renewed asset reallocation strategy to diversify the books and optimise returns, which resulted in a scaling down of asset size in some sectors for reallocation to more promising sectors.

This was also augmented with the increase in transaction income and low funding cost benefit from the renewed liability drive, which resulted in a low cost deposit growth of about 20% over the period. We are gaining some reallocation momentum and are confident that with the successful roll-out of the new SME App and diversification into new markets, including women in business, the agricultural value chain and creative industries, we will ramp up more rapidly in 2019.

On the other hand, we scaled down transactions in our wholesale banking segment through a reduction in the risk exposure within the corporate and institutional banking segments. Nonetheless, the Bank will keep a close watch on our wholesale banking exposure, while intensifying our liability led transaction mindset to ensure that we continue to operate profitably in this segment.

Overall, our prudential ratios improved significantly within the year with the capital adequacy ratio closing at 15.8%, above the regulatory limit. While the balance sheet remains very liquid to withstand any shock at 49.0% in 2018 versus 35.3% in 2017. Funding cost stood at 5.9% in 2018, as against 6.8% in 2017, on the back of aggressive liability generation. The cost of risk also declined to 1.4% in 2018 compared to 3.1% in 2017. Shareholders also have cause to cheer, with the return on equity improving to 7.5% in 2018 from 4.5% in 2017. Our non-financial indices, including the customer advocacy and likelihood index, the Net Promoter Score, continued on a positive trend with the Bank retaining its 'Top 5' position across key segment categories in the KPMG customer satisfaction survey.

Subsidiaries

The performance of our subsidiary is also something to cheer. You will recall that in 2017, we cited ongoing efforts to seek a retail banking license to strengthen our FCMB UK franchise. I am delighted to inform you that this came to fruition in 2018. FCMB UK has received the required license that permits it to mobilise retail deposits and launch products targeted at the global Nigerian community. With this new status, the subsidiary has started off on a promising note with a 42% growth in PBT from ₦0.3 billion in 2017 to ₦0.5 billion in 2018. Its balance sheet size also increased by 80% from ₦47 billion in 2017 to ₦85 billion in 2018. FCMB UK is set to consolidate this position in 2019 and will be leveraging other Group resources to roll out various products to gain appreciable market share.

Outlook

Going into 2019, we expect economic activity to remain slow as the impact of the electoral process clouds the first half of the year. This situation is, however, expected to improve considerably in the latter half of the year. We will intensify efforts to ramp up our digital footprint to effectively engage our large customer base, offering innovative services that will drive convenience and foster brand affinity through collaboration with third parties.

We will continue to pursue the full realisation of our strategic priorities, optimising our technology investment towards building the efficient and agile organisation we envision. We will also sustain our retail momentum to continue growing liability in the personal banking space and exploring new SME markets, including the creative industry, sustainable energy and women in business segments. We will also be playing strongly across the agricultural and SME value chain, where we have spent considerable time studying the market and now have a good grasp of the opportunities to sustain our growth trend

Commercial & Retail Banking Group

Continued

in 2019. Our transaction-based propositions will continue to be top notch. Overall, we will build a Bank of the future that is customer-centric, while unravelling new revenue streams to compete favourably in the emerging landscape.

Conclusion

I sincerely appreciate the hard work and resilience demonstrated by the entire staff, which has led to all we achieved in 2018. Our efforts to date will be in vain if we fail to sustain our momentum in 2019 – thus, we will continue to efficiently harness the skills, knowledge and dedication of our people to drive sustained success. I also extend heartfelt thanks to all the board members for their unwavering guidance through the year and to our esteemed shareholders for the trust placed in us. Above all, we return all glory to the Almighty God for making 2018 a success.

Once again, on behalf of myself and the entire executive management team, I wish you all a prosperous 2019.

Adam Nuru
Managing Director and Chief Executive Officer

FCMB Microfinance Bank Limited's

Business Performance Highlights

Consolidation – 2018

The 2018 financial year witnessed the consolidation of the Group's lending business under the Oyo State-licensed subsidiary FCMB MFB Limited, with a resultant year-on-year growth of 180% in branch outlets, from five in 2017 to 14 in 2018. In furtherance and deepening of the Central Bank of Nigeria's (CBN's) initiatives on financial inclusion, the business established four of the new branches in peri-urban towns (Shaki, Oyo, Ogbomosho and Iseyin) outside the Oyo State capital, as the policymaker holds this as a tool for reducing exclusion from financial services and as a vehicle for economic development, particularly in the areas of poverty reduction, employment generation, wealth creation and improving welfare and general standards of living.

There was a positive shift in profitability momentum as the business closed the year with a PBT of ₦42.5 million, as opposed to the loss position of (₦15.6 million) recorded in 2017. Total assets grew by 177%, from ₦158.8 million in 2017 to ₦439.5 million in 2018. The loan portfolio balance grew by 297% (₦274 million), from ₦92.2 million in 2017 to ₦366 million in 2018, due to our deliberate strategy to boost our market penetration of the bottom of the pyramid through loan disbursement, which increased by 316%, from ₦228 million in 2017 to ₦949 million in 2018. The quality of the loan assets stood at 1.5% (i.e. portfolio at risk – loans with past due obligations of one day and above) while the non-performing loan (NPL) was 0.96% as at year-end 2018. On the other hand, the deposit portfolio grew by 411% (₦156 million), from ₦38 million in 2017 to ₦194 million in 2018.

To strengthen our value creation and delivery of financial services to the unserved market, the bank introduced three new savings products ('Beta Savings', 'Fixed deposit' and 'My Child & I') and one new loan product (Individual special loan) to improve savings culture and standards of living, and to transform and empower marginalised groups through the financing of micro-productive activities.

In line with its social goals, the business embarked on a largely impactful educational support initiative within its immediate business communities through the donation of stationery and school bags to public school pupils. The business also organised a financial education and customer forum in Ibadan to enlighten and appreciate loyal customers.

To boost the organisation's determination to remain a key player in the digitalisation of the microfinance sector, customised debit cards (with customers' pictures and names embossed) were rolled out in 2018. The first phase of the workflow process to improve the internal loan processing system was introduced in the last quarter of the year.

Going forward, the business is at an advanced stage of implementing digitalised social lending products to open the space for a new unbanked segment through a mobile lending proposition targeted at artisans and students for quick loan offerings. These offerings are expected to be delivered within the first half of 2019.

It is worthy to note that the CBN's recent increase of the share capital requirement for a National MFB, from ₦2 billion to ₦5 billion in 2018, may delay the actualisation of our planned National MFB status. However, the business is poised to deliver qualitative returns to its stakeholders while in pursuit of the National licence. We expect a significant improvement in our performance in 2019 with a better return projected at a PBT of ₦120 million.

Adetunji Lamidi
Managing Director
FCMB Microfinance Bank Limited

Commercial & Retail Banking Group

Continued

Credit Direct Limited's

Business Performance Highlights

Credit Direct Limited (CDL) is a non-bank financial services company founded over 11 years ago, operating as a structured unsecured consumer lender in Nigeria. CDL has consistently remained ahead of the competition and operates in 26 of Nigeria's states, and has an active customer base of over 250,000 workers in both public and private sector spaces.

2018 Performance – Positive Growth Path

2018 witnessed a gradual economic recovery in Nigeria after its most recent economic recession. Although several lending companies saw a spike in non-performing loans (NPL) in 2016, which eroded profitability until 2018, CDL recorded a significantly improved performance in 2018.

In the year 2018, we achieved new heights and won a few awards

- Highest loans disbursement in a single day, single month and financial year since our inception.
- Recognised as the industry leader in innovation and best in leadership at Business Day's Banks and Financial Institutions Awards 2018.
- We moved into our state-of-the-art corporate headquarters, commissioned by the FCMB Group's Founder (Otunba Michael Olasubomi Balogun) and CDL's Founder/Chairman and Group Chief Executive of FCMB Group Plc (Mr Ladi Balogun).

Below are some key performance highlights of 2018

- Return on assets rose from 8% in 2017 to 15% in 2018.
- Return on equity jumped from 22% in 2017 to 41% in 2018.
- NPL declined from 16% in 2017 to 4% in 2018.
- Disbursements grew by 60% in 2018.

Outlook for 2019

Despite forecasted economic challenges, the year 2019 looks promising. We are working to launch more diversified offerings that will empower customers to access loans through multiple channels and invest with us, depending on financial needs and preferences.

2018 marked the start of a journey to become Nigeria's largest fintech lender; and in 2019, we will continue on this path by optimising customer reach and experience. We are set to unveil our bespoke and best-in-class technology that will allow us to deepen our Nigerian market and explore Pan-African opportunities.

We will continue to be the preferred consumer lending company in the industry through ways and means that are beneficial to the average customer and the Nigerian economy at large. The future is for those who plan and act on their plans, and at CDL we are constantly looking ahead and preparing for the future.

Akinwande Ademosu
Managing Director
Credit Direct Limited

Asset & Wealth Management Group

FCMB Pensions Limited's

Business Performance Highlights

In August 2018, the FCMB Group further consolidated its holding in the PFA by increasing its stake from 88% to 91%. Subsequently, the company name was changed to FCMB Pensions Limited, to strategically align with and leverage the Group brand.

As at 31 December 2018, the PFA had 409,850 registered contributors from both private and public sectors, and assets under management (AUM) totalling ₦273 billion.

Financial Highlights

FCMB Pensions Limited continued its strong performance despite the tough and highly competitive environment. AUM grew by 16.3% to ₦273 billion, while profit before tax (PBT) grew by 28.07% to ₦1.46 billion. In spite of challenges, we reined in expenses. Cost-to-income ratio thus reduced significantly from 61% in 2017 to 55% in 2018.

The Company's balance sheet grew by 15% during the year, closing with a total assets, contingents and shareholders' fund of ₦4.450 billion, compared with ₦3.86 billion in 2017. Furthermore, the return on average assets and return on average equity for the year closed at 25% and 32%, respectively.

The challenges did not abate. The economy remained sluggish with little new employment in both public and private sectors. Job losses continued, albeit at a lower rate, while the onslaught from insurance companies selling life annuities exacerbated. Arrears of contributions for several months continued, in both private and public accounts.

Outlook for 2019

We remain optimistic about 2019, as we increase leverage on the FCMB brand and Group synergy. We will be operating in closer alignment with the Group, especially the sales force of the Bank. Together with FCAM, and CSL Trustees, we have a three-year (2019–2021) Wealth Management Strategy. Our revamp of the Lagos and South West market has begun to yield fruit. We have similar plans for the South South and South East, and are confident of improved performances from these regions in 2019.

On the macroeconomic side, we expect the indices to improve towards the middle of the year, at the end of the 2019 elections. We believe successful elections coupled with improved oil prices will remove uncertainties. The anticipated increase in minimum wage should also boost contributions into RSAs.

We are now better positioned to deliver more value to the Group, by fully leveraging the FCMB brand, the Group's technology and its distribution channels, as we seek new opportunities particularly in the South.

Misbahu Yola
Managing Director
FCMB Pensions Limited

Asset & Wealth Management Group

Continued

CSL Trustees Limited's

Business Performance Highlights

CSL Trustees Limited is the security agent and a wholly owned subsidiary of FCMB Group Plc. We are licensed by the Securities Exchange Commission to carry on the business of trust services. We have strived since inception to create a niche in the industry as a leading service provider. As trustee and security agent, we have within the period being reported on rendered services to corporate, public and individual clients.

We have also developed specific products to meet our clients' needs and have a client base extending both locally and offshore across various economic sectors, which include manufacturing, shipping, oil and gas, information technology and real estate, among others.

2018 – A depressed performance

Despite the country's exit from recession, the economy witnessed a number of challenges, both social and political. These challenges have had devastating effects on the economy, and the capital markets in particular. The company performed below expectation, recording a reduction in revenue and profit in the year under review.

However, we have increased our client base in corporate trust through efficient service delivery and this became our major income driver for the year.

Major highlights included the following

- Revenue declined by 19% from ₦300 million in 2017 to ₦244 million in 2018.
- Profit before tax decreased by 26% from ₦184 million to ₦137 million.
- Return on equity reduced from 30% in 2017 to 21.5% in 2018.
- Shareholders reduced from ₦523 million to ₦485 million, representing a reduction of 7%.
- Total assets grew from ₦2.5 billion to ₦3.4 billion, an increase of 37%.

Outlook for 2019

The first half of 2019 will most likely be devoted to elections and installation of new governments at both state and federal levels. Consequently, there may not be any serious attention paid to the economy until the second half of the year. The primary focus of the Company will be the implementation of the Wealth Management Strategy for 2019–2021. Strategy initiatives will include:

- a change of name from CSL Trustees to FCMB Trustees;
- branding to align with FCMB Group and improve visibility;
- digital innovation to improve service offerings and products; and
- generating at least ₦5 billion in assets under management within the strategy period.

Conclusion

We appreciate our clients for their patronage and the confidence reposed in us. We also thank the Board for the quality leadership and support.

Samuel Adesanmi
Managing Director
CSL Trustees Limited

First City Asset Management Limited's

Business Performance Highlights

First City Asset Management Limited is the Group's asset management arm, providing portfolio management services to local and international investors.

2018 – Laying the Foundation for Transformational Growth

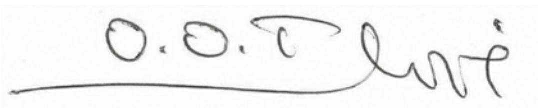
After contracting by 1.58% in 2016, economic activity grew by 0.82% in 2017, and by 1.81% year-on-year in Q3, 2018. Domestic debt was 70.50% of the ₦22.43 trillion (US$73.21 billion) public debt stock, as at Q3, 2018. Also, Nigeria raised US$5.40 billion through the issuance of five USD Eurobonds, at coupons of 7.143% to 9.248%. Despite a fall in headline CPI, from 16.50% in 2017, to 12.10% in 2018, the CBN left the Monetary Policy Rate at 14%. Also, the yield on the 364-day treasury bill rose by 1.03%, to 17.34%. In the equity market, the NSE All-Share Index fell by 17.81%, to close at 31,431 units, with a PE ratio of 9.57x.

In 2018, we aimed to further diversify our revenue base through increased product offering and strengthening our marketing and sales capabilities. Assets under management (AUM) grew by 68%, to ₦41.37 billion. We launched two mutual funds, Legacy USD Bond Fund, which recorded an over-subscription of 144.44%, and Legacy Money Market Fund. Also, we won the 2018 NSE CEO Award for the Fund Manager with the Largest Listed Fund Size. In addition, the credit quality rating of our fixed income mutual fund, Legacy Debt Fund, was upgraded from A(f) to A+(f) by Agusto & Co.

Outlook for 2019

We believe that the Naira weakening, higher inflationary pressure and monetary policy tightening are not unlikely outcomes for 2019. The expected exercise of call options on some Nigerian USD Eurobonds, coupled with a lack of new issue, will support higher prices. In the equity market, we expect the index to generate a positive return.

As part of improving our business development capabilities, we plan to rebrand and provide investors with more and simpler ways of investing in our products. Under our digital transformation strategy, we intend to launch a customer on-boarding portal. Also, investors will be able to access our products through the FCMB Purple Plus mobile application. The attainment of these goals should impact positively on both AUM and revenue and reduce our operational costs. We will continue to offer investors different ways of diversifying portfolio risks across asset classes, markets and currencies.



James Ilori
Chief Executive Officer
First City Asset Management Limited

Investment Banking Group

FCMB Capital Market Limited's
Business Performance Highlights

FCMB Capital Markets Limited is the investment banking subsidiary of FCMB Group Plc and provides financial advice to leading companies and public institutions in Nigeria, with a track record of advising on and executing landmark transactions. Our services include arranging debt and equity finance; project and structured finance; mergers, acquisition and disposals; and strategic advisory, including balance sheet and corporate restructuring.

2018 Review

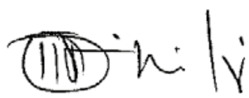
Nigeria's economic recovery was gradual in H1 2018; we saw the macro indices stabilize during this period. A series of intervention funding initiatives from the Central Bank of Nigeria and other development finance institutions, coupled with the sustained foreign currency stability and liquidity, eased the operating environment for the 'real sector', thereby contributing to the general improvement for businesses across major sectors in 2018. This kept the economy on a growth path in the first half of the year. However, there was a slowdown in Q3 and Q4 2018 largely due to uncertainties regarding the 2019 elections, and the fall in global oil prices and a reduction in Nigeria's oil production. The Federal Government was able to keep the foreign exchange market stable and grew the foreign currency reserves. There was a dampening of activities in the Nigerian capital market thereby contributing to a relative slowdown in transaction activity, especially in the debt and equity capital markets space.

Despite the market and other challenges, the company was able to execute sufficient mandates in 2018, including the following: buy and sell side merger and acquisition advisory transactions to notable oil and gas companies in Nigeria; the first commercial paper issuance for a downstream oil and gas company in Nigeria; bond issuance for one of Nigeria's leading fast-moving consumer goods companies; bond issuance for a mid-sized commercial bank resulting in 164% subscription; and financial advisory services to a prominent quick service restaurant in Nigeria.

Outlook for 2019

We enter 2019 with cautious optimism regarding the prospect of sustained economic growth, given the plethora of global and domestic uncertainties that will impact Nigeria's economy. One of the major factors remains the apprehension regarding the upcoming elections, which may continue to limit capital inflows and investments, subduing economic activities in Q1 2019, and possibly into Q2 2019, if the elections are not seen as free and fair. We also anticipate that foreign direct investments and institutional investors' strategies will be affected by global economic uncertainties, such as the US and China trade agreements and Brexit. The nation's foreign currency reserves will be impacted negatively by the lower revenue from crude oil sales and liquidity pressure driven by the country's current high debt service to revenue ratio.

We, however, expect a gradual pick-up of economic activity as political uncertainties dissipate and policy direction becomes clearer in H2 2019. We will be paying particular attention to the agro-allied industry, where we see the significant operators making capital investment. We expect that post-election stability will lead to an increase in capital inflows from foreign investors, which will provide a myriad of advisory opportunities for businesses seeking inorganic growth, or to raise capital to fund their organic growth and expansion plans, or to rearrange their current capital structures. We remain committed to providing advisory and financing solutions on ongoing and new transactions.



Tolu Osinibi
Executive Director
FCMB Capital Markets Limited

CSL Stockbrokers Limited's
Business Performance Highlights

2018 was challenging for markets as factors such as the Sino-American trade war, emerging market currency crisis, policy normalisation in developed markets and concerns about global growth weighed on investor sentiments. This was reflected across key emerging and frontier markets as the MSCI Emerging Market Index and MSCI Frontier Market Index posted negative returns of 17.0% and 16.0%, respectively. Nigeria was not spared as the All Share Index (ASI) closed the year 17.8% lower. Trading activity on the NSE also recorded a decline of 5.8% from ₦2.54 billion in 2017 to ₦2.40 billion on the back of a net outflow of ₦66.2 billion by foreign investors.

The value of trades recorded by CSL in 2018 was ₦238.9 billion, representing a decrease of 30.6% from the ₦312.0 billion recorded in 2017. The decline in the value of transactions was largely down to dampened appetite for risk instruments among our foreign clients. However, we maintained our position as the third-ranked stockbroker both in terms of volume and value traded, while our market share stood at 9.9%. Consequently, total revenues for the year stood at ₦1.25 billion compared with ₦1.15 billion in 2017, while PBT was ₦434.2 million (2017: ₦396.2 million). While offshore client activity weakened, local clients' activities recorded significant growth, which was driven by increased engagement with pension fund clients and increased trading by retail clients on our online platform.

Outlook for 2019

Along with external macroeconomic factors, the general elections in February will make Q1 a challenging quarter; however, a peaceful outcome will ensure the return to a degree of normalcy in local financial markets. Nonetheless, we anticipate limited growth in local equities in the short term, and we will therefore be deploying resources towards developing the capabilities required to offer other types of assets to our client base. This will be driven by a significant investment in digital technology and product development targeted at acquiring a larger, more diverse client base and in order to lay the foundation for sustainable long-term profitability.

Abiodun Fagbulu
Managing Director
CSL Stockbrokers Limited

Sustainability Report

Sustainability in FCMB

Sustainability is an integral part of our business model that helps us understand and effectively manage the environmental, social and economic risks around our business. It supports our search for sustainable investments, which is vital for driving inclusive growth and economic empowerment within our host communities.

Beyond this, the Nigerian Sustainable Banking Principles (NSBPs) adopted by the Bankers' Committee of the Central Bank of Nigeria (CBN) provides a standardised framework that guides inclusive business practices in the industry.

Our Business Activities: Environmental and Social Risk Management

As a leading brand, FCMB continuously improves on its lending processes to meet global best practices in Social and Environmental Risk Management. The Bank provides lines of loans to Business and Corporate Banking customers through efficient screening evaluation processes. An integral part of this is working with its Social and Environmental System (SEMS) checklist with a focus on due diligence and the identification of Climate Smart Businesses (CSBs).

Our Business Operations: Environmental and Social Footprint

Our success stories this year include:

- 27 branches and 78 ATMs currently run on solar energy, compared to 18 branches and 48 ATMs last year;
- ISO 45001 certification on Occupational Health and Safety;
- Vendors' Forum on best practices in supply chain management, with over 50 major vendors in attendance.
- Customer adoption of alternate banking channels (such as mobile banking) increased to 75%, up from 40% in 2017;
- Deepened investment in digital communications tools to encourage more online meetings, electronic learning, etc., leading to reduced travel and fuel costs.
- Fully operational bank-wide "7:00pm lights-out" policy led to a reduction in the Bank's CO_2 emissions and diesel consumption compared to 2017, as recorded in the energy audit efficiency exercise carried out at the head office and its extensions.

Women's Economic Empowerment

At FCMB, empowering women is one of our core principles. In 2018, 42% of our workforce were women (see Figure 1 below), with 40% female representation on the Board of Directors. Also, six of the Bank's 15-member Executive Management Committee are women.

To support women in business, the Bank has hosted various forums and seminars to provide business education, financially support women and promote the education of girls to level the business playing field.

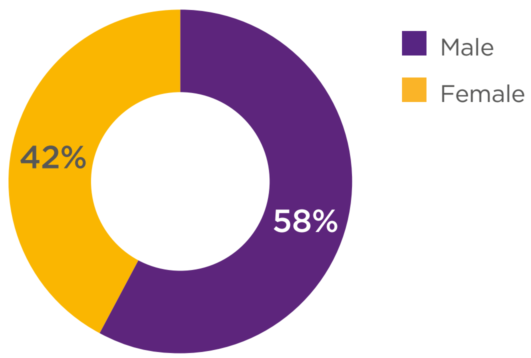


Figure 1. Executive Management Committee 2018

Financial Inclusion

To further deepen its role in driving financial inclusion, the Group consolidated its micro-lending business, FCMB Microfinance Bank Limited, in 2018. The number of dedicated microfinance branches increased to 14 (versus 5 branches in 2017), with a presence in 62 FCMB branches in 13 states of the Federation. In 2018, ₦153 billion was disbursed in micro-loans to over 140,000 clients (versus 110,000 in 2017), with women representing about 97% of the beneficiaries.

Also, one new loan product (individual special loan) and three new liability products (BETA Savings, fixed deposit and My Child and I) were introduced to reduce the cost of funding and increase market share. Currently, the Agent Banking network is comprised of 520 Fixed Agents, with a target of growing to 1,900 Agents in 2019.

FCMB seeks to broaden the reach of its financial services to the unbanked and underbanked population through technology-driven alternate channels to minimise the need for them to visit branches.

Capacity Building

FCMB continues to invest in the human capital development of its employees and customers. In 2018, the Bank was voted a "Great Place to Work", for its commitment to creating the right work environment for its staff. The following initiatives were also executed:

- Three Business Empowerment Sustainability Training (BEST) sessions in Abuja, Lagos and Port Harcourt with a combined attendance of over 1,000 SME beneficiaries.
- A Forum on "Best practices in supply chain management" for the Bank's major vendors.
- Online courses and location-based Knowledge Improvement Programmes designed to train employees on relevant business areas.
- Human capital investment grew from 4,050 employees in 2017 to 4,615 in 2018 with regards to training.

Awards and Recognition

- **"The Best Company on SME Development,"** Sustainability, Enterprise and Responsibility Awards (SERAS), December 2018.

Reporting

FCMB is fully compliant with the CBN's bi-annual report requirements in line with the NSBPs. Equally, the Bank submits periodic reports to the International Finance Corporation (IFC), United Nations Global Compact-UNGC and the Netherlands Development Finance Company-FMO. We also create internal quarterly reports on sustainability and specific environmental management.

Community Initiatives and Specific Engagements in 2018

Our Corporate Social Responsibility (CSR) focus remains on economic empowerment, environmental sustainability and poverty alleviation, while also supporting other high impact projects.

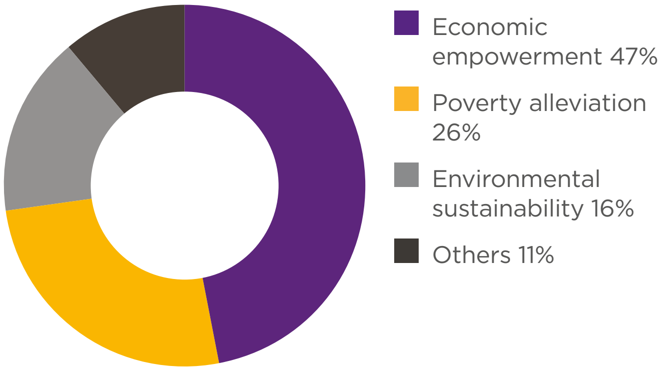


Figure 2. CSR expenses in 2018

ECONOMIC EMPOWERMENT

ReadySetWork

Reinforcing our commitment to youth empowerment, FCMB sponsored and participated in the ReadySetWork (RSW) programme, an employability and entrepreneurship initiative of the Lagos State government. This involved training 1,000 graduates from different tertiary institutions in the State. After a 13-week programme, the students were assigned to various organisations as interns.

By providing market-aligned knowledge, soft skills and business tools, RSW prepares participants for entry into the workforce as employees or employers.

Dare to Dream

Since 2014, FCMB has partnered with Kinabuti, a Nigeria-based Italian fashion company, to power one of Nigeria's most anticipated fashion empowerment initiatives, "Dare2Dream". In its fifth season, the initiative has paved the way for young Nigerians seeking a career in fashion and creative industries to achieve their dreams.

Sustainability Report

Continued

Youth Entrepreneurship and Empowerment Programme

FCMB sponsored the Youth Entrepreneurship and Empowerment Programme (YEEP) with the objective of promoting entrepreneurship. This programme provides a platform for youth corps members to develop and deploy their business skills through a training and advisory session facilitated by industry experts. At the end of the programme, 3,000 entries were received and a total of ₦2.7 million was given to 32 corps members to support their business ideas.

Also, through Flexx Masterclass sessions in seven tertiary institutions nationwide, FCMB impacted more than 20,000 students through practical classes to stimulate a shift in thinking toward entrepreneurship. The Bank offered ₦100,000 grant for each of the top 10 business ideas.

Tech Ecosystem Funding

Through collaboration and partnerships with key industry players, FCMB has strategically positioned itself to support the increasingly important technology ecosystem.

In 2018, FCMB sponsored the Secure Lagos Hackathon, organised by the Lagos State Employment Trust Fund (LSETF). The top two teams with the best-judged security solutions received a combined grant of ₦5 million. The Bank also sponsored "Tech-in-Heels" a competition for 10 women-owned tech start-ups to pitch their solutions to an array of tech investors for potential investment and mentorship.

Green Energy Empowerment for Women

FCMB kicked off Phase 1 of its Green Energy Empowerment Scheme for women in Ikorodu, Lagos State. Through access to microfinance loans, the beneficiaries were supported to start businesses. The first set of 200 women received training, as well as bio-gel powered cooking stoves and bio-gels to commence trading. The initiative also promotes community health as the gel generates a fragrance that is harmless to humans but proven to kill mosquitoes.

FCMB Flexxtern Initiative

To tackle youth unemployment, FCMB's Flexxtern initiative provides internship opportunities in reputable organisations for young Nigerian graduates. Currently in its third year, the Flexxtern programme offers young and smart graduates the opportunity to gain first-hand experience in the corporate world. In the 2018 edition, 25 Flexxterns emerged from over 100 participants.

Skill Acquisition for Youths

FCMB partnered with the non-governmental organisation SOCASEMP to equip 350 youths in the Eti-Osa Local Government of Lagos State with vocational skills such as fashion, creative design, catering, decorations, photography and painting, performing arts and music, dance and acting, etc. The four-week intensive training was geared towards Skill Acquisition, Youth Leadership and Entrepreneurial Training (SAYLET).

Empowered for the Future

FCMB in partnership with Youth Empowerment Foundation (YEF) commenced the second edition of "Empowered for the Future (E4F)", a 12-month programme designed to empower youths in Lagos State.

The project directly impacted 50 youths who have graduated from secondary school. In turn, each beneficiary is expected to reach out to 750 peers with information on:

- Financial services strategies: microcredit, youth savings initiatives and financial literacy;
- Employment strategies: vocational training, job shadowing, start-up/entrepreneurship skills and initiatives focused on school-to-work transition; and
- Life-skills and social support strategies: creating social networks and providing reproductive health and gender equity training.

"Winning with Waste" Initiative

To create awareness in children about the need to protect the environment, FCMB partnered with the Shred Station to visit schools and enlighten the students on the dangers that burning poses to the environment. We demonstrated a safe, environmentally friendly, efficient and internationally accepted method of document destruction (mobile shredding), as well as recycling processes for various useful household products. Over 500 school children were impacted by this programme.

ENVIRONMENTAL SUSTAINABILITY

LASPOTECH Flexx Hub Commissioning, Landscaping and Beautification

As part of activities marking the launch of the FCMB Flexx Hub in LASPOTECH, the Bank sponsored the beautification of the school's gate. By enhancing the quality of their environment, the Bank deepened its relationship with its youth customers in the citadel of learning.

Central Business District Cleaning Project

Since 2016, we have partnered with the Lagos State Government central business district (CBD) on the "Cleaner Lagos Initiative" to clean the Tinubu/Marina axis of the CBD. FCMB provides monthly salaries, equipment and apparel for the cleaners who ensure that the environment remains neat and tidy.

2018 World Environment Day (WED) Celebration.

In line with the 2018 WED theme "If you can't re-use it, refuse it", the exhilarating event saw 400 pupils from 20 schools in Lagos participate in a competitive exhibition of beautiful items made from plastic waste. The programme was designed to enlighten Nigerians in their formative years on the importance of taking proactive action around the recycling of plastic and plastic-related waste.

POVERTY ALLEVIATION

Priceless Gift of Sight

FCMB continued its support of the Tulsi Chanrai Foundation's "Priceless Gift of Sight" initiative to combat avoidable blindness. Through primary surgical intervention, eye testing and glasses, the initiative alleviates the sufferings of visually impaired Nigerians who would otherwise live with blindness and the resultant poverty. Since 2009, FCMB has sponsored over 10,000 surgeries, with 400 surgeries carried out in 2018. Over 2,000 outpatients were screened during outreach activities in Kebbi and Cross River states.

Prosthetic Limbs to the Physically Challenged

The Bank partnered with Ishk Tolaram Foundation and donated 50 artificial prosthetic limbs to the physically challenged in Enugu, giving the individuals the confidence to lead meaningful and productive lives. Training on how to use the limbs and gait exercise was also carried out.

Solar-Powered Lanterns Donation

To enhance learning and reading culture even in challenging environments, FCMB partnered with Green Energy Biofuels Limited to provide solar-powered lanterns to 6,000 secondary school students in Kaduna State.

Supporting the Less Privileged Children

Since 2007, FCMB has continued to support Bethesda Child Support Agency (BCSA) by giving scholarships to less privileged children. Our support has contributed significantly to the academic progress of the beneficiaries, and to date, we have impacted the lives of more than 500 children.

FCMB renovates and donates to the Girl Child

To mark the 2018 International Women's Day, FCMB renovated and donated equipment to the Home Economics Centre at Ebute Metta. This centre serves over 900 girls from primary schools located in the community.

Sustainability Report

Continued

OTHERS

Financial Literacy/World Savings Day Celebration

Since 2015, FCMB has participated in the annual CBN/Bankers' Committee-led Financial Literacy Day and World Savings Day initiatives, in commemoration of Global Money Week. The goal is to teach young people the fundamentals of financial literacy, reinforce the need for a healthy savings culture and equip them with basic entrepreneurial/livelihood skills. The Bank has impacted nearly 600,000 young Nigerians in secondary schools.

Race Against Cancer

FCMB participated in the fifth edition of The Nigerian Stock Exchange (NSE) Corporate Challenge. Over 1,000 runners from more than 170 listed companies participated in the competition designed to drive awareness about cancer and raise funds for the purchase of 37 Mobile Cancer Centres (MCCs) to kick cancer out of our communities.

CORPORATE CITIZENSHIP

As a responsible corporate citizen, FCMB adopts a sustainable approach to business through principles infused in every aspect of our stakeholder engagement. Beyond the provision of financial services, we have continued to deepen our involvement in the socio-economic well-being of our stakeholders through various initiatives.

Corporate Governance

Board of Directors

Mr Oladipupo Jadesimi
Non-Executive Director (Chairman)
Date of commencement of appointment:
27 December 2017

Mr Ladi Balogun
Executive Director (Group Chief Executive)
Date of commencement of appointment:
14 March 2017

Mr Peter Obaseki
Executive Director (Chief Operating Officer)
Date of commencement of appointment:
1 July 2013

Mr Bismarck Rewane
Non-Executive Director (Independent)
Date of commencement of appointment:
19 November 2012

Alhaji Mustapha Damcida
Non-Executive Director
Date of commencement of appointment:
1 July 2013

Mr Olusegun Odubogun
Non-Executive Director (Independent)
Date of commencement of appointment:
1 July 2013

Mr Olutola O Mobolurin

Non-Executive Director

Date of commencement of appointment:
1 July 2013

Professor Oluwatoyin Ashiru

Non-Executive Director

Date of commencement of appointment:
23 December 2013

Dr (Engr) Gregory Omosigho Ero

Non-Executive Director

Date of commencement of appointment:
23 December 2013

Mrs Olapeju Sofowora

Non-Executive Director

Date of commencement of appointment:
27 December 2017

Board Evaluation Report

12 March 2019

The Chairman
Board of Directors
FCMB Group Plc
First City Plaza
44 Marina Lagos, Nigeria.

Report of the External Consultants on the Performance of the Board of Directors of FCMB Group Plc for the Year Ended 31 December 2018

DCSL Corporate Services Limited (DCSL) was engaged by FCMB Group Plc ("FCMB Group") to carry out an evaluation of the performance of the Board of Directors for the year ended 31 December 2018 in line with the provisions of **Section 2.8.3 of the CBN Code of Corporate Governance for Banks and Discount Houses, 2014 (the CBN Code), Section 15.6 of the Securities and Exchange Commission Code (the SEC Code), and Section 14.1 of the Nigerian Code of Corporate Governance (NCCG)** as well as global best practices on Corporate Governance. The appraisal entailed a review of the Company's corporate and statutory documents, Minutes of Board and Committee meetings, policies and other ancillary documents made available to us, the administration of questionnaires as well as interviews with the Directors and select members of the Executive Management team. To ascertain the extent of compliance with relevant corporate governance principles, and the performance of the Board in general, we benchmarked the Company's corporate governance structures, policies and processes against the provisions of the CBN, SEC and NCCG Codes as well as global best practices and considered the following seven key corporate governance themes:

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship
7. Transparency and Disclosure

Subsequent to the conclusion of the evaluation exercise, we confirm that the Company has substantially complied with the provisions of the CBN, SEC and the NCCG Codes of Corporate Governance, and that the activities of the Board and the Company align with corporate governance best practice. The Board's compliance with the CBN Code of Corporate Governance is commendable. We believe that the Board has set the right tone at the top and has continued to provide effective, efficient and ethically driven leadership for the Group. We also note the Board's implementation of the recommendations in our previous reports.

We recommend that the Board should prioritize the training and continuing development of Directors.

We have brought to the attention of the Board other areas that require improvement and are satisfied that the Board has taken due note of these.

Yours faithfully,

For: DCSL Corporate Services Limited

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

Corporate Governance

Commitment to Corporate Governance

FCMB Group Plc (the Group) remains committed to institutionalising corporate governance principles. It continues to adhere to the implementation of Corporate Governance Rules of the Central Bank of Nigeria, the Nigerian Stock Exchange and the Securities and Exchange Commission.

The Group's Board (the Board) operates in line with its responsibilities as contained in Regulatory Codes of Corporate Governance, the Company's Articles of Association and the Companies and Allied Matters Act. Its oversight of the operations and activities of the Company are carried out transparently without undue influence.

The Group has undertaken to create an institutional framework conducive to defending the integrity of our Directors, and is convinced that on account of this, the Group's Board is functioning in a highly effective manner. It is intended that we continue to challenge ourselves to improve in areas where the need for improvement is identified.

Board Composition and Independence

The Board is composed of 10 Directors made up of eight Non-Executive Directors and two Executive Directors, in line with international best practice which requires the number of Non-Executive Directors to be more than the Executive Directors.

The appointment of Board members is in line with the Companies and Allied Matters Act Cap C.20 LFN 2004, CBN Code of Corporate Governance, and the Company's selection criteria for Directors.

The Group's Board, led by a Non-Executive Chairman, is composed of individuals with enviable records of achievement in their respective fields and who bring on board high levels of competencies and experience. The Board meets regularly to set broad policies for the Group's business and operations and ensures that an objective and professional relationship is maintained with the Group's internal and external auditors in order to promote transparency in financial and non-financial reporting. Directors' emoluments, as well as their shareholding information, are disclosed in the Company's Annual Report and Accounts.

The Directors are guided by the Code of Conduct of the Central Bank of Nigeria for Directors and the Securities and Exchange Commission Code of Corporate Governance for Public Companies in Nigeria.

Changes on the Board

- Dr Jonathan Long retired from the Board of the Company effective 11 April 2018.
- Mr Martin Dirks retired from the Board effective 25 October 2018.

Board Selection and Appointment Process

The Board of the Company ensures a formal and transparent process for the selection and appointment of Directors to the Board. The Board Governance and Remuneration Committee plays a major role in the selection of candidates for appointment to the Board.

The process for appointing a Director includes the following:

- careful analysis of the existing Board's strengths and weaknesses, its skills, experience gaps and diversity considering the Company's current business priorities and future plans;
- identification, shortlisting and interviewing of candidates with the appropriate expertise and experience;
- conducting formal and informal background checks to ensure they are fit and proper persons to sit on the Board of the Company;
- discussing formally with prospective candidates the Board's expectations and the nominee's ability to make the necessary commitment;
- the appointment process is communicated to Board members and filed by the Company Secretary;

Corporate Governance

Continued

- external consultants may be engaged as appropriate to obtain an independent view and input into the appointment process;
- once the nomination is approved by the Board, the Company Secretary notifies the CBN in writing, seeking the CBN's approval to the appointment;
- upon approval by the CBN, the appointment and approval is communicated to the new Director in writing; and
- other required regulatory authorities are notified of the appointment in writing.

Existing CBN guidelines on appointment to the Board of Non-Financial Holding Companies in Nigeria shall continue to be applied.

The Guiding Principles of the Group's Code of Corporate Governance are 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 Group and shareholders;
- enhancing compliance with applicable laws and regulations and the interest of the stakeholders; where there is any conflict between the Group's rules, the local laws and legislation supersede;
- conformity with overall Group strategy and direction; and
- transparency and full disclosure of accurate, adequate and timely information regarding the personal interest of Directors in any area of potential conflict regarding Group business.

Role of the Board

- Investment and capital management, investor relations, Group financial and statutory reporting, articulation and approval of Group policies, setting overall Group strategic direction, monitoring and coordinating Group performance, succession planning for key positions on the Boards of the Group and operating companies.
- 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 the approved budget.
- Ensuring the integrity of the Group's accounting and financial reporting systems (including the independence of Internal 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 Group 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 Board.
- Ratifying duly approved recommendations and decisions of the Board Committees.
- Ensuring that the company has an effective internal audit and risk management system in place.

Board of Directors

The Board of Directors met five times during the year as noted below:

Board of Directors Meetings Held in 2018

	8 Mar 2018	26 Apr 2018	26 Jul 2018	25 Oct 2018	7 Dec 2018
Mr Oladipupo Jadesimi	✔	✔	✔	✔	✔
Mr Ladi Balogun	✔	✔	✔	✔	✔
Mr Peter Obaseki	✔	✔	✔	✔	✔
Mr Bismarck Rewane	✔	-	✔	✔	✔
Alhaji Mustapha Damcida	✔	✔	✔	✔	✔
Mr Olusegun Odubogun	✔	✔	✔	✔	✔
Mr Olutola O Mobolurin	✔	✔	✔	✔	✔
Mr Martin Dirks	✔	-	✔	N/A	N/A
Professor Oluwatoyin Ashiru	✔	✔	✔	✔	✔
Dr (Engr) Gregory O Ero	✔	✔	✔	✔	✔
Mrs Olapeju Sofowora	✔	✔	✔	✔	✔

Board Induction and Training

One of the focuses of the Group is to ensure capacity building at all levels. To this end, irrespective of the existing knowledge and experience of Board members, the Company ensures that training programmes are organised for Directors to improve their decision-making capacity and overall Board effectiveness. The Company Secretary is responsible for overseeing the induction of new Board members as well as overseeing the continuous training of Board members.

Induction for new Board members is essential in order to provide important information about the Company, Directors' roles and responsibilities and to help a new Director settle smoothly into the new role. This is to also ensure that Directors are adequately acquainted with the Board's purpose, responsibilities, practices, strategy and operations.

Furthermore, the induction programme is aimed at deepening Directors' understanding of the Company, and the environment and markets in which it operates. The programme may include formal/informal discussions with executive management, provision of reading materials or workshops.

The Company Secretary oversees the provision of additional training to Directors on a continuous basis to enable them to gain a broader understanding and knowledge of the Company and the regulatory and competitive environment in which the Group operates.

The Company encourages and supports other informal training programmes for Directors, such as subscriptions to industry journals towards building relevant skills and interactive sessions at Board meetings whereby an external facilitator or a specialist from the Group facilitates sessions in specific areas of interest.

Notwithstanding the Company's responsibilities, each Director has a personal responsibility to ensure that he or she remains current and up to date regarding the strategies and businesses of the Company as well as the industry and macro-economic environment in which it operates.

Re-election of Directors by Rotation

Pursuant to section 259 (1) and (3) of the Companies and Allied Matters Act, Cap C.20 LFN, 2004, three of the Directors are due for retirement by rotation and have offered themselves for re-election by the Annual General Meeting. They are Alhaji Mustapha Damcida, Mr Olusegun Odubogun and Mrs Olapeju Sofowora.

1. Alhaji Mustapha Damcida

Alhaji Mustapha Damcida has a diploma in Law from Ahmadu Bello University and a BSc in Business Administration from Robert Morris University, Pittsburgh, US. He is the Managing Director/Chief Executive of Damus International Limited, Damus Security Solutions Limited and Damson Properties Limited. He was a director at the Nigerian American Bank Limited between 2004 and 2005. Damcida joined the Board of FCMB Group Plc as a Non-Executive Director on 1 July 2013.

Corporate Governance

Continued

2. Mr Olusegun Odubogun
Olusegun qualified in 1974 as a Chartered Accountant and became a Fellow of the Institute of Chartered Accountants of Nigeria in 1975. He also belongs to several business and professional associations.

He started his career at Deloitte (previously Akintola Williams & Co) as a trainee accountant and through diligence, technical ability and uncompromising commitment to professionalism and excellence, he rose rapidly in the practice to become a partner in 1980.

Throughout his career, spanning over 40 years, he worked at Deloitte providing audit and advisory services to major Nigerian Banks and other financial institutions. He was responsible at different times for leading the audit and assurance, tax, insolvency and consulting practices of the firm, working with various clients in the private and public sectors of the Nigerian economy. He was elected the firm's chief executive officer in 2003, having held several executive positions in the firm from 1990. He retired in 2008 as the Chief Executive Officer, Deloitte West & Central Africa, a regional practice formed in 2006 under his leadership.

Olusegun is one of the foundation members of Business Recovery and Insolvency Practitioners of Nigeria. He is a foundation council member of the Chartered Institute of Taxation of Nigeria. He is also a member of the Institute of Directors as well as the Nigerian Institute of Management.

He joined the Board on 1 July 2013.

3. Mrs Olapeju Sofowora
Mrs Olapeju Sofowora is a fellow, Institute of Chartered Accountants of Nigeria (ICAN) and a member of the Chartered Institute of Taxation of Nigeria (CITN). She holds a Treasurers Dealership Certificate jointly issued by the Chartered Institute of Bankers of Nigeria (CIBN) and Money Market Association of Nigeria (MMAN), and is also a certified Information Systems Auditor. The Founding Partner of Abax-Oosa Professionals, a firm of Chartered Accountants, Mrs Sofowora has several years of professional work experience which cuts across Banking, Human Resources Consultancy, Tax Advisory, Finance and Accounting.

Mrs Sofowora joined the Board of FCMB Group Plc on 27 December 2017 as a Non-Executive Director.

Board Committees

The Board approved the constitution of the two Board Committees, listed below, with their respective responsibilities and roles clearly defined. Each of the Committees has a charter which guides the discharge of its duties.

Board Risk, Audit and Finance Committee (RAF)

Its functions include overseeing Internal Control, Internal Audit and Financial Reporting; providing oversight for strategy articulation and strategic planning; reviewing the Group's strategy and financial objectives as well as monitoring the implementation of those strategies and objectives; and reviewing and approving proposals for the allocation of capital and other resources within the Group.

Membership: The Committee comprised four Non-Executive Directors, chaired by an Independent Director. The Group Chief Executive and the Chief Operating Officer are required to be in attendance at the meetings of the Committee.

Committee composition: Mr Bismarck Rewane (Chairman), Mr Olusegun Odubogun, Dr (Engr) Gregory O Ero, and Mr Martin Dirks (up to October 2018).

Board Risk, Audit and Finance Committee Meetings Held in 2018

	24 Apr 2018	24 Jul 2018	23 Oct 2018	5 Dec 2018
Mr Bismarck Rewane	✓	✓	✓	✓
Mr Olusegun Odubogun	✓	✓	✓	✓
Dr (Engr) Gregory O Ero	✓	✓	✓	✓
Mr Martin Dirks	-	-	-	N/A

Board Governance and Remuneration Committee (GRC)

Its functions include nominating new Directors to the Board, recommending the remuneration policy for the Group, overseeing Board performance and evaluation within the Group and succession planning for key positions on the Boards of the Group and subsidiaries.

Membership: The Committee comprised only Non-Executive Directors. The Group Chief Executive and the Chief Operating Officer shall be in attendance as may be required.

Committee Composition: Mr Olutola O Mobolurin (Chairman), Alhaji Mustapha Damcida, Professor Oluwatoyin Ashiru and Mrs Olapeju Sofowora (effective March 2018).

Board Governance and Remuneration Committee Meetings Held in 2018

	23 Apr 2018	23 Jul 2018	22 Oct 2018	4 Dec 2018
Mr Olutola O Mobolurin	✔	✔	✔	✔
Alhaji Mustapha Damcida	✔	✔	✔	✔
Professor Oluwatoyin Ashiru	✔	✔	✔	✔
Mrs Olapeju Sofowora	✔	✔	✔	✔

Statutory Audit Committee (SAC)

Section 359 (3) of the Companies and Allied Matters Act Cap C.20 LFN 2004 requires every public company to establish a Statutory Audit Committee (SAC) composed of an equal number of its Directors and representatives of the shareholders.

Subject to such other additional functions and powers that the Company's Articles of Association may stipulate, the objectives and functions of the SAC shall be to:

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on management matters in conjunction with the external auditors and departmental responses therein;
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations with regard to the appointment of, removal and remuneration of the external auditors of the Company;
- authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the Committee; and
- examine the Auditors' Report and make recommendations thereon to the Annual General Meeting as it may think fit.

Membership

- The SAC consists of an equal number of Directors and representatives of the shareholders (subject to a maximum of six members). Such members of the SAC are not entitled to remuneration and are subject to re-election annually.
- The members nominate any member of the Committee as the Chairman of the SAC from time to time.
- Any member may nominate a shareholder as a member of the SAC by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.
- A quorum for any meeting is a simple majority of three members with a minimum of two representatives of the shareholders.
- The SAC is chaired by Evangelist Akinola Soares.

Corporate Governance

Continued

Statutory Audit Committee Meetings Held in 2018

	7 Mar 2018	25 Apr 2018	25 Jul 2018	24 Oct 2018
Evangelist Akinola Soares	✔	✔	✔	✔
Alhaji S B Daranijo	✔	✔	-	✔
Mr Hakeem Batula	✔	✔	✔	✔
Mr Bismarck Rewane	✔	✔	✔	✔
Mr Olutola O Mobolurin	✔	✔	✔	✔
Mr Olusegun Odubogun	✔	✔	-	✔

Management Committees

The Board is supported by the Executive Management Committee (EMC) and the Group Executive Committee (GEC).

Executive Management Committee (EMC)

The EMC, usually chaired by the Group Chief Executive, comprises all departmental heads. Representatives of the operating companies may be invited if required. The EMC deliberates and makes decisions, as necessary, to optimise the resources of the Company and ensure the effective and efficient management of the Company. The EMC also articulates issues to be discussed by the Board

The Group Chief Executive is responsible for the daily running and performance of the Company.

Group Executive Committee (GEC)

The GEC is usually chaired by the Group Chief Executive, while other members are the Chief Operating Officer and the Chief Executive Officers of the operating companies in the Group as well as the Group Chief Financial Officer. The Company Secretary, who is also a member, serves as Secretary to the Committee. The GEC, from time to time, invites to its meetings any other person as may be required.

Shareholder Participation

The Group leverages the significant experience, contributions and advice of shareholder members of the Statutory Audit Committee.

The Group continues to take necessary steps to promote shareholder rights.

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.

Remuneration Policy

The Board, either by itself or through the Board Governance and Remuneration Committee, has the responsibility to review and approve the remuneration of Directors. While performing this responsibility, the Board is to ensure that Non-Executive Directors' remuneration is in line with the Central Bank of Nigeria (CBN) Code of Corporate Governance.

The Non-Executive members of the Board shall be entitled to a sitting allowance and Directors' fee as well as reimbursable travel and hotel expenses, in line with the CBN Code of Corporate Governance and as may be agreed by the Board from time to time. Additionally, they are entitled to be reimbursed for expenses incurred in the course of carrying out their duties as Directors of the Company.

The Board's Non-Executive members, either directly or through the Board Governance and Remuneration Committee shall consider the remuneration payable to Executive Directors. The Executive members of the Board are not entitled to sitting allowances or Directors' fees paid to the Non-Executive Directors.

The level and make-up of Director remuneration should be sufficient to attract and retain the right calibre of members needed to run the company successfully.

The Company does not grant share options as part of the remuneration to Directors. Where this is to be done, it shall be tied to performance with the limits set in any given financial year, and subject to the approval of the shareholders at the Annual General Meeting.

Security Trading Policy

The Company has a security trading policy which is being adhered to.

Whistle-Blowing Procedures

The Board has a duty to conduct the Group's affairs in a responsible and transparent manner and to take into account legal and regulatory requirements under which the Group operates. The Board is also committed to the principle of sound Corporate Governance and behaviour as enunciated in the CBN Code of Corporate Governance for banks and other financial institutions in Nigeria. One of the several ways a breach of regulatory requirements and management and staff misconduct can be addressed is through a whistle-blowing programme.

As such, the whistle-blowing policy and procedures of the Group are designed to encourage stakeholders to bring unethical conduct and illegal violations to the attention of an internal and/or supervising authority so that action can be taken to resolve the problem. All stakeholders are provided with the details of the Ethics Line facilities via the Group's website. The Ethics Line facilities include 0703-000-0026, 0703-000-0027, 0708-060-1222 and 0808-822-8888.

Statement of Compliance with SEC Code of Corporate Governance

In compliance with Section 34.7 of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies in Nigeria (the Code) which governs the operations of FCMB Group Plc, the Board confirms compliance with the Code as disclosed in the Annual Report and Accounts.

Disclosure to the Shareholders

Directors' Fees:
The Directors' fees for the financial year ending 31 December 2019 shall be fixed at ₦200,000,000.00 only and a resolution to approve the same shall be proposed.

Directors' Age

In compliance with Section 252 (1) of the Companies and Allied Matters Act Cap C.20 LFN 2004 which requires that a Director of a public company who is 70 years or older should be disclosed to the members at the general meeting, the Directors hereby make the following disclosure:

- Mr Olusegun Odubogun became 70 years on 21 August 2018.

Mrs. Olufunmilayo Adedibu
Company Secretary
FRC/2014/NBA/00000005887

Management Report on Certification of Financial Statements

To the Board of Directors of FCMB Group Plc

In compliance with Section 34 (2) Code of Corporate Governance for Public Companies in Nigeria of the Securities and Exchange Commission, we certify that the financial statements of FCMB Group Plc (Separate and Consolidated), comprising of statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statement of cash flows and the accompanying notes to the account for the year ended 31 December 2018 present a true and fair view of the affairs of the Company and the Group.

Kayode Adewuyi
Chief Financial Officer
FRC/2014/ICAN/00000006884

08 March 2019

Ladi Balogun
Group Chief Executive
FRC/2013/IODN/00000001460

08 March 2019

Financial Statements

Directors' Report

for the year ended 31 December 2018

The Directors present their annual report on the affairs of FCMB Group Plc ("the Company") and its subsidiaries ("the Group"), together with the financial statements and independent auditor's report for the year ended 31 December 2018.

a. Legal Form

FCMB Group Plc was incorporated in Nigeria as a financial holding company on November 20, 2012, under the Companies and Allied Matters Act, Cap C.20, Laws of Federation of Nigeria 2004.

b. Principal Activity and Business Review

The Company is a non-operating financial holding company, regulated by the Central Bank of Nigeria (CBN). The principal activity of the Group continues to be the provision of comprehensive banking and financial services to its wholesale and retail customers. Such services include cash management, trade, loans and advances, corporate finance, investment banking, securities brokerage, money market activities and foreign exchange operations.

Through ownership of FCMB Group Plc, shareholders own 100% of the following subsidiaries; FCMB Capital Markets Limited, CSL Trustees Limited, FCMB Microfinance Bank Limited, Credit Direct Limited, CSL Stockbrokers Limited (including its subsidiary First City Asset Management Limited) and First City Monument Bank Limited (and its subsidiaries – FCMB (UK) Limited and FCMB Financing SPV Plc) and 91.64% of FCMB Pensions Limited.

The Group does not have any unconsolidated structured entity.

c. Operating Results

The gross earnings and profit after income tax recorded by the Group for the year ended 31 December 2018 was ₦177.25 billion and ₦14.97 billion respectively. The Directors affirm that the Group is strategically poised for continued growth and development. Highlights of the Group's operating results for the year ended 31 December are as follows:

	GROUP		COMPANY	
	2018 ₦'000	2017 Restated* ₦'000	**2018 ₦'000**	2017 ₦'000
Gross earnings	**177,248,909**	169,881,972	**4,808,316**	2,529,399
Profit before minimum tax and income tax	**18,442,297**	10,665,166	**3,675,692**	1,540,219
Dividend tax	**(107,102)**	-	**(107,102)**	-
Minimum tax	**(952,422)**	(996,366)	**-**	-
Income tax expense	**(2,411,245)**	(1,055,822)	**(16,198)**	(15,333)
Profit after tax	**14,971,528**	8,612,978	**3,552,392**	1,524,886
Appropriations:				
Transfer to statutory reserve	**1,853,262**	1,134,000	**-**	-
Transfer to retained earnings	**13,118,266**	7,478,978	**3,552,392**	1,524,886
	14,971,528	8,612,978	**3,552,392**	1,524,886
Basic and diluted earnings per share (Naira)	**0.75**	0.43	**0.18**	0.08
Dividend per share (Naira)	**0.14**	0.10	**-**	-
Total non-performing loans and advances	**40,195,497**	33,221,362	**-**	-
Total non-performing loans to total gross loans and advances (%)	**5.90%**	4.92%	**0.00%**	0.00%

* See Note 51

Proposed Dividend

The Board of Directors recommended a cash dividend of 14 kobo per issued and paid up ordinary share for the year ended 31 December 2018 (2017: 10 kobo). This is subject to approval at the Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipients.

d. Directors' Shareholding

The direct and indirect interests of directors in the issued share capital of the Company 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 C.20, Laws of the Federation of Nigeria 2004 and listing requirements of the Nigerian Stock Exchange are as noted below:

	Shareholding as at 31 December 2018 Number of 50k Ordinary Shares held		**Shareholding as at 31 December 2017** Number of 50k Ordinary Shares held	
	Direct holdings	Indirect holdings	**Direct holdings**	Indirect holdings
Mr Oladipupo Jadesimi (Chairman)	**190,463,000**	-	**190,463,000**	-
Mr Ladi O Balogun (Group Chief Executive)	**200,166,756**	-	**200,166,756**	-
Mr Peter Obaseki (Chief Operating Officer)	**5,369,945**	-	**5,369,945**	-
Mr Bismarck Rewane (Non-Executive Independent Director)*	**1,112,280**	-	**1,112,280**	-
Mr Olusegun Odubogun (Non-Executive Independent Director)	**400,000**	-	**400,000**	-
Mr Alhaji Mustapha Damcida (Non-Executive Director)	**-**	-	**-**	-
Mr Olutola O. Mobolurin (Non-Executive Director)	**2,120,000**	-	**2,120,000**	-
Professor Oluwatoyin Ashiru (Non-Executive Director)	**2,055,187**	-	**2,055,187**	-
Dr (Engr) Gregory Omosigho Ero (Non-Executive Director)	**-**	-	**-**	-
Mrs Olapeju Eniola Sofowora (Non-Executive Director)	**-**	-	**-**	-
Dr Jonathan A D Long (Non-Executive Director)**	**11,149,220**	-	**11,149,220**	-
Mr Martin Dirks (Non-Executive Director)***	**3,400,000**	-	**3,400,000**	-

* Retired from the Board on March 8, 2019
** Retired from the Board on April 11, 2018
*** Retired from the Board on October 25, 2018

Directors' Report

for the year ended 31 December 2018 continued

e. Directors' Interests in Contracts

For the purpose of section 277 of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria 2004, none of the Directors had any direct or indirect interest in contracts or proposed contracts with the Group during the year.

f. Property and Equipment

Information relating to changes in property and equipment is given in Note 30 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.

g. Shareholding Analysis

The shareholding pattern of FCMB Group Plc as at 31 December 2018 is as stated below:

31 December 2018

Share range	No. of Shareholders	% of Shareholders	No. of Holdings	% of Shareholdings
1–10,000	486,277	93.94	387,093,783	1.95
10,001–50,000	23,717	4.58	477,378,257	2.41
50,001–100,000	3,417	0.66	239,282,614	1.21
100,001–500,000	3,287	0.63	652,748,213	3.30
500,001–1,000,000	428	0.08	307,514,274	1.55
1,000,001–5,000,000	481	0.09	938,895,553	4.74
5,000,001–10,000,000	61	0.01	449,447,438	2.27
10,000,001–50,000,000	73	0.01	1,424,482,217	7.19
50,000,001–100,000,000	17	0.00	1,272,111,001	6.42
100,000,001–500,000,000	25	0.00	5,938,026,408	30.00
500,000,001–1,000,000,000	7	0.00	4,796,367,786	24.22
1,000,000,001–19,802,710,781	2	0.00	2,919,363,237	14.74
Total	**517,792**	**100.00**	**19,802,710,781**	**100.00**

31 December 2017

Share range	No. of Shareholders	% of Shareholders	No. of Holdings	% of Shareholdings
1–10,000	487,724	93.85	389,101,409	1.97
10,001–50,000	23,991	4.62	482,137,111	2.43
50,001–100,000	3,449	0.66	241,649,485	1.22
100,001–500,000	3,362	0.65	667,271,025	3.37
500,001–1,000,000	483	0.09	348,014,340	1.76
1,000,001–5,000,000	482	0.09	953,575,231	4.82
5,000,001–10,000,000	79	0.02	570,036,577	2.88
10,000,001–50,000,000	83	0.02	1,597,060,947	8.06
50,000,001–100,000,000	14	0.00	1,070,067,192	5.40
100,000,001–500,000,000	23	0.00	5,661,413,095	28.59
500,000,001–1,000,000,000	7	0.00	4,831,557,588	24.40
1,000,000,001–19,802,710,781	2	0.00	2,990,826,781	15.10
Total	**519,699**	**100.00**	**19,802,710,781**	**100.00**

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

31 December 2018

Shareholder category	No. of Shareholders	% of Shareholders	No. of Holdings	% of Shareholdings
Domestic shareholders	517,404	99.93	14,729,416,725	74.38
Foreign shareholders	388	0.07	5,073,294,056	25.62
Total	**517,792**	**100.00**	**19,802,710,781**	**100.00**

31 December 2017

Shareholder category	No. of Shareholders	% of Shareholders	No. of Holdings	% of Shareholdings
Domestic shareholders	519,321	99.93	14,079,760,939	71.10
Foreign shareholders	378	0.07	5,722,949,842	28.90
Total	**519,699**	**100.00**	**19,802,710,781**	**100.00**

h. Substantial Interest in Shares

The Company's authorised share capital is ₦15 billion divided into 30 billion ordinary shares of 50 kobo each of which 19,802,710,781 ordinary shares are issued and fully paid. According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2018:

	31 December 2018		31 December 2017	
Shareholder category	No. of Shares	% of Holdings	No. of Shares	% of Holdings
1. Capital IRG Trustees Limited	1,691,554,197	8.54	1,673,206,314	8.45
2. Stanbic Nominees Nig. Limited – Custody	2,502,833,804	12.64	3,356,472,108	16.95
3. Asset Management Corporation of Nigeria (AMCON)	1,112,601,793	5.62	1,331,374,142	6.72

i. Donations and Charitable Gifts

The Group made contributions to charitable and non-political organisations amounting to ₦315,802,766 (31 December 2017: ₦395,360,073) during the year.

Beneficiary	Amount (₦)
Lagos State Security Trust Fund	50,000,000
Central Bank of Nigeria (Financial Inclusion Programme)	50,000,000
Chartered Institute of Bankers of Nigeria (Financial Inclusion Programme)	35,000,000
Kinabuti Fashion Initiative	25,000,000
St. Saviour School Ikoyi	20,000,000
Financial Institution Training Center (IFTC)	20,000,000
Awujale Palace - Ojude Oba Festival	15,000,000
Chartered Institute of Stockbroker	10,000,000
Smirnoff House Party Partnership	6,300,000
Central Bank of Nigeria (Cyber Security)	5,501,446
Sought-Out Cities Arts, Skills And Empowerment Initiative	5,468,500
Kinetic Sports Management Nigeria Limited	5,000,000

Beneficiary	Amount (₦)
Ogun State Investment Forum	5,000,000
Techpoint Inspired	5,000,000
Tulsi Chanrai Foundation	5,000,000
University of Ibadan Ventures Limited	5,000,000
Youth Empowerment Foundation	4,849,460
Central Bank of Nigeria – Annual Bankers Dinner	3,130,000
Ogun State Government	3,000,000
The Nigerian Stock Exchange	3,000,000
Agri-Finance Conference 2018 sponsorship	3,000,000
Bethesda Child Support Foundation	3,000,000
Lagos State Employment Trust Fund	2,500,000
Women in Successful Careers	2,500,000
Wennovation Hub Innitiative Nigeria	2,250,000

Directors' Report

for the year ended 31 December 2018 continued

Beneficiary	Amount (₦)
Harvey Sports Limited	2,000,000
Proudly Nigerian Campaign	2,000,000
ISHK Tolaram Foundation	1,750,000
Nigerian Small Business Summit Sponsorship	1,500,000
Central Bank of Nigeria (Financial Literacy Campaign)	1,155,060
Elderberry Integrated Resources Limited	1,000,000
Federal Medical Center Abeokuta	1,000,000
IBB International Golf & Country Club	1,000,000
Nigerian Fencing Federation	1,000,000
Security and Exchange Commission	1,000,000
The International Association of Lion Club	1,000,000
University of Ibadan	1,000,000
Katagum Emirate Council – Azare Market	500,000
Nigeria National Interpretation Working Group	500,000
Nigerian Conservation Foundation	500,000
Dagomo Foundation	400,000

Beneficiary	Amount (₦)
Federal Nigeria Society For The Blind	400,000
Finance Correspondence Association of Nigeria	300,000
Pharmaceutical Association of Nigeria	300,000
Rotary Club of Agege	300,000
Association of Assets Custodians of Nigeria	250,000
Blue Velocity Media & Entertainment	250,000
Ona Ara Local Government	200,000
Continental Shareholders Association	200,000
Minds Reform Initiative	200,000
The Shared Station	200,000
Bank of Agriculture	100,000
Living Etcetera Communications Limited	100,000
College of Medicine & Pharmaceutical Association	58,300
Nigerian Navy Primary School	50,000
Others	1,090,000
Total	**315,802,766**

j. Events After the Reporting Period

There were no significant events after the reporting period which could have a material effect on the financial position of the Group as at 31 December 2018 and its operating results for the year then ended which have not been adequately adjusted for or disclosed in these financial statements.

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 Group 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 disabilities (31 December 2017:4).

Health, Safety and Welfare at Work

The Group continues to prioritise staff health and welfare. The Group retains top-class private hospitals where medical facilities are provided for staff and their immediate families as non-payroll employee benefits. A contributory pension fund scheme, in line with the Pension Reform Act 2014 (as amended), exists for employees of the Group.

Code of Business Conduct and Ethics

Employees are bound by the code of business conduct and ethics signed at the time of employment while the Directors are bound by the CBN Code of Conduct attested to annually by the individual Directors.

Diversity in Employment

The number and percentage of men and women employed by the Group during the financial year ended 31 December 2018 and the comparative year vis-a-vis total workforce is as follows:

	2018				
	Number			%	
	Male	Female	Total	Male	Female
Employees	2,277	1,505	3,782	60	40

	2017				
	Number			%	
	Male	Female	Total	Male	Female
Employees	2,166	1,363	3,529	61	39

Gender analysis of Top Management is as follows:

	2018				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	25	6	31	45	11
Deputy General Manager (DGM)	16	3	19	29	5
General Manager (GM)	3	3	6	5	5
Total	44	12	56	79	21

	2017				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	24	5	29	45	9
Deputy General Manager (DGM)	15	4	19	28	7
General Manager (GM)	4	2	6	7	4
Total	43	11	54	80	20

There is only one woman in the Top Management of the Company.

Directors' Report

for the year ended 31 December 2018 continued

Gender analysis of the Board is as follows:

	2018				
	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	9	2	11	22	5
Group Chief Executive/Chief Executive Officer (GCE/CEO)	8	-	8	20	-
Non-Executive Directors	15	7	22	36	17
Total	32	9	41	78	22

	2017				
	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	9	2	11	21	5
Group Chief Executive/Chief Executive Officer (GCE/CEO)	8	-	8	19	-
Non-Executive Directors	19	5	24	44	11
Total	36	7	43	84	16

The Group is committed to bringing female representation to 30% whilst ensuring that the highest standards and meritocracy is maintained in selection.

Gender analysis of the Board in the Company is as follows:

	2018				
	Number			%	
	Male	Female	Total	Male	Female
Group Chief Executive (GCE)	1	-	1	10	-
Executive Director (ED)	1	-	1	10	-
Non-Executive Directors	7	1	8	70	10
Total	9	1	10	90	10

	2017				
	Number			%	
	Male	Female	Total	Male	Female
Group Chief Executive (GCE)	1	-	1	8	-
Executive Director (ED)	1	-	1	8	-
Non-Executive Directors	9	1	10	76	8
Total	11	1	12	92	8

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 Group.

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

m. Customer Complaints

FCMB Group Plc is committed to ensuring an effective and responsive complaints management process hence the banking subsidiary has put in place a complaints management policy to ensure that the causes of complaints are fully addressed and to assure stakeholders and members of the public that their concerns will be handled in a fair and appropriate manner. Customers' complaints are lodged with the Complaints Officer at complaints@fcmb.com for necessary action. The banking subsidiary had pending complaints of 266 at the beginning of the year and received additional 31,671 (31 December 2017: 39,404) during the year ended 31 December 2018, of which 30,716 (31 December 2017: 39,238) complaints were resolved (inclusive of pending complaints brought forward) and 1,202 (31 December 2017: 266) complaints remained unresolved and pending with the Banking subsidiary as at the end of the reporting year. The total amount resolved was ₦9.08 billion (31 December 2017: ₦3.57 billion) while the total disputed amount in cases which remained unresolved stood at ₦479.03 million (31 December 2017: ₦203.49 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 without adverse consequences to the Banking subsidiary. No provisions are therefore deemed necessary for these claims.

	Number		Amount claimed (₦'000)		Amount refunded (₦'000)	
Description	**2018**	2017	**2018**	2017	**2018**	2017
Pending complaints B/F	**266**	111	**1,335**	-	**-**	-
Received complaints	**31,671**	39,404	**9,559,040**	4,964,218	**-**	-
Total complaints	**31,937**	39,515	**9,560,375**	4,964,218	**-**	-
Resolved complaints	**30,716**	39,238	**9,080,089**	3,570,200	**92,545**	656,532
Unresolved complaints escalated to CBN for intervention	**19**	11	**479,032**	203,486	**236**	-
Unresolved complaints pending with the bank subsidiary C/F	**1,202**	266	**1,254**	1,335	**-**	-

Directors' Report

for the year ended 31 December 2018 continued

n. Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office have indicated their willingness to continue in office as auditors to the Group. In accordance with section 357 (2) of the Companies and Allied Matters Act, Cap C.20 Laws of Federation of Nigeria 2004 therefore, the auditor will be re-appointed at the next annual general meeting of the company without any resolution being passed.

By Order of the Board

Mrs Olufunmilayo Adedibu
Company Secretary
44 Marina
Lagos State
Nigeria

FRC/2014/NBA/00000005887

8 March 2019

Statement of Directors' Responsibilities in Relation to the Financial Statements

for the year ended 31 December 2018

The Directors accept responsibility for the preparation of the annual consolidated and separate financial statements 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 C.20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Oladipupo Jadesimi
Chairman

FRC/2015/IODN/00000006637

8 March 2019

Ladi Balogun
Group Chief Executive

FRC/2013/IODN/00000001460

8 March 2019

Audit Committee Report

for the year ended 31 December 2018

In compliance with section 359 (6) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria 2004, the Central Bank of Nigeria Code of Corporate Governance and the Securities and Exchange Commission Code of Corporate Governance for Public Companies in Nigeria, we have reviewed the Audit Report for the year ended 31 December, 2018 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 Group conformed with the statutory requirements and agreed ethical practices;
3. The internal control system was constantly and effectively monitored;
4. The whistle blowing channel run by an external and independent third party was found adequate;
5. The external auditor's management controls report received satisfactory response from Management; and
6. The gross value of related party loans as at 31 December 2018 was ₦4.70 billion (31 December 2017: ₦18.86 billion). All related party loans are performing.

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

(i) Evangelist Akinola Soares
Chairman/Shareholders' representative

(ii) Alhaji S B Daranijo
Shareholders' representative

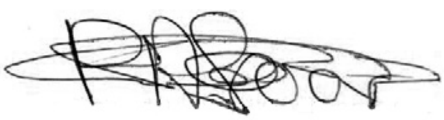
(iii) Mr Hakeem Batula
Shareholders' representative

(iv) Mr Bismarck Rewane
Non-Executive Director

(v) Mr Olusegun Odubogun
Non-Executive Director

(vi) Mr Olutola Mobolurin
Non-Executive Director

The Group Internal Auditor, **Babajide Odedele** (FRC/2014/ICAN/00000006880) acts as secretary to the Committee.



Evangelist Akinola Soares, FCNA
Chairman, Audit Committee

FRC/2013/ANAN/00000004356

7 March 2019

Independent Auditor's Report

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599

Internet www.kpmg.com/ng

To the Shareholders of FCMB Group Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FCMB Group Plc ('the Company') and its subsidiaries (together 'the Group'), which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 64 to 253.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances

Loans for the Group amounted to ₦681 billion at 31 December 2018 (₦675 billion at 31 December 2017) and the total allowance account for the Group amounted to ₦48 billion at 31 December 2018 (₦25 billion at 31 December 2017).

During the year, the Group adopted IFRS 9 Financial Instruments, a new and complex accounting standard which requires significant judgment and assumptions to determine the impairment allowance on loans and advances. This standard became effective on 1 January 2018. For the Group and Banking Subsidiary, the key change arising from the adoption of IFRS 9 was that the impairment losses on financial assets are now determined based on an Expected Credit Loss (ECL) model rather than an incurred loss model. The ECL model incorporates expected future credit losses, unlike the incurred loss model where a loss event needs to occur before an impairment loss is recognised in the financial statements. Management has disclosed information regarding the transitional effect of IFRS 9 in note 46, including the impact on shareholders' equity as at 1 January 2018.

Independent Auditor's Report

KPMG

IFRS 9 introduces a new forward-looking impairment model. This includes consideration of the impact of changes in the economic environment on the calculation of the ECLs of loans and advances.

IFRS 9 requires the ECL measurement to reflect:

- an unbiased and probability-weighted amount;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date, including forecasts of future economic conditions.

The determination of assumptions for expected credit losses is highly subjective due to the level of judgment applied by management.

The judgments applied are as follows:

- timely identification of exposures with significant increase in credit risk and credit impaired exposures;
- the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances;
- the volume of inputs estimated;
- the complexity of the estimation process and the significant judgment involved in applying these estimates such as assumptions of future cash flows on manually assessed credit-impaired exposures;
- management overlays for particular risk portfolios which are not appropriately captured in the ECL model; and
- the application of industry knowledge and prevailing economic conditions in arriving at the level of impairment allowance required.

All the judgments above make the impairment of loans and advances a matter of significance to the audit.

Procedures

Our procedures included the following:

- We evaluated the design and implementation of the key controls over the impairment determination process such as the management review of loans and advances. The key controls evaluated covered processes such as the review of external data into the impairment model and monitoring the performance of loans and advances.
- We reviewed the Group's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions, as expected by the newly adopted standard.
- We assessed the appropriateness of the Group's determination of significant increase in credit risk and the resultant classification of loans into the various stages. For loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors, such as cumulative industry knowledge about the obligors, to determine whether the Group should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities.
- We assessed the key data and assumptions for the data input into the ECL model used by the Group. Our procedures in this regard included the following:
  - (i) made inquiries of management to obtain an understanding of the nature and relevance of the data and assumptions;
  - (ii) determined whether the inputs and assumptions (exposure at defaults, probability of default, loss given default, forward-looking information) used in the estimate are consistent with the Group's impairment policy;
  - (iii) vouched the data used in making the estimate to relevant documentation and evaluated the relevance and reliability of data used to develop assumptions from external information sources and tested the relevance and reliability of internal information;
  - (iv) made inquiries of management to understand the rationale for how loans and advances were segmented or grouped for the purposes of calculating ECL;

(v) assessed the appropriateness of the basis on which management had segmented or grouped the loans and advances, i.e., whether they are appropriately segmented or grouped based on similar credit risk characteristics and consistent with the internal credit management of the Group;

(vi) for forward-looking assumptions comprising inflation rate, exchange rate and Gross Domestic Product (GDP) growth rate used by the Group's management in its ECL calculations, we corroborated management's assumptions using publicly available information from external sources;

(vii) we evaluated the appropriateness of the basis of determining Exposure at Default including the contractual cash flow, outstanding loan balance, loan repayment type, loan tenor and effective interest rate;

(viii) for the Probability of Default (PD) used in the ECL calculations, we reviewed the historical movement in facilities between default and non-default categories for each product; and

(ix) we reviewed the calculation of the Loss Given Default (LGD) used by the Group in the ECL calculations by reviewing the cash flows used and re-computing the LGD.

- We examined the staging of loans and advances by determining whether the staging analysis used in the ECL measurement are consistent with the Group's credit risk management policy, by vouching significant loans and advances to relevant documentation such as offer letters, repayment schedules and the customers' bank statements and performed analytical procedures on non-significant loans and advances in order to verify the appropriateness of the staging of loans and advances.

- We re-performed the calculations of impairment allowance for loans and advances using the validated key inputs. For loans and advances which were identified as having shown a significant increase in credit risk, the recalculation was based on the amount which the Group may not recover throughout the life of the loans, while for loans and advances that were identified as not having shown a significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year.

- We ascertained that the newly adopted standard was applied based on the requirement of the standards by checking that the difference between previously reported impairment allowance on loans and advances and the ECL impairment allowance was recognised in the opening retained earnings at 1 January 2018.

The Group's accounting policy on impairment and related disclosures on credit risk are shown in notes 3(k)(vii) and 4(b), respectively.

Recoverability of deferred tax assets

At 31 December 2018, the Group had recognised deferred tax assets of ₦7.9 billion (₦8.2 billion at 31 December 2017) and disclosed unrecognised deferred tax assets of ₦25.7 billion (₦16.8 billion at 31 December 2017) arising from unused tax losses unutilised capital allowances and impairment allowance on Stage 1 and 2 loans and advances. The tax losses were primarily as a result of the tax exemption of income from investment in government securities.

The recoverability of deferred tax assets is deemed a key audit matter as it involves significant judgment and high estimation uncertainty as management supports the recoverability of deferred tax assets mainly with assumptions and forecasts on future earnings which contain estimates of future taxable profit.

Our procedures included the following:

- we assessed the components that gave rise to the deferred tax assets to determine whether they are appropriate and in line with the requirements of the accounting standards and tax laws; and

- we further assessed management's forecasts of future taxable profits by checking that assumptions used in the Group's projection of taxable income were reasonable and reflect the Group's historical performance trend, the business model and the Group's future plans and that there was no evidence of management bias in making those estimates.

The Group's accounting policy on deferred tax and related disclosures are shown in notes 3(j)(ii) and 32, respectively.

Independent Auditor's Report

KPMG

Information Other Than the Financial Statements and Audit Report Thereon

The Directors are responsible for the other information which comprises the Directors' Report, Statement of Directors' Responsibilities, Corporate Governance Report, Audit Committee Report, Report of the External Consultants on the Performance of the Board of Directors, Details of Board of Directors, Officers and Professional Advisors and Other National Disclosures but does not include the Consolidated and Separate Financial Statements and our Audit Report thereon. Other information also includes information about FCMB Group Plc, the Archives of the Founder, Chairman's Statement, Group Chief Executive's report, 2018 Awards Won, Operating Companies Performance Highlights, Sustainability Report, Management's Certification of the financial statements, Notice of Annual General Meeting and list of branches which were obtained after the date of the Audit Report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria CBN Guidelines and Circulars 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.

KPMG

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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

Compliance with Section 27(2) of the Banks and the other Financial Institutions Act Cap 83, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular 850/1/2004

i. The Group paid penalties in respect of contravention of the Central Bank of Nigeria guidelines during the year ended 31 December 2018. Details of penalties paid are disclosed in note 50 to the financial statements.

ii. Related party transactions and balances are disclosed in note 47 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Nneka

Nneka Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants

19 March 2019
Lagos, Nigeria

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	GROUP 2018 ₦'000	GROUP 2017 Restated* ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Gross earnings		**177,248,909**	169,881,972	**4,808,316**	2,529,399
Interest and discount income	*8*	**131,662,948**	132,357,044	**440,429**	886,565
Interest expense	*9*	**(59,089,590)**	(61,831,909)	**-**	-
Net interest income		**72,573,358**	70,525,135	**440,429**	886,565
Fee and commission income	*11*	**27,986,346**	21,629,896	**-**	-
Fee and commission expense	*11*	**(6,379,466)**	(5,407,537)	**(6)**	(13)
Net fee and commission income		**21,606,880**	16,222,359	**(6)**	(13)
Net trading income	*12*	**6,193,705**	2,398,916	**147,064**	594,366
Net (loss)/income from financial instruments measured at fair value through profit or loss	*13*	**(345,819)**	111,891	**(345,819)**	-
Other income	*14*	**11,751,729**	13,384,225	**4,566,642**	1,048,468
		17,599,615	15,895,032	**4,367,887**	1,642,834
Net impairment loss on financial assets	*10*	**(14,113,282)**	(22,667,506)	**(62,355)**	-
Personnel expenses	*15*	**(25,927,891)**	(23,432,304)	**(336,181)**	(265,056)
Depreciation and amortisation expenses	*16*	**(5,537,314)**	(5,259,712)	**(18,358)**	(22,013)
General and administrative expenses	*17*	**(29,730,408)**	(26,071,421)	**(512,154)**	(423,579)
Other operating expenses	*18*	**(18,028,661)**	(14,773,266)	**(203,570)**	(278,519)
Results from operating activities		**18,442,297**	10,438,317	**3,675,692**	1,540,219
Share of post tax result of associate	*29*	**-**	226,849	**-**	-
Profit before minimum tax and income tax		**18,442,297**	10,665,166	**3,675,692**	1,540,219
Dividend tax	*20*	**(107,102)**	-	**(107,102)**	-
Minimum tax	*20*	**(952,422)**	(996,366)	**-**	-
Income tax expense	*20*	**(2,411,245)**	(1,055,822)	**(16,198)**	(15,333)
Profit for the year		**14,971,528**	8,612,978	**3,552,392**	1,524,886
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Equity investments at fair value through other comprehensive income:					
Net change in fair value	*26(j)*	**2,465,800**	-	**-**	-
		2,465,800	-	**-**	-

	Note	GROUP 2018 ₦'000	GROUP 2017 Restated* ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Items that may be subsequently reclassified to profit or loss					
Debt investments at fair value through other comprehensive income:					
Net change in fair value	*26(j)*	**(644,994)**	-	**(1,481)**	-
Quoted equity at fair value through other comprehensive income:					
Net change in fair value	*26(j)*	**(432,576)**	-	**-**	-
Net impairment reclassified from profit or loss	*10*	**9,747**	-	**-**	-
Net reclassification adjustments for realised losses	*26(j)*	**(659,184)**	-		-
Foreign currency translation differences for foreign operations		**1,148,941**	1,056,631	**-**	-
		(578,066)	1,056,631	**(1,481)**	-
Available-for-sale financial assets:					
Net change in fair value	*26(j)*	**-**	1,255,530	**-**	-
		-	1,255,530	**-**	-
Other comprehensive income/(loss) for the year, net of tax		**1,887,734**	2,312,161	**(1,481)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,859,262**	10,925,139	**3,550,911**	1,524,886
Profit attributable to:					
Equity holders of the Company		**14,885,691**	8,604,060	**3,552,392**	1,524,886
Non-controlling interests		**85,837**	8,918	**-**	-
		14,971,528	8,612,978	**3,552,392**	1,524,886
Total comprehensive income attributable to:					
Equity holders of the Company		**16,775,554**	10,915,476	**3,550,911**	1,524,886
Non-controlling interests		**83,708**	9,663	**-**	-
		16,859,262	10,925,139	**3,550,911**	1,524,886
Basic and diluted earnings per share (Naira)	*19*	**0.75**	0.43	**0.18**	0.08

* See Note 51

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

Consolidated and Separate Statements of Financial Position

as at 31 December 2018

		GROUP			COMPANY	
	Note	**2018 ₦'000**	2017 Restated* ₦'000	2016 Restated* ₦'000	**2018 ₦'000**	2017 ₦'000
ASSETS						
Cash and cash equivalents	*21*	**185,147,549**	103,888,007	108,104,632	**297,957**	146,366
Restricted reserve deposits	*22*	**146,497,087**	109,638,559	139,460,914	**-**	-
Trading assets	*23(a)*	**47,469,113**	23,936,031	9,154,198	**-**	-
Derivative assets held for risk management	*24*	**10,538**	345,784	1,018,912	**-**	-
Loans and advances to customers	*25*	**633,034,962**	649,796,726	659,937,237	**-**	-
Assets pledged as collateral	*27*	**87,409,893**	61,330,157	59,107,132	**-**	-
Investment securities	*26*	**235,921,932**	153,428,659	128,441,676	**3,727,938**	5,109,140
Investment in subsidiaries	*28*	**-**	-	-	**126,405,374**	125,594,702
Investment in associates	*29*	**-**	-	846,512	**-**	-
Property and equipment	*30*	**37,281,754**	33,402,173	32,283,226	**17,846**	38,022
Intangible assets	*31*	**15,320,782**	14,920,960	9,672,530	**-**	-
Deferred tax assets	*32*	**7,944,838**	8,233,563	7,971,990	**-**	-
Other assets	*33*	**35,259,574**	27,604,320	16,779,119	**2,342,951**	748,575
Total assets		**1,431,298,022**	1,186,524,939	1,172,778,078	**132,792,066**	131,636,805
LIABILITIES						
Trading liabilities	*23(b)*	**32,474,632**	21,616,660	6,255,933	**-**	-
Derivative liabilities held for risk management	*24*	**10,538**	345,784	770,201	**-**	-
Deposits from banks	*34*	**39,140,044**	6,355,389	24,798,296	**-**	-
Deposits from customers	*35*	**821,747,423**	689,860,640	657,609,807	**-**	-
Borrowings	*36*	**108,731,522**	109,434,970	132,094,368	**-**	-
On-lending facilities	*37*	**57,889,225**	42,534,316	42,199,380	**-**	-
Debt securities issued	*38*	**54,651,172**	54,691,520	54,481,989	**-**	-
Retirement benefit obligations	*39*	**80,207**	70,364	17,603	**-**	-
Current income tax liabilities	*20(v)*	**5,038,371**	3,860,163	2,859,562	**178,455**	59,915
Deferred tax liabilities	*32*	**307,703**	106,821	65,902	**-**	-
Provision	*40*	**11,583,432**	3,904,717	2,343,010	**303,630**	303,630
Other liabilities	*41*	**116,216,647**	66,281,783	71,117,626	**1,203,898**	1,628,663
Total liabilities		**1,247,870,916**	999,063,127	994,613,677	**1,685,983**	1,992,208

		GROUP			COMPANY	
	Note	**2018 ₦'000**	2017 Restated* ₦'000	2016 Restated* ₦'000	**2018 ₦'000**	2017 ₦'000
EQUITY						
Share capital	*42(b)*	**9,901,355**	9,901,355	9,901,355	**9,901,355**	9,901,355
Share premium	*43*	**115,392,414**	115,392,414	115,392,414	**115,392,414**	115,392,414
Retained earnings	*43*	**28,962,144**	28,761,146	31,749,646	**5,813,795**	4,350,828
Other reserves	*43*	**28,950,679**	33,044,691	21,120,986	**(1,481)**	-
Total equity attributable to owners of the Company		**183,206,592**	187,099,606	178,164,401	**131,106,083**	129,644,597
Non-controlling Interests		**220,514**	362,206	-	**-**	-
		183,427,106	187,461,812	178,164,401	**131,106,083**	129,644,597
Total liabilities and equity		**1,431,298,022**	1,186,524,939	1,172,778,078	**132,792,066**	131,636,805

* See Note 51

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

Oladipupo Jadesimi
Chairman
FRC/2015/IODN/00000006637

Ladi Balogun
Group Chief Executive
FRC/2013/IODN/00000001460

Kayode Adewuyi
Chief Financial Officer
FRC/2014/ICAN/00000006884

Consolidated and Separate Statements of Changes in Equity

for the year ended 31 December 2018

GROUP

	Share capital ₦'000	Share premium ₦'000	Retained earnings* ₦'000	Statutory reserve ₦'000	Translation reserve ₦'000	Fair value reserve ₦'000	Regulatory risk reserve ₦'000	Non-controlling Interest ₦'000	Total equity ₦'000
Balance at 1 January 2018	**9,901,355**	**115,392,414**	**28,761,146**	**8,887,811**	**6,852,261**	**2,547,807**	**14,756,812**	**362,206**	**187,461,812**
Adjustments on initial application of IFRS 9, net of tax:									
Equity investments at FVOCI (see Note 46)	-	-	-	-	-	6,772,885	-	-	6,772,885
Loans and receivables (see Note 46)	-	-	(25,149,831)	-	-	-	-	-	(25,149,831)
Transfer from regulatory risk reserve	-	-	14,204,674	-	-	-	(14,204,674)	-	-
Restated balance as at 1 January 2018	**9,901,355**	**115,392,414**	**17,815,989**	**8,887,811**	**6,852,261**	**9,320,692**	**552,138**	**362,206**	**169,084,866**
Profit for the year	-	-	14,885,691	-	-	-	-	85,837	14,971,528
Other comprehensive income									
Equity investments at fair value through other comprehensive income	-	-	-	-	-	2,465,800	-	-	2,465,800
Debt investments at fair value through other comprehensive income	-	-	-	-	-	(1,724,878)	-	(2,129)	(1,727,007)
Foreign currency translation differences for foreign operations	-	-	-	-	1,148,941	-	-	-	1,148,941
Total comprehensive income for the year	**-**	**-**	**14,885,691**	**-**	**1,148,941**	**740,922**	**-**	**83,708**	**16,859,262**
Transfer between reserves									
Transfer to statutory reserve	-	-	(1,853,262)	1,853,262	-	-	-	-	-
Transfer from regulatory risk reserve	-	-	405,348	-	-	-	(405,348)	-	-
Transactions with owners recorded directly in equity									
Dividend paid	-	-	(1,980,270)	-	-	-	-	-	(1,980,270)
Transactions with minority shareholders recorded directly in equity									
Dividend paid	-	-	-	-	-	-	-	(142,288)	(142,288)
Acquisition of part minority interest by the Group	-	-	(311,352)	-	-	-	-	(83,112)	(394,464)
Total contributions and distributions	**-**	**-**	**(3,739,536)**	**1,853,262**	**-**	**-**	**(405,348)**	**(225,400)**	**(2,517,022)**
Balance at 31 December 2018	**9,901,355**	**115,392,414**	**28,962,144**	**10,741,073**	**8,001,202**	**10,061,614**	**146,790**	**220,514**	**183,427,106**

GROUP

	Share capital ₦'000	Share premium ₦'000	Retained earnings* ₦'000	Statutory reserve ₦'000	Translation reserve ₦'000	Fair value reserve ₦'000	Regulatory risk reserve ₦'000	Non-controlling Interest ₦'000	Total equity ₦'000
Balance at 1 January 2017	**9,901,355**	**115,392,414**	**32,458,239**	**7,753,811**	**5,795,630**	**1,293,023**	**6,278,522**	**-**	**178,872,994**
Correction of errors (see Note 51)	-	-	(708,593)	-	-	-	-	-	(708,593)
Restated 1 January 2017	**9,901,355**	**115,392,414**	**31,749,646**	**7,753,811**	**5,795,630**	**1,293,023**	**6,278,522**	**-**	**178,164,401**
Balance on recognition of subsidiary	-	-	-	-	-	-	-	352,542	352,542
Restated Profit for the year (see Note 51)	-	-	8,604,060	-	-	-	-	8,918	8,612,978
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	1,056,631	-	-	-	1,056,631
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	1,254,784	-	746	1,255,530
Total comprehensive income for the year	**-**	**-**	**8,604,060**	**-**	**1,056,631**	**1,254,784**	**-**	**9,664**	**10,925,139**
Transfer between reserves									
Transfer to statutory reserve	-	-	(1,134,000)	1,134,000	-	-	-	-	-
Transfer from regulatory risk reserve	-	-	(8,478,290)	-	-	-	8,478,290	-	-
Transactions with owners recorded directly in equity									-
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Balance at 31 December 2017	**9,901,355**	**115,392,414**	**28,761,146**	**8,887,811**	**6,852,261**	**2,547,807**	**14,756,812**	**362,206**	**187,461,812**

* See Note 51

Consolidated and Separate Statements of Changes in Equity

for the year ended 31 December 2018 continued

COMPANY

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	Translation reserve ₦'000	Fair value reserve ₦'000	Regulatory risk reserve ₦'000	Non-controlling Interest ₦'000	Total equity ₦'000
Balance at 1 January 2018	**9,901,355**	**115,392,414**	**4,350,828**	**-**	**-**	**-**	**-**	**-**	**129,644,597**
Adjustments on initial application of IFRS 9, net of tax (see Note 46)					-	-	-	-	
Loans and receivables (see Note 46)	-	-	(109,154)	-	-	-	-	-	(109,154)
Restated balance as at 1 January 2018	9,901,355	115,392,414	4,241,674	-	-	-	-	-	129,535,443
Profit for the year	-	-	3,552,392	-	-	-	-	-	3,552,392
Other comprehensive income									
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	(1,481)	-	-	(1,481)
Total comprehensive income for the year	**-**	**-**	**3,552,392**	**-**	**-**	**(1,481)**	**-**	**-**	**3,550,911**
Transactions with owners recorded directly in equity									
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Total contributions and distributions	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Balance at 31 December 2018	**9,901,355**	**115,392,414**	**5,813,795**	**-**	**-**	**(1,481)**	**-**	**-**	**131,106,083**

COMPANY

	Share capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Statutory reserve ₦'000	Translation reserve ₦'000	Fair value reserve ₦'000	Regulatory risk reserve ₦'000	Non-controlling Interest ₦'000	Total equity ₦'000
Balance at 1 January 2017	**9,901,355**	**115,392,414**	**4,806,213**	**-**	**-**	**-**	**-**	**-**	**130,099,982**
Profit for the year	-	-	1,524,886	-	-	-	-	-	1,524,886
Total comprehensive income for the year	**-**	**-**	**1,524,886**	**-**	**-**	**-**	**-**	**-**	**1,524,886**
Transactions with owners recorded directly in equity									
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Total contributions and distributions	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Balance at 31 December 2017	**9,901,355**	**115,392,414**	**4,350,828**	**-**	**-**	**-**	**-**	**-**	**129,644,597**

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

Consolidated and Separate Statements of Cash Flows

for the year ended 31 December 2018

	Note	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Cash flows from operating activities					
Profit for the year		**14,971,528**	8,612,978	**3,552,392**	1,524,886
Adjustments for:					
Net impairment loss on financial assets	*10*	**14,113,282**	22,667,506	**62,355**	-
Fair value gain on financial assets at fair value through profit or loss	*52(i)*	**(1,125,296)**	(50,317)	**-**	-
Net (loss)/income from other financial instruments at fair value through profit or loss	*13*	**345,819**	(111,891)	**345,819**	-
Amortisation of intangibles	*16*	**1,246,371**	1,133,244	**-**	883
Depreciation of property and equipment	*16*	**4,290,943**	4,126,468	**18,358**	21,130
Gain on disposal of property and equipment	*14*	**(63,456)**	(1,040,777)	**(46)**	(46)
Gain on disposal of investment securities	*14*	**(1,313,358)**	(19,357)	**(1,310,609)**	-
Share of profit of associates	*29*	**-**	(226,849)	**-**	-
Loss on previously held equity interest in associate company	*14*	**-**	106,569	**-**	-
Unrealised foreign exchange gains	*14*	**(9,334,192)**	(8,722,791)	**(243,702)**	(208,384)
Net interest income	*52(x)*	**(72,573,358)**	(70,525,135)	**(440,429)**	(886,565)
Dividend income	*14*	**(537,576)**	(567,166)	**(2,953,212)**	(793,045)
Tax expense	*20*	**3,470,769**	2,052,188	**123,300**	15,333
		(46,508,524)	(42,565,330)	**(845,774)**	(325,808)
Changes in operating assets and liabilities					
Net (increase)/decrease in restricted reserve deposits	*52(xi)*	**(36,858,528)**	29,822,355	**-**	-
Net decrease in derivative assets held for management	*52(xii)*	**335,246**	-	**-**	-
Net (increase) in trading assets	*52(xiii)*	**(24,170,040)**	(14,674,659)	**-**	-
Net decrease in loans and advances to customers	*52(xiv)*	**3,883,781**	13,685,485	**-**	-
Net decrease/(increase) in other assets	*52(xv)*	**9,825,703**	5,524,076	**(1,594,376)**	1,335,957
Net increase in trading liabilities	*52(xvi)*	**10,857,972**	15,360,727	**-**	-
Net increase/(decrease) in deposits from banks	*52(xvii)*	**32,784,655**	(18,442,907)	**-**	-
Net increase in deposits from customers	*52(xviii)*	**131,886,783**	32,250,833	**-**	-
Net increase/(decrease) in on-lending facilities	*52(xix)*	**11,214,450**	(1,407,618)	**-**	-
Net (decrease) in derivative liabilities held for risk management	*52(xx)*	**(335,246)**	(770,201)	**-**	-
Net increase/(decrease) in provision	*52(viii)*	**9,143,690**	2,879,461	**-**	(113,234)
Net increase/(decrease) in other liabilities	*52(vii)*	**48,857,836**	(7,217,464)	**(440,180)**	815,669
		150,917,778	14,444,758	**(2,880,330)**	1,712,584

		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Interest received	*52(ii)*	**137,984,787**	147,430,320	**440,429**	886,565
Interest paid	*52(iii)*	**(59,211,577)**	(63,000,614)	**-**	-
Dividends received	*52(xxii)*	**537,576**	567,166	**1,184,756**	228,417
VAT paid	*52(iv)*	**(1,460,608)**	(916,195)	**(2,829)**	(1,727)
Income taxes paid	*20(v)*	**(1,395,826)**	(410,944)	**(4,760)**	-
Net cash generated from/(used in) operating activities		**227,372,130**	98,114,491	**(1,262,734)**	2,825,839
Cash flows from investing activities					
Investment in subsidiaries	*52(xxiii)*	**-**	-	**(810,672)**	(7,035,353)
Purchase of property and equipment	*30*	**(8,721,178)**	(6,663,504)	**(2,077)**	(357)
Purchase of intangible assets	*31(a)*	**(648,377)**	(1,421,036)	**-**	-
Purchase of intangible assets – work-in-progress	*31(a)*	**(1,089,091)**	-	**-**	-
Proceeds from sale of property and equipment	*52(ix)*	**709,492**	2,374,084	**3,941**	720
Acquisition of investment securities	*52(v)*	**(180,376,995)**	(122,338,995)	**(76,793)**	(318,858)
Proceeds from sale and redemption of investment securities	*52(v)*	**49,515,208**	59,101,963	**2,682,713**	57,907
Net cash (used in)/generated from investing activities		**(140,610,942)**	(68,947,488)	**1,797,112**	(7,295,941)
Cash flows from financing activities					
Dividend paid		**(1,980,270)**	(1,980,271)	**(1,980,271)**	(1,980,271)
Proceeds from long term borrowing	*36(c)*	**48,769,311**	10,298,880	**-**	-
Repayment of long term borrowing	*36(c)*	**(58,135,758)**	(43,184,244)	**-**	-
Net cash used in financing activities		**(11,346,717)**	(34,865,635)	**(1,980,271)**	(1,980,271)
Net increase/(decrease) in cash and cash equivalents		**75,414,471**	(5,698,632)	**(1,445,893)**	(6,450,373)
Cash and cash equivalents at start of year	*49*	**103,888,007**	108,104,632	**146,366**	5,817,754
Effect of exchange rate fluctuations on cash and cash equivalents held	*52(vi)*	**5,863,047**	1,482,007	**1,597,485**	778,985
Cash and cash equivalents at end of year	*49*	**185,165,525**	103,888,007	**297,957**	146,366

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

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018

1 Reporting Entity

FCMB Group Plc was incorporated in Nigeria as a financial holding company on November 20, 2012, under the Companies and Allied Matters Act, in response to the CBN's Regulation on the Scope of Banking Activities and Ancillary Matters (Regulation 3).

The principal activity of FCMB Group Plc is to carry on business as a financial holding company, investing in and holding controlling shares in, as well as managing equity investments in Central Bank of Nigeria approved financial entities. The Company has seven direct subsidiaries; First City Monument Bank Limited (100%), FCMB Capital Markets Limited (100%), CSL Stockbrokers Limited (100%), CSL Trustees Limited (100%), FCMB Microfinance Bank Limited (100%), FCMB Pensions Limited (91.64%) and Credit Direct Limited (100%).

Effective 1 October 2018, Credit Direct Limited was transferred to the Company by the banking subsidiary.

FCMB Group Plc is a company domiciled in Nigeria. The address of the Company's registered office is 44 Marina, Lagos. These audited reports for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group').

These consolidated and separate financial statements were authorised for issue by the Board of Directors on 8 March 2019.

2. Changes in Accounting Policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements. The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2018.

(i) IFRS 9: Financial Instruments.

The Group has adopted IFRS 9, "Financial Instruments" as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods. The new standards brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 (Financial Instrument Disclosures). Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures will also only be applied in the current period, see note 4. The comparative period disclosures repeat those disclosure made in the prior year.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 3(K)(ii).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit and loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39, see Note 3(K)(vii).

As permitted by the transitional provisions of IFRS 9, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented to 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

(i) The determination of the business model within which a financial asset is held.

(ii) The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.

(iii) The designation of certain investments in equity instruments not held for trading at fair value through other comprehensive income.

(iv) For financial liabilities designated as at fair value through profit or loss, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss statement.

If a debt security had low credit risk at the date of initial applicationof IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and applications resulting from the adoption of IFRS 9, see Note 46.

(ii) IFRS 15: Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount:

(a) Identify the contract(s) with a customer

(b) Identify the performance obligations in the contract

(c) Determine the transaction price

(d) Allocate the transaction price to the performance obligations in the contract

(e) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. This standard does not have any significant impact on the Group. The impact on the comparative information is limited to the new disclosure requirements.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

3. Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements, unless otherwise stated.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of Accounting

(i) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB) in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, and relevant Central Bank of Nigeria circulars and guidelines. The IFRS accounting policies have been consistently applied to all periods presented.

These consolidated and separate financial statements were authorised for issue by the Board of directors on 8 March 2019.

(ii) Functional and presentation currency

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

(iii) Use of estimates and judgments

The preparation of the consolidated and separate 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 note 5.

(b) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

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 are measured at cost less impairment in the Company's separate financial statements.

(ii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the execution of a specific borrowing or lending transaction. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The Group established FCMB Financing SPV Plc, Nigeria as a special purpose entity to raise capital from the Nigerian capital markets or other international market either by way of a stand-alone issue or by the establishment of a programme. Accordingly, the financial statements of FCMB Financing SPV Plc have been consolidated.

(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 statement of profit or loss. If the Group retains any interests in the previous subsidiary, then such interests is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting for financial instruments.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(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 percent 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) Common control transactions

Common control transactions in the consolidated financial statement are accounted for at book value. Any method chosen by an entity are consistently used for all similar common control transactions in its consolidated financial statements; i.e. it cannot use IFRS 3 accounting for some common control transactions and book value accounting for other similar transactions.

The difference between the consideration paid and the book value of the asset represents transaction with shareholder and should therefore be recorded in equity. The assets and liabilities transferred are recognised at the carrying amounts recognised previously in the transferor's consolidated financial statements. The Group adopted the book value method of accounting for its common control transactions.

(vi) Transactions eliminated on consolidation

Intra-group balances 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.

(vii) Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) 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.

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

Monetary assets and liabilities denominated in foreign currencies at the 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 translated 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.

However, foreign currency differences arising from the translation of the following item are recognised in other comprehensive income:

- an investment in equity securities designated at fair value through other comprehensive income (2017: available-for-sale equity investments) except on impairment, in which case foreign currency difference that have been recognised in other comprehensive income are reclassified to profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Naira at the 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, except to the extent that the translation difference is allocated to non-controlling interests (NCI). 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 statement of 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 a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains or losses arising from such item 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.

(d) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of financial assets or financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cashflows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cashflows including expected credit losses.

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

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis; and
- interest on debt instruments measured at fair value through other comprehensive income calculated on an effective interest 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.

Prior to 1 January 2018, 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 profit or loss and other comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis; and
- 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.

(e) 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. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantees, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

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

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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.

(f) 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.

(g) 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 fair value gains or losses on non-trading 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. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(h) Dividend Income

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.

From 1 January 2018, dividends on equity instruments designated at fair value through other comprehensive income that clearly represent a recovery of part of the cost of the investments are presented in other comprehensive income.

(i) Leases

(i) Lease payments – Lessee

Payments made under operating leases are recognised in statement of 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.

(ii) Lease assets – Lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease assets – Lessor

If 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, then 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 (see (o)).

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

(j) Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in statement of 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 it consists of Company Income Tax, Education tax and NITDA levy. Company Income tax is assessed at 30% statutory rate of total profit whereas Education tax is computed as 2% of assessable profit while NITDA levy is a 1% levy on Profit Before Tax of the Company and the subsidiary companies.

Current income tax and adjustments to past years tax liability is recognised as an expense for the period except to the extent that the current tax relates to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on available-for-sale investments).

The Group evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability.

(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.

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 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.

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.

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 Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in statement of profit or loss because they generally relate to income arising from transactions that were originally recognised in statement of profit or loss.

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions 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

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available that causes the Group 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.

(k) Financial Assets and Financial Liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including assets and liabilities designated at fair value through profit or loss) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case, all affected financial assets are reclassified on the first reporting period following the change in business model.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Effective from 1 January 2018, on initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cashflow; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income only if it meets both the following conditions and is not designated as fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflow and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment: policy applicable from 1 January 2018.

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cashflows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the asset managed or the contractual cashflows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cashflows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cashflows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 January 2018.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cashflows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cashflows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension terms;
- terms that limit the Group's claim to cashflows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed rate loans for which the Group has options to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cashflows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets

Financial assets – policy application before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loan and receivables;
- held to maturity;
- available-for-sale; and
- 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(m) (o) and (p)

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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 right to the cash flow from the Financial assets expire or it transfers the right to receive the contractual cash flow in a transaction in which the substantially all the risks and rewards of the ownership of the financial asset are transferred or in which the Group nether transfers nor retains substantially all the risks and the rewards of the ownership and it does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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 OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at fair value through other comprehensive income is not recognised in the profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risk and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transaction in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of the 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.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these to unconsolidated securitisation vehicles and in the Group transferring substantially all the risks and rewards of ownership. The securitisation vehicle in turn issue securities to investors. Interest in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at fair value through other comprehensive income. Gains or losses on securitisation are recorded in other revenue.

Before 1 January 2018, retained interests were primarily classified as available -for-sale investment securities and measured at fair value.

Financial liabilities

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

(iv) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual right to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Policy applicable from 1 January 2018, if the cash flow of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and derecognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Before 1 January 2018, if the terms of a financial assets were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flow of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguised and the new financial liability with modified terms is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of the financial position when, the Group currently has a legally enforceable right to set off the amounts and it intends to either 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 gains and losses arising from a group of similar transactions such as the Group's trading activity.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that the market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and

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credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

Effective from 1 January 2018, the Group recognises loss allowances for ECL on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets measured at amortised cost;
- debt investments measured at fair value through other comprehensive income;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivable are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-months ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instruments. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

Restructured financial assets

If the terms of a financial assets renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cashflows arising from the modified financial asset are included in calculating the cash shortfalls from the existing assets.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the asset is treated as final cash flow from the existing financial asset at the time of its derecognition. The amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-Impaired financial assets

At each reporting date, the Group assesses whether financial assets at amortised cost and debt instruments carried at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessment of creditworthiness.
- The countries ability 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.
- The international support mechanism in place to provide the necessary support as 'lender of last resort' to the country, as well as the intention, reflected in the public statement of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

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- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is charged to profit or loss and is recognised in the fair value reserve, other comprehensive income.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Recoveries of amount previously written off are included in impairment losses "on financial instruments" in the statement of profit or loss and other comprehensive income". However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Before 1 January 2018, at each reporting date, the Group assessed whether there was objective evidence that financial assets not carried at fair value through profit or loss were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 90 days or more was considered impaired.

Objective evidence that financial assets were impaired include:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer would enter bankruptcy;
- the disappearance of an active market for a security; and
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlated with defaults in the group.

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depend on the model assumptions and parameters used in determining the collective allowance.

Loans that were subject to a collective IBNR provision were not considered impaired.

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted as the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For debt security at fair value through other comprehensive income: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired equity security at fair value through other comprehensive income is recognised in OCI.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on investment securities at fair value through other comprehensive income are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

Write-off

The Group wrote off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Group Credit determined that there was no realistic prospect of recovery.

(viii) Designation at fair value through profit or loss

Financial assets

At initial recognition, the Group has designated certain financial assets at fair value through profit or loss because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Before 1 January 2018, the Group also designated certain financial assets at fair value through profit or loss because the assets were managed, evaluated and reported internally on a fair value basis.

Financial liabilities

The Group has designated certain financial liabilities as at fair value through profit or loss in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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(l) Cash and Cash Equivalents and Restricted Reserve Deposits

(i) 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 an 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. For the purposes of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks.

(ii) Restricted reserve deposits

Restricted reserve deposits are restricted mandatory reserve deposits held with the Central Bank of Nigeria, which are not available for use in the Bank and Group's day-to-day operations. They are calculated as a fixed percentage of the Group's and Bank's deposit liabilities.

(m) 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 or position taking.

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.

(n) Assets Pledged as Collateral

Financial assets transferred to external parties that do not qualify for de-recognition (see k(iii)) are reclassified in the statement of financial position from investment securities 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. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

(o) Loans and Advances

Effective from 1 January 2018, loan and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at fair value through profit or loss or designated as fair value through profit or loss; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

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 stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Prior to 1 January 2018, 'loans and advances' were non-derivative financial assets with fixed or determinable payments that were 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 customers included:

- those classified as loans and receivables;
- those designated as at fair value through profit or loss; and
- finance lease receivable.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using effective interest method. When the Group chose to designate the loans and advances as measured at fair value through profit or loss, they were measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also included finance lease receivables in which the Group was the lessor.

When the Group purchased a financial asset and simultaneously entered into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement was accounted for as a loan or advance, and the underlying asset was not recognised in the Group's financial statements.

(p) Investment Securities

Effective from 1 January 2018, 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at fair value through profit or loss or designated at fair value through profit or loss; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at fair value through other comprehensive income; and
- equity investment securities designated at fair value through other comprehensive income.

For debt securities measured at fair value through other comprehensive income, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in the profit and loss. Dividends are recognised in profit and loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Prior to 1 January 2018, investment securities were initially measured at fair value plus, in the 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-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 as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method,less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale and would 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:

- 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;

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- sales or reclassification after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are 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 as at fair value, with fair value changes recognised immediately in profit or loss as described.

(iii) Available-for-sale

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

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

Other fair value changes, other than impairment losses are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold,the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise 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.

(q) 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.

(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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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. Items of work in progress are recognised at cost less any observable impairment. A review for impairment is carried out when circumstances or situations suggests that the asset carrying amount may not be recoverable. Impairment loss is recognised when the current asset value is less than the cost.

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 are 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 reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (t) 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. Items classified as work in progress are not depreciated till the asset is available for use. Leasehold land is not depreciated.

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

Leasehold improvement	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer equipment	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. When an item of work in progress is completed and is available for use, the asset is de-classified to the relevant class of the asset under property and equipment.

(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

(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 to initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

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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, 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 the statement of 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, Debt Securities Issued, Onlending Facilities and Borrowings

Deposits, debt securities issued, onlending facilities 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 borrowing, and the underlying asset continues to be recognised in the Group's financial statements.

Deposits, debt securities issued, onlending facilities 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 placements. 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 specific payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debit instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued 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. Subsequently, they are measured as follows:

- from 1 January 2018: at the higher of this amortised amount and the amount of loss allowance(see j(vii)); and
- before 1 January 2018 at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Group has issued no loan commitment that are measured at fair value through profit or loss.

For other loan commitments:

- from 1 January 2018: the Group recognises loss allowance (see k(vii)); and
- before 1 January 2018: the Group recognises a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(y) Employee Benefits

(i) Defined contribution plans

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. In line with the Pension Reform Act 2014, the Group and its employees make a joint contribution, 18% (10% by the company and 8% by the employees) of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. Obligations for contributions to defined contribution plans are recognised as personnel expenses in statement of 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) 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.

(iii) 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 Company's ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved

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by the Company'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.

Where the Company or other members of the Group purchase the Company's share, 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 Company 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 Executive Management Committee (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) Standards Issued but Not Yet Adopted

(i) IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Group have begun assessing the potential impact of IFRS 16 on the financial statements.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

(ii) IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that are yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

(iii) Amendments to IFRS 9 Prepayment features with negative compensation

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

(iv) Amendments to IAS 1 and IAS 8 Definition of material

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

(v) Amendments to IFRS 3 Definition of a Business

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018, the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

(i) the process must be substantive; and

(ii) the inputs and process must together significantly contribute to creating outputs.

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs.
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

(vi) Amendments to IFRS 10 and IAS 28

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

Other Standards

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual improvement to IFRS standards 2015-2017 Cycle – various standards.
- Plan Amendment, Curtailment or settlement (Amendment to IAS 19).

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4. Financial Risk Management

(a) Introduction and Overview

Risk management at FCMB Group Plc is critical to the attainment of the Group's strategic business objectives. It provides the mechanisms to identify and explore growth opportunities, manage inherent risks in operating and business environments, and ensure compliance with corporate governance standards and regulatory stipulations. Our risk management practices are integrated, structured, enterprise-wide and continuous across the Group for identifying and deciding on appropriate responses to, and reporting on, opportunities and threats that may affect the achievement of the strategic business objectives. Based on its strategic business and operational objectives, the Group is exposed to a wide range of risks such as credit, liquidity, market, operational, strategic, regulatory, reputational and systemic risks. It has put in place a robust risk management framework, policies and processes for the proactive identification, assessment, measurement and management of such risks to ensure that they are managed within the Board approved risk appetite whilst also complying with the regulatory requirements.

The Group has developed and periodically updates its capital management policy and capital plan to ensure that it operates within its risk capacity, while optimising risk and return. The outcomes of the business strategy and capital plan are part of the key considerations in the development of risk appetite and they all work together to ensure there is an equilibrium. The framework seeks to strengthen the administration and supervision of the Group's enterprise risk management and ensure that the Group's corporate governance principles, risk philosophy and culture, risk appetite and risk management processes are implemented in line with the board's expectations. It also provides management with clear, comprehensive and unbiased analysis of the adequacy, existence and effectiveness of internal controls and risk processes.

In line with the global standard, the Group sets its risk tone from the top, adopting a strategy that ensures individuals who take or manage risk clearly understand it; the Group and its subsidiaries' risk exposures are within the appetites established by Board of Directors; risk taking decisions are in line with the business strategy and objectives set by the Board of Directors; the expected payoffs compensate for the risks taken; risk taking decisions are explicit and clear and sufficient capital is available to take risks. Personal accountability is reinforced by the Group's values, with staff expected to act with courageous integrity in conducting their duties even as competence is developed through various training and development programs. Also, staff are supported through the Group's whistle blower program, which enables them to raise concerns in a confidential manner. The whistle blower program has been outsourced to ensure independence, confidentiality and protection of the whistle blower.

FCMB risk management philosophy

Overall, the Group's enterprise risk management (ERM) program is underpinned by a strong risk management philosophy and culture, ensuring that the risk management practices are embedded in strategy development and implementation. The Group's risk management philosophy is: "To continue to institutionalise comprehensive risk practices that enable our stakeholders build and preserve wealth while integrating our core values and beliefs enterprise wide to give us competitive advantage".

The following are the guiding principles that FCMB tries to entrench in its risk management process:

a) A common standard of risk management values imbibed and consistently exhibited by everyone in the Group;

b) Consistent drive to balance risk/opportunities and return;

c) Clear and consistent communication on risks;

d) A business strategy that aligns risk and accountability;

e) The Group will always strive to understand every new product, business or any type of transaction with a view to addressing all the risk issues;

f) The Group will avoid products and businesses it does not understand.

FCMB shall seek to fully understand the risks and rewards of transactions and only transactions that meet the Group's risk appetite and profile shall be undertaken.

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 relative amount of capital allocation to the various business lines and their revenue generating ability.

Business segments and risk exposures

GROUP

Commercial and Retail Banking		Investment Banking		Wealth Management	
Credit risk	High	Credit risk	Low	Credit risk	Low
Operational risk	Medium	Operational risk	Medium	Operational risk	Low
Market risk	High	Market risk	High	Market risk	Medium

This chart presents the Group's exposure to each of the risks, being its major risk exposures on a business segment basis. The classification to high, medium and low is based on the relative amount of capital allocated to the businesses, their revenue generating abilities and operational risks inherent in their related activities and processes.

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. Market risk resulting from devaluation of the Naira has reduced compared to the same period in the last financial year due to the boost in the liquidity of the foreign exchange market on the back of the introduction of importers and exporters' foreign exchange window. However, the CBN monetary policy stance on interest rate has increased the risk in the banking and trading book, with significant impact in the banking book – the interest rate risk in the banking book (IRRBB). The monetary authority maintained high benchmark rate during the financial year to achieve exchange rate stability and inflation rate reduction but not without its attendant implication on interest margin and resulting liquidity strains in the industry as most depositors moved their funds to the high yield government instruments.

Commercial and Retail Banking, having the largest exposure to credit risk takes most of the capital allocation, followed by Investment Banking (treasury, brokerage, advisory) and Wealth Management (pension, asset management and trusteeship businesses). Despite the presence of counterparty risks, credit risk is low for investment banking and wealth management. Market risk remained high in the period due to the monetary policy stance of the Central Bank of Nigeria (CBN). The wealth management business has the least capital allocation due to low portfolio risk. The Group continues to identify and proactively manage its various risk exposures at both the transaction and portfolio level, making sure that appropriate mitigants are in place for the various balance sheet exposures.

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 practices of the Group.

Risk management framework

The Board of FCMB Group Plc has the risk oversight role, setting and approving the risk appetite and other capital management initiatives

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to be implemented by the Executive Management Committee. The Executive Management Committee coordinates the activities of the subcommittees to provide support to the Board in managing risk and ensuring that capital is adequate and optimally deployed. The Boards of FCMB Group Plc. and its subsidiaries continue to align the business and risk strategy of the Group through a well-articulated appetite for all significant risks and make sure (through appropriate sub-committees) that all risk taking activities are within the set appetite or tolerance, failing which an appropriate remedial action should be taken within a reasonable period. 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 and Liability Committee, Investment Committee and Executive Management Committee). The Risk Committee focuses on risk governance and provides a strong forward-looking view of risks and their mitigation. The Risk Committee is a sub-committee of the Board that assists the Board of Directors in fulfilling its oversight responsibilities with regard to the risk appetite of the Group and the risk management and compliance framework and the governance structure that supports it. Additionally, the Risk Committee ensures the alignment of the reward structures and the maintenance and development of a supportive culture in relation to the management of risk, which is appropriately embedded through procedures, training and leadership actions. In carrying out its responsibilities, the Risk Committee is closely supported by the Chief Risk Officer and the Chief Financial Officer, together with other business functions within their respective areas of responsibility.

The illustration below highlights material 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 Group Risk Universe and Responsibility Matrix</th></tr>
<tr><td>Risk universe</td><td>Credit risk</td><td>Concentration risk</td><td>Market risk</td><td>Liquidity risk</td><td>Operational risk</td><td>Strategic risk</td><td>Legal risk</td><td>Reputational risk</td><td>Compliance risk</td></tr>
<tr><td>Primary risk owner</td><td colspan="2">Chief Risk Officer</td><td colspan="2">Treasurer</td><td>Head of Operations and Technology Division</td><td>Head of Strategy</td><td>General Counsel</td><td>Head of Corporate Affairs</td><td>Chief Compliance Officer</td></tr>
<tr><td>Secondary risk owner</td><td colspan="8">Chief Risk Officer</td><td>Chief Compliance Officer</td></tr>
<tr><td rowspan="2">Management committee</td><td colspan="2">Management Credit Committee</td><td colspan="2">Assets and Liabilities Management Committee</td><td colspan="2">Risk Management Committee</td><td colspan="3">Executive Management Committee</td></tr>
<tr><td colspan="9">Risk Management Committee</td></tr>
<tr><td rowspan="2">Board committee</td><td colspan="2">Board Credit Committee</td><td colspan="6">Board Risk, Audit and Finance Committee</td><td>Board of Directors</td></tr>
<tr><td colspan="9">Board of Directors</td></tr>
</table>

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

(i) Risk taking: the Board of Directors, supported by Executive Management, establishes boundaries within which the Group takes risks. It also establishes an appropriate control environment in order to align risk taking and management with business objectives. The business lines and process owners take risks and have the primary responsibility for identifying and managing such risks.

(ii) Risk oversight: independent control function over the business processes and related risks to ensure that 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. The Board of Directors also play risk oversight role. Board Risk, Audit and Finance Committee has oversight responsibility for all the risk exposures in the Group while the Board Credit Committee (BCC) is responsible for the various credit risk exposures.

(iii) Risk assurance: independent assurance to the Board of Directors on the effective implementation of the risk management framework and validates the risk measurement processes. There are two complementary parts to this – the internal and external audit functions. The Board Risk, Audit and Finance Committee is also responsible for this independent assurance and assisted in its function by the internal and external auditors.

Details of the Group's three-line defence mechanism is described below:

Board Risk, Audit and Finance Committee

Executive Management, Management Risk Committees

Risk taking
(First line of defence)
- Business Line Management

- Promotes risk culture
- Owns the risk management process and implements control
- Responsible for daily management of risk

Risk oversight
(Second line of defence)
- Risk Management
- Internal Control
- Compliance
- FINCON

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

Risk assurance
(Third line of defence)
- Group Internal Audit
- External Audit

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

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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. The Board of directors approve risk management policies and also has responsibility for approval of certain credit transactions that are above the approval limits of the Board Credit Committee.

II. The Board Risk, Audit and Finance Committee (BRAFC) and, as necessary, the subsidiaries' risk committees provide direct oversight for enterprise risk management and acts on behalf of the Board on all risk management matters. The BRAFC ensures that all the decisions of the Board on risk management are fully implemented and that 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 and compliance with regulatory requirements. The BRAFC is also responsible for assessing the adequacy and scope of internal controls, audit of the financial statements and overall compliance. The Committee 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. The BCC also reviews the credit portfolio to ensure they are appropriately managed for portfolio risk exposures such as correlation risk, concentration risk, cyclicality of collateral values and any reputational and contagion effects are reasonably managed.

(b) Executive management level

I. The Risk Management Committee (RMC) is a management committee, which reports to the Board Risk, Audit and Finance Committee and has direct responsibility for implementing the enterprise risk management framework and related policies approved by the BRAFC. 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, review and management of external issues and policies affecting the business of the Group and 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. The MCC reviews and considers credit requests above the delegated approval limits of the approving authorities for approval. The committee also reviews and manages portfolio risk for the credit portfolio to remains healthy and in compliance with the Board approved appetite and all regulatory requirements.

III. The Asset and Liability Committee (ALCO) is responsible for managing the composition and pricing of the 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, as a risk originator, has first line responsibility for 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 and exposures.

Second line of defence

Risk Management is an independent control function with primary 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 advisor**y – identification, measurement, management and disclosure of all significant risk exposures and providing recommendations/guidance on risk taking and exposures.
- **Risk control** – proactive management of all risks to minimise losses and capital erosion. The Group could take various control measures to address identified risk exposures such as follows:

  (i) risk avoidance: the Group could make decisions that will attempt to isolate it from further contact with such risks. The decision could affect a new or existing strategy, product or business. Some examples of risk avoidance include opting not to expand its branches, refusing to lend to a customer because of poor understanding of the business or industry and/or closing/relocating a branch because of high incidence of armed robbery or other operational losses. Risk avoidance could be a proactive avoidance (not going into the activity in the first place) or abandonment (dropping the activity after embarking on it).

  (ii) risk acceptance: the Group will acknowledge the risk. However, it will not take any measures to halt the likelihood of such a situation occurring or to minimise the risk associated with it. The Group shall adopt this approach where certain risks remain outstanding after avoidance, transfer or mitigation responses have been taken or where the risks in question are minor or unavoidable and any response is not likely to be cost-effective compared to the possible cost of bearing the risk impact.

  (iii) risk mitigation: the Group will acknowledge the risk and take steps to reduce the risk likelihood and/or impact. Some of the steps that can be taken to mitigate the impact or likelihood of a risk occurring includes:

  - formulation of policy or enhancement;
  - clarity and strengthening of accountabilities;
  - improvement of processes;
  - strengthening/implementation of new controls;
  - education and training program; and
  - expert advice.

  The mitigation steps may be Directive, Preventative, Detective or Corrective controls. Detective control entails monitoring of the activities that can lead to the incident in order to detect any early warning signal and respond to it in time.

  (iv) risk transfer: the Group will try to shift the burden from its shoulders to another party. Some common practices involved in risk transfer include insurance contract, performance bonds, guarantees, warrantees and outsourcing. The relevant business unit should however include the new risks arising from these arrangements such as service level performance and contract management, in its risk universe.

  (v) risk sharing: the Group will share the risk with another party in order to reduce any possible loss. Examples include loan syndication, joint-venture arrangement among others.

(a) The Risk Management Division

The Risk Management Division is a major line of defence in the management of risks in the Group and its subsidiaries. The division assists executive management with the identification, assessment, management, monitoring and reporting of all the risks within the Group. It recommends appropriate risk management policies for the consideration and approval of the Board, through the various executive risk management committees and coordinates the Group's ERM activities. Key responsibilities of the division include:

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

a) champion the implementation of the Enterprise Risk Management framework, (including specific risk management frameworks and policies) and other related initiatives across the Group and its subsidiaries;

b) facilitate the identification, assessment, monitoring, management and reporting of risk exposures in the Group and its subsidiaries;

c) collect, process, verify, monitor and distribute risk information across the Group, including to the senior management, the Board, regulators and other stakeholders;

d) collaborate with market facing units in designing new products;

e) provide senior management with practical, cost effective recommendations for mitigating risks;

f) act as a key contact for senior management who may wish to request ad hoc reviews/ investigations;

g) ensure that laws, regulations and supervisory requirements are complied with including consequence management;

h) provide holistic view of risks across the Group and its subsidiaries;

i) maintain oversight over the Group's enterprise risk management activities; coordinate material risk assessment and link the results of the exercise with the internal capital adequacy assessment process (ICAAP);

j) ensure all risk models utilised for the measurement of risk across the Group are properly validated using an appropriate methodology;

k) oversee the conduct of stress testing and scenario analysis and evaluate the impact of stress scenarios on the capital ratios;

l) coordinates with Financial Control regarding the Group's capital management policies;

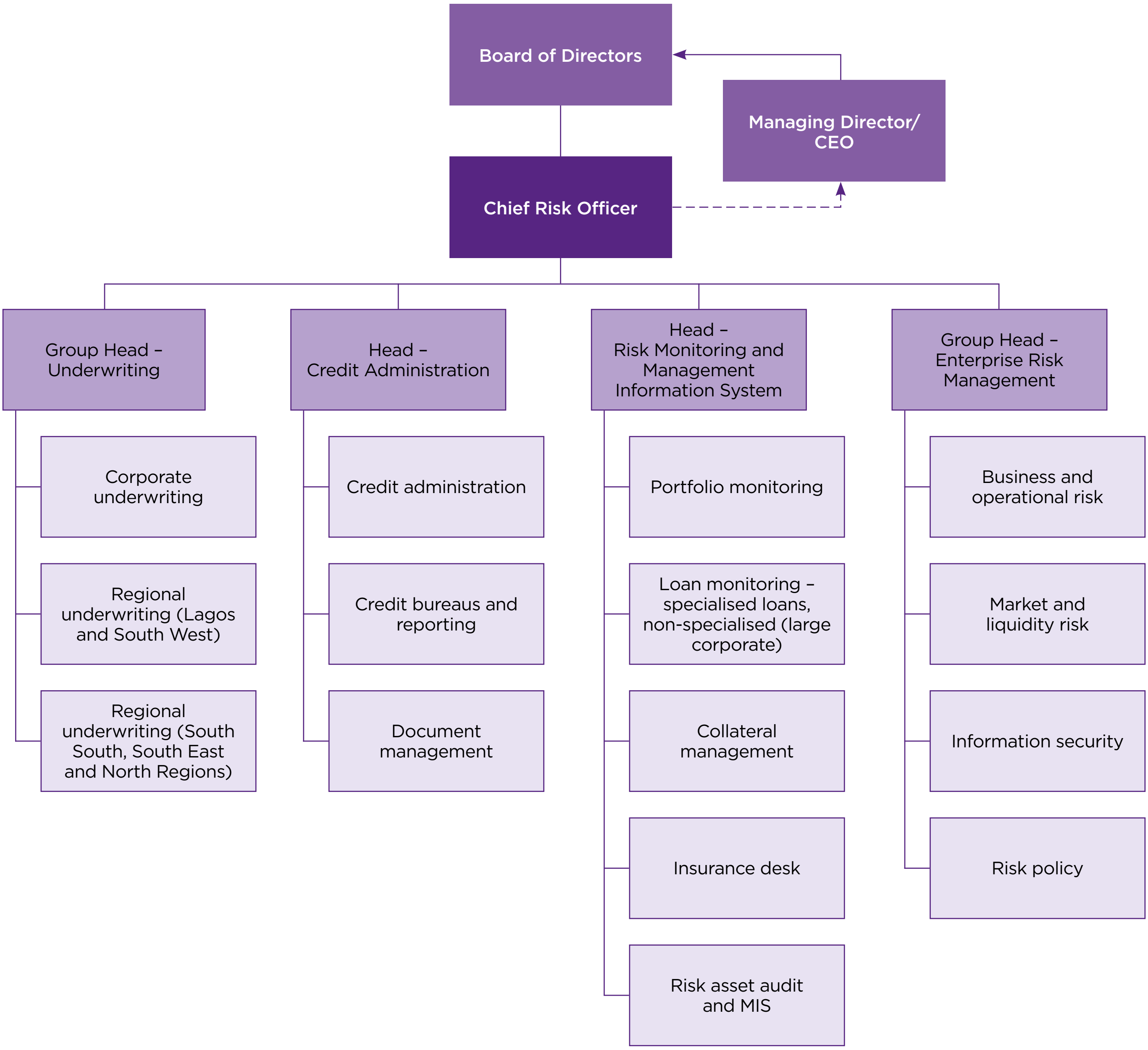
m) make recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports; and

n) provide and promote risk awareness and education on risk.

The Risk Management Division of the Group serves as competency centre and internal consultant in risk management methodology.

The Group also has a robust Collection and Recovery team which reports to the Business, with dotted reporting line to Risk Management. The department compliments the post-disbursement monitoring responsibilities through effective enforcement of credit covenants and approval terms.

The organisational structure of the Risk Management Division is shown in the diagram below.



Notes to the Consolidated and Separate Financial Statements

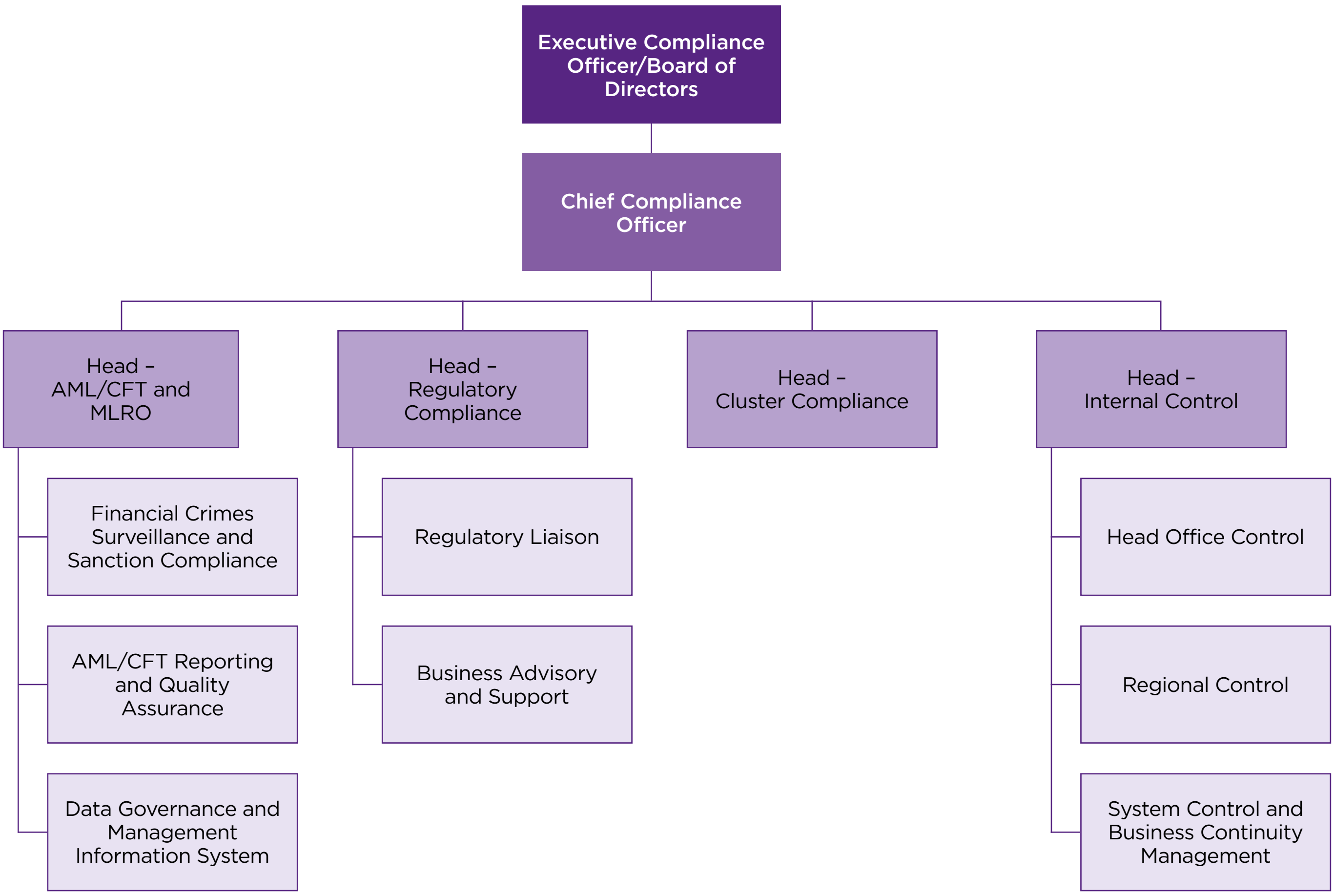
for the year ended 31 December 2018 continued

(b) Internal Control and Compliance Division

The Internal Control and Compliance Division is primarily charged with the following:

- 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. It is responsible for effective and efficient control environment that ensures minimal operational losses from frauds, errors, operational gaps, and other irregularities. It monitors control activities and ensure compliance with minimum control standards defined by the Board.
- The Compliance team ensures the Group fully complies with the spirit and letter of laws, corporate governance standards, all regulatory requirements such as know your customer (KYC), anti-money laundering (AML) regulations and indeed all requirements of the Central Bank of Nigeria (CBN) and other authorities such as Nigerian Deposit Insurance Corporation (NDIC), Securities and Exchange Commission, Nigerian Stock Exchange, National Pension Commission among others.

The Internal Control and Compliance Division is functionally structured as shown in the chart below.



(c) Group Finance Division

- Group Finance Division develops the Group's strategic and capital plan and clearly outlines the actual and projected capital needs, anticipated capital expenditure and desired level of capital.
- It reviews the Group's capital structure and ensures the desired level of capital adequacy in the Group.
- It drives all activities relating to the Group's responses to any proposed regulatory change that might affect the Group's capital and provides all necessary information on portfolio, product and profitability metrics and any analysis to support the material risk assessment process.

Third line of defence

(a) 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).

(b) External Audit

External Auditors apart from establishing whether the financial statements reflect 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 guidance on new developments in risk management, corporate governance and financial accounting and controls.

(c) Board

The Board Risk, Audit and Finance (BRAFC) Committee also serves as part of the independent assurance group and assisted in its role by the internal and external auditors.

Risk appetite

Risk appetite is an expression of the level and type of risks that the Group is willing to accept and 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 Risk Management Division. It is a key component of the risk management framework and central to the annual planning process. This appetite guides all management risks (strategic and reputational risks), risk creation activities (chosen risks such as credit and market risks) and risks inadvertently assumed by the Business groups (consequential risks such as operational risks).

The Group has a well-developed risk appetite, prepared to establish a common understanding amongst all employees and other stakeholders regarding the desirable risks underlying execution of its strategy. It represents the combined view of the FCMB leadership and the governance bodies. The risk appetite is not intended to 'handcuff' management but a benchmark for discussing the implications of pursuing value creation opportunities as they arise. It therefore defines boundary within which the Group is expected to operate when pursuing its strategy by aligning risk and decision-making. It provides a cornerstone for the Group's ERM framework, setting a clear strategic direction and tolerances around controls.

FCMB general risk appetite statement

FCMB as a financial service group is exposed to a variety of risks as it strives to achieve its strategic objectives. These risks will be managed in accordance with the Group's enterprise risk management (ERM) framework and related policies. The Group's general risk appetite is a moderate one that allows us to maintain appropriate growth, profitability, earnings stability and capital adequacy while ensuring regulatory compliance, being an employer of choice, and serving the communities in our footprint.

Apart from the general risk appetite statement, the Group also has specific risk appetite statements defined around its strategic objectives with

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

defined metrics to track them. This is to ensure that the specific risk appetite statements are in sync with the business strategy of the Group.

Some of the parameters around which risk appetite and tolerances have been defined in the Group include:

- Group credit rating;
- Capital adequacy ratio (CAR);
- Deviation from profit before tax (PBT) and return on equity (ROE);
- Non-performing loan (NPL);
- Cost of risk;
- Secured exposure;
- Various credit risk concentration limits;
- Net interest margin (NIM);
- Low cost composition;
- Various market risk trading and exposure limits;
- Liquidity risk measurement/exposure limits;
- Operational risk exposure limits for loss events and key risk indicators;
- Interest rate risk (IRR) trading limits; and
- Various metrics/statements for reputational, regulatory and compliance risks.

Benefit of FCMB risk appetite framework and statements:

- sets the foundation for the risk culture of the Group;
- helps to communicate the Board's vision in practical terms;
- guides all staff in their decision-making on all risk related activities;
- helps to ensure an alignment between the expectations of the Board and the business; and
- serves as a benchmark for monitoring and reporting of abnormal events or exposures.

In FCMB, all risk appetite metrics are tracked and reported monthly to the Risk Management Committee (RMC), to aid its oversight responsibilities. The Risk Management Division monitors the risk metrics on a more regular basis to make certain that risk exposures are within the approved boundaries. Exposures that are outside of set boundaries are investigated to understand the underlying causes and consider ways to mitigate or avoid them within the shortest period.

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 its strategy or in line with regulatory requirements or other external demands.

(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 as and 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 its employees (staff loan, cash advance, etc.).
- **Bank guarantees**: the Group issues bonds and guarantees (contingent exposure).
- **Trading (fixed income, foreign currency trading, etc.) activities**: The Group engages in trading activities where the exchange of monetary value and transfer of ownership of purchased assets is not simultaneous. There is counterparty risk, which creates a bilateral risk of loss.

The Group uses its internal ratings system 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). The Group's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. This provides predictive capability for assessing borrower's likelihood of default and the acceptable risk mitigants required to cushion residual credit risks for each transaction.

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); and
- **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.

Management of credit risk

The Group manages its credit risk through an appropriate assessment, 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 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, which rides on a sound credit culture is achieved through a combination of the following:

- **Appropriate credit policies:** the Group develops 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. The credit risk policies are reviewed periodically to ensure that they continue to be relevant and robust enough to address existing and emerging credit risk exposures.
- **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, retail, etc. 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 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 shareholder's funds unimpaired by loses. The sector limits are set based on the perceived riskiness of each sector but the Government exposures are capped at the regulatory limit of 10% of the total loans.

In response to observed market realities and in order to enhance corporate governance, improve credit culture, tighten risk acceptance criteria (RAC) and strengthen credit approval and management process, the Group revised its credit policy. The revised credit policy, with the RAC, which reflects the Group's risk appetite will aid underwriting decisions, improve turnaround time and quality of the credit portfolio.

In order to further strengthen its credit process, the Group has differentiated the approval route for its corporate and

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

commercial credits from retail credits. Credit approval for each area is supervised by well 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 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 a good collateral management review process in place in order 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. Collateral management in the Group includes periodic evaluation of coverage for each facility type, mark-to-market for stocks and commodities, revaluation benchmark for properties and acceptable standards for eligibility on all forms of collateral.

  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 highly rated obligors. 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.

  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 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.

- **Developing and maintaining the Group's process for measuring expected credit loss (ECL):** this includes processes for:

  – Initial approval, regular validation and back-testing of the models used; and

  – Incorporation of forward-looking information.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to credit committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

- **Reporting:** an important part of the Group's risk management framework is reporting to ensure that all vital information are brought to the attention of stakeholders, 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.

Monitoring and reporting looks at specific transactions that are challenged or vulnerable as well the entire portfolio.

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

Portfolio segmentation

Impairment approach under IFRS 9 requires the Group to segment its portfolio based on risk profiles. The Group has adopted a portfolio segmentation strategy that provides balance between homogeneity of characteristics and adequate population size to minimise volatility of extrapolations.

The table below contains the portfolio classification that achieved the balance sought by the Group and the description of the contents of each portfolio class. Portfolio classifications remain dynamic and will vary in line with management's view of the Group's risk and risk appetite.

(i) Consumer facilities portfolio

- Consumer facilities, large in count but low value loans.
- These are salary based loans for customers whose salaries are domiciled in the Group and group lending facilities for the bottom of the pyramid for microbusiness owners.
- Portfolio is broken down into asset backed and non-asset backed loans.

(ii) Corporate facilities portfolio

- Large corporates and financial institutions facilities.
- Customers with strong corporate governance and reliable audited financial statements.
- Customer's information is obtained through periodic review of individual customer's audited financial statement, management account, budget and projections. Data from credit reference bureaus and credit ratings are also available.

(iii) SME facilities portfolio

- Small and medium enterprises.
- Corporate governance is considered weak, financials are not reliable.
- Customers in this class are easily affected by macro-economic shocks.

(iv) Public sector facility portfolio

- Facilities to government entities.
- High political risk and repayment is dependent on government funding.

(v) Employee loans portfolio

- Facilities granted to staff of the Group.
- Full visibility of repayment source being staff salary.
- Concessionary interest rate.

The following table sets out information about the credit quality of financial assets measured at amortised cost, fair value through other comprehensive income debt instruments (2018) and available for sale debt securities (2017). Unless, specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms: stage 1 (12 month ECL), stage 2 (lifetime ECL) and stage 3 (credit impaired) are included in Note 3(k)(vii).

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Exposure to credit risk

	2018				2017
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Total ₦'000
Consumer facilities portfolio					
Investment grade	-	-	-	-	-
Permissible grade	-	-	-	-	-
Speculative grade	86,508,399	4,113,860	6,276,857	96,899,116	106,042,545
Lower speculative grade	-	-	-	-	-
Gross carrying amount	86,508,399	4,113,860	6,276,857	96,899,116	106,042,545
Loss allowance	(3,323,554)	(150,768)	(3,242,974)	(6,717,296)	(4,914,582)
Carrying amount	83,184,845	3,963,092	3,033,883	90,181,820	101,127,963
Corporate facilities portfolio					
Investment grade	21,540,201	-	-	21,540,201	23,978,804
Permissible grade	34,648,827	41,339,414	7,274	75,995,515	108,524,269
Speculative grade	287,784,557	68,059,073	26,628,459	382,472,089	337,777,450
Lower speculative grade	-	-	-	-	-
Gross carrying amount	343,973,585	109,398,487	26,635,733	480,007,805	470,280,523
Loss allowance	(7,745,070)	(2,996,330)	(20,101,691)	(30,843,091)	(14,022,653)
Carrying amount	336,228,515	106,402,157	6,534,042	449,164,714	456,257,870
SME facilities portfolio					
Investment grade	-	-	-	-	-
Permissible grade	7,466,903	-	533,298	8,000,201	3,182,570
Speculative grade	76,605,384	3,922,212	6,286,814	86,814,410	88,811,495
Lower speculative grade	-	-	-	-	-
Gross carrying amount	84,072,287	3,922,212	6,820,112	94,814,611	91,994,065
Loss allowance	(6,342,527)	(531,374)	(3,410,056)	(10,283,957)	(6,143,701)
Carrying amount	77,729,760	3,390,838	3,410,056	84,530,654	85,850,364
Public sector facility portfolio					
Investment grade	-	-	-	-	-
Permissible grade	-	-	33,354	33,354	42,223
Speculative grade	5,554,887	-	41,432	5,596,319	2,490,314
Lower speculative grade	-	-	-	-	-
Gross carrying amount	5,554,887	-	74,786	5,629,673	2,532,537
Loss allowance	(37,827)	-	(37,393)	(75,220)	(48,097)
Carrying amount	5,517,060	-	37,393	5,554,453	2,484,440

	2018				2017
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Total ₦'000
Employee loans portfolio					
Investment grade	-	-	-	-	-
Permissible grade	-	-	-	-	-
Speculative grade	3,584,579	2,620	388,009	3,975,208	4,252,155
Lower speculative grade	-	-	-	-	-
Gross carrying amount	3,584,579	2,620	388,009	3,975,208	4,252,155
Loss allowance	(177,745)	(138)	(194,004)	(371,887)	(176,066)
Carrying amount	3,406,834	2,482	194,005	3,603,321	4,076,089
Gross carrying amount	523,693,737	117,437,179	40,195,497	681,326,413	675,101,825
Loss allowance	(17,626,723)	(3,678,610)	(26,986,118)	(48,291,451)	(25,305,099)
Carrying amount	506,067,014	113,758,569	13,209,379	633,034,962	649,796,726

Credit risk exposure relating to loan commitments and financial guarantee contracts.

GROUP

	2018				2017
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Total ₦'000
Performance bonds and guarantees	173,090,195	-	-	173,090,195	98,496,969
Loan commitments	2,604,173	-	-	2,604,173	2,309,928
Clean line letters of credit	59,236,345	-	-	59,236,345	66,404,271
Gross carrying amount	234,930,713	-	-	234,930,713	167,211,168
Loss allowance	(1,205,367)	-	-	(1,205,367)	-
Carrying amount	233,725,346	-	-	233,725,346	167,211,168

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

Credit risk exposure relating to other financial assets

	2018				2017
	Stage 1 ₦'000	**Stage 2 ₦'000**	**Stage 3 ₦'000**	**Total ₦'000**	Total ₦'000
Cash and cash equivalents					
Investment grade	**6,874,412**	-	-	**6,874,412**	19,937,625
Permissible grade	**178,291,113**	-	-	**178,291,113**	83,950,382
Speculative grade	-	-	-	-	-
Lower speculative grade	-	-	-	-	-
Gross carrying amount	**185,165,525**	-	-	**185,165,525**	103,888,007
Loss allowance	**(17,976)**	-	-	**(17,976)**	-
Carrying amount	**185,147,549**	-	-	**185,147,549**	103,888,007
Restricted reserve deposits					
Investment grade	**146,497,087**	-	-	**146,497,087**	109,638,559
Permissible grade	-	-	-	-	-
Speculative grade	-	-	-	-	-
Lower speculative grade	-	-	-	-	-
Gross carrying amount	**146,497,087**	-	-	**146,497,087**	109,638,559
Loss allowance	-	-	-	-	-
Carrying amount	**146,497,087**	-	-	**146,497,087**	109,638,559
Non-pledged trading assets					
Investment grade	**47,469,113**	-	-	**47,469,113**	23,936,031
Permissible grade	-	-	-	-	-
Speculative grade	-	-	-	-	-
Lower speculative grade	-	-	-	-	-
Gross carrying amount	**47,469,113**	-	-	**47,469,113**	23,936,031
Loss allowance	-	-	-	-	-
Carrying amount	**47,469,113**	-	-	**47,469,113**	23,936,031
Assets pledged as collateral					
Investment grade	**87,409,893**	-	-	**87,409,893**	61,330,157
Permissible grade	-	-	-	-	
Speculative grade	-	-	-	-	
Lower speculative grade	-	-	-	-	
Gross carrying amount	**87,409,893**	-	-	**87,409,893**	61,330,157
Loss allowance	-	-	-	-	-
Carrying amount	**87,409,893**	-	-	**87,409,893**	61,330,157

	2018				2017
	Stage 1 ₦'000	**Stage 2 ₦'000**	**Stage 3 ₦'000**	**Total ₦'000**	Total ₦'000
Investment securities at amortised cost					
Investment grade	**80,948,249**	**-**	**-**	**80,948,249**	57,501,141
Permissible grade	**8,585,359**	**-**	**1,579,681**	**10,165,040**	13,412,064
Speculative grade	**-**	**-**	**-**	**-**	-
Lower speculative grade	**-**	**-**	**-**	**-**	-
Gross carrying amount	**89,533,608**	**-**	**1,579,681**	**91,113,289**	70,913,205
Loss allowance	**(261,059)**	**-**	**(1,579,681)**	**(1,840,740)**	-
Carrying amount	**89,272,549**	**-**	**-**	**89,272,549**	70,913,205
Investment securities at FVOCI – debt instruments					
Investment grade	**133,893,811**	**-**	**-**	**133,893,811**	77,102,626
Permissible grade	**-**	**-**	**-**	**-**	-
Speculative grade	**-**	**-**	**-**	**-**	-
Lower speculative grade	**-**	**-**	**-**	**-**	-
Gross carrying amount	**133,893,811**	**-**	**-**	**133,893,811**	77,102,626
Loss allowance	**-**	**-**	**-**	**-**	-
Carrying amount	**133,893,811**	**-**	**-**	**133,893,811**	77,102,626
Investment securities at FVOCI – quoted equity investments					
Investment grade	**578,474**	**-**	**-**	**578,474**	891,232
Permissible grade	**-**	**-**	**-**	**-**	-
Speculative grade	**-**	**-**	**-**	**-**	-
Lower speculative grade	**-**	**-**	**-**	**-**	-
Gross carrying amount	**578,474**	**-**	**-**	**578,474**	891,232
Loss allowance	**-**	**-**	**-**	**-**	-
Carrying amount	**578,474**	**-**	**-**	**578,474**	891,232
Investment securities at FVTPL – unquoted equity investments					
Investment grade	**-**	**-**	**-**	**-**	-
Permissible grade	**-**	**-**	**-**	**-**	-
Speculative grade	**-**	**-**	**-**	**-**	-
Lower speculative grade	**-**	**-**	**-**	**-**	-
Unrated	**-**	**-**	**-**	**-**	1,572,923
Gross carrying amount	**-**	**-**	**-**	**-**	1,572,923
Loss allowance	**-**	**-**	**-**	**-**	-
Carrying amount	**-**	**-**	**-**	**-**	1,572,923

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for the year ended 31 December 2018 continued

	2018				2017
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Total ₦'000
Investment securities at FVOCI – unquoted equity investments					
Investment grade	-	-	-	-	-
Permissible grade	-	-	-	-	-
Speculative grade	-	-	-	-	-
Lower speculative grade	12,177,098	-	-	12,177,098	2,948,673
Gross carrying amount	12,177,098	-	-	12,177,098	2,948,673
Loss allowance	-	-	-	-	-
Carrying amount	12,177,098	-	-	12,177,098	2,948,673
Other financial assets					
Investment grade	-	-	-	-	-
Permissible grade	-	-	-	-	-
Speculative grade	-	-	-	-	-
Lower speculative grade	20,267,375	-	24,212,915	44,480,290	38,693,386
Gross carrying amount	20,267,375	-	24,212,915	44,480,290	38,693,386
Loss allowance	(808,356)	-	(14,596,193)	(15,404,549)	(16,349,277)
Carrying amount	19,459,019	-	9,616,722	29,075,741	22,344,109

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 banks.

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 Central Bank of Nigeria (CBN);
- the facility must have been 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; and
- the fully provisioned facility is appropriately disclosed in the audited financial statement of the Group.

Gross loan amounts of ₦15.18 billion and ₦13.69 billion, which were impaired, were written off during year ended 31 December 2018 (31 December 2017: ₦20.65 billion and ₦16.32 billion) for the Group and banking subsidiary respectively.

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 **2018** **%**	 2017 %
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	**90**	90
Reverse sale and repurchase agreements	Marketable securities	**100**	100
Investment debt securities	None	**-**	-

Other admissible credit risk mitigants (accepted for comfort only) but not eligible as collateral include 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 31 December 2018 and 31 December 2017.

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Details of collateral held and the value of collateral as at 31 December 2018 are as follows:

	GROUP		COMPANY	
	Total exposure ₦'000	**Value of collateral ₦'000**	**Total exposure ₦'000**	**Value of collateral ₦'000**
Secured against real estate	**114,347,561**	**203,157,038**	**-**	**-**
Secured by shares of quoted and unquoted companies	**32,476,851**	**6,733,414**	**-**	**-**
Cash collateral, lien over fixed and floating assets	**332,282,953**	**468,572,019**	**-**	**-**
Otherwise secured	**20,419,318**	**-**	**-**	**-**
Unsecured	**181,799,730**	**-**	**-**	**-**
	681,326,413	**678,462,471**	**-**	**-**

Details of collateral held and their carrying amounts as at 31 December 2017 are as follows:

	GROUP		COMPANY	
	Total exposure ₦'000	**Value of collateral ₦'000**	**Total exposure ₦'000**	**Value of collateral ₦'000**
Secured against real estate	113,768,273	194,733,746	-	-
Secured by shares of quoted and unquoted companies	1,472,875	1,755,447	-	-
Cash collateral, lien over fixed and floating assets	399,741,750	496,903,082	-	-
Otherwise secured	10,194,194	-	-	-
Unsecured	149,924,733	-	-	-
	675,101,825	693,392,275	-	-

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 Analysis Methodology 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 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.

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) reflects the expected loss (EL) on each transaction, which fully incorporates both borrower strength (PD) and loss severity (LGD) considerations. The expected loss (EL) generated is used as a guide to price for transactions, being the risk premium.

The Group 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.

Derivative assets held for risk management

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:

	31 December 2018		31 December 2017	
	Notional amount	**Fair value**	Notional amount	Fair value
Derivative assets held for risk management	**-**	**10,538**	-	345,784
Derivative liabilities held for risk management	**-**	**10,538**	-	345,784

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 investments is shown below.

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Concentration by sector

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 31 December 2018. Carrying amounts presented in the table below are determined as gross loans less impairment allowances. The non-performing loans (NPL) are presented in accordance with Central Bank of Nigeria (CBN) prudential guidelines.

GROUP

	Loans and advances to customers							Gross lending	
	2018					2017		**2018**	2017
	Stage 1 ₦'000	**Stage 2 ₦'000**	**Stage 3 ₦'000**	**Total gross loan ₦'000**	**Non-preforming loan (NPL) ₦'000**	Total gross loan ₦'000	Non-preforming loan (NPL) ₦'000	**₦'000**	₦'000
Administrative and Support Services	**40,244**	**19,900**	**293,888**	**354,032**	**293,888**	4,611,571	-	**5,890,466**	5,476,633
Agriculture	**38,991,119**	**964,180**	**372,781**	**40,328,080**	**372,781**	13,780,364	1,440,997	**18,394,226**	11,229,829
Commerce	**36,098,109**	**639,422**	**18,773,512**	**55,511,043**	**18,773,512**	46,978,899	6,464,159	**20,825,784**	18,526,906
Construction	**1,633,896**	**-**	**19,383**	**1,653,279**	**19,383**	2,817,958	295,821	**29,657,698**	30,510,317
Education	**4,919,107**	**3,737**	**110,455**	**5,033,299**	**110,455**	8,973,805	**2,239,667**	**-**	28,208
Finance and insurance	**54,938,030**	**-**	**29**	**54,938,059**	**29**	30,524,545	**262**	**7,453,099**	6,605,865
General – others	**2,101,352**	**3**	**427,039**	**2,528,394**	**427,039**	2,128,948	**231,966**	**-**	-
Government	**2,337,816**	**-**	**71,499**	**2,409,315**	**71,499**	4,170,667	**28,807**	**-**	-
Hospitality	**7,984,067**	**24,312**	**314,604**	**8,322,983**	**314,604**	8,568,021	**127,418**	**6,619,061**	8,694,160
Individual	**88,761,612**	**4,116,480**	**6,664,955**	**99,543,047**	**6,664,955**	113,299,749	**8,160,149**	**-**	-
Information and communication	**12,501,757**	**-**	**3,740,769**	**16,242,526**	**3,740,769**	21,194,219	**4,669,959**	**2,849,914**	1,276,606
Manufacturing	**40,464,737**	**7,559,738**	**1,610,035**	**49,634,510**	**1,610,035**	43,656,271	**1,381,166**	**111,584,983**	49,605,749
Mining	**-**	**-**	**255,927**	**255,927**	**255,927**	299,515	**299,515**	**525,941**	437,000
Oil and gas – downstream	**40,833,583**	**27,511,579**	**182,851**	**68,528,013**	**182,851**	50,021,678	**1,293,686**	**8,289,305**	10,175,442
Oil and gas – upstream	**74,555,972**	**40,787,764**	**-**	**115,343,736**	**-**	146,952,668	-	**10,046,120**	9,275,480
Oil and gas – services	**33,974,049**	**-**	**5,921,551**	**39,895,600**	**5,921,551**	21,114,602	5,134,874	**2,437,054**	-
Power and energy	**33,833,797**	**16,179,332**	**-**	**50,013,129**	**-**	56,750,232	-	**-**	1,276,373
Professional services	**58,622**	**-**	**808**	**59,430**	**808**	52,335	42,917	**-**	458,112
Real estate	**44,814,175**	**19,610,472**	**1,075,665**	**65,500,312**	**1,075,665**	92,917,577	894,944	**9,894,765**	10,744,165
Transportation	**4,851,693**	**20,260**	**359,746**	**5,231,699**	**359,746**	6,288,201	515,055	**462,297**	580,395
	523,693,737	**117,437,179**	**40,195,497**	**681,326,413**	**40,195,497**	**675,101,825**	**33,221,362**	**234,930,713**	**164,901,240**

Concentration by location

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 and Europe. Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

GROUP

	Loans and advances to customers							Gross lending	
	2018					2017		**2018**	2017
	Stage 1 ₦'000	**Stage 2 ₦'000**	**Stage 3 ₦'000**	**Total Gross Loan ₦'000**	**Non-preforming Loan (NPL) ₦'000**	Total Gross Loan ₦'000	Non-preforming Loan (NPL) ₦'000	**₦'000**	₦'000
North East	**6,043,651**	**200,907**	**341,969**	**6,586,527**	**341,969**	5,842,385	271,070	**125,702**	137,018
North Central	**30,143,706**	**721,168**	**2,621,211**	**33,486,085**	**2,621,211**	36,979,877	5,933,680	**14,946,489**	14,298,023
North West	**20,225,283**	**603,766**	**1,215,015**	**22,044,064**	**1,215,015**	20,399,097	1,189,227	**1,627,598**	493,056
South East	**12,003,497**	**568,828**	**508,673**	**13,080,998**	**508,673**	14,929,170	1,278,994	**6,996,128**	5,724,460
South South	**19,072,420**	**494,903**	**1,551,204**	**21,118,527**	**1,551,204**	19,436,888	**2,336,946**	**5,284,281**	11,486,051
South West	**389,955,256**	**114,847,607**	**33,957,425**	**538,760,288**	**33,957,425**	559,731,846	**22,211,445**	**205,950,515**	132,762,632
Europe	**46,249,924**	**-**	**-**	**46,249,924**	**-**	17,782,562	-	**-**	-
	523,693,737	**117,437,179**	**40,195,497**	**681,326,413**	**40,195,497**	**675,101,825**	**33,221,362**	**234,930,713**	**164,901,240**

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Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures

- Information obtained during periodic review of customer files e.g. management accounts, budgets and projections, etc. Example of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Quoted bond prices for the borrower where available.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Retail exposures

- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities, etc.
- Affordability metrics.
- External data from credit reference agencies including industry-standard credit scores.

All exposures

- Payment record – this include overdue status as well as a range of variables about payment ratios.
- Utilisation of the granted limit.
- Request for and granting of forbearance.
- Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for certain types of exposure, more than 15 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the policy set out in the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired and in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired and in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant, etc.;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes, except where there is regulatory waiver on specifically identified loans and advances.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables such as inflation rate, exchange rate and crude oil prices as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as The Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Measurement of expected credit loss (ECL)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible

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exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- past due information;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

Measurement basis under IFRS 9

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: stage 1 (12-month ECL), stage 2 (lifetime ECL not credit impaired) and stage 3 (lifetime ECL credit-impaired) are included in Note 3(k)(vii). Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

	2018				2017
	Stage 1 ₦'000	**Stage 2 ₦'000**	**Stage 3 ₦'000**	**Total ₦'000**	Total ₦'000
Assets pledged as collateral at amortised cost					
Balance at 1 January	-	-	-	-	-
Net remeasurement of loss allowances (see note 10)	-	-	-	-	-
Closing balance	-	-	-	-	-
Gross amount	72,287,014	-	-	72,287,014	58,888,057
Assets pledged as collateral at FVOCI					
Balance at 1 January	-	-	-	-	-
Net remeasurement of loss allowances (see note 10)	-	-	-	-	-
Closing balance	-	-	-	-	-
Gross amount	15,122,879	-	-	15,122,879	2,442,100
Loans and advances to customers at amortised cost					
Balance at 1 January	21,229,565	278,652	28,151,628	49,659,845	20,545,824
Derecognised balance due to divested subsidiary	-	-	-	-	-
Net remeasurement of loss allowances (see note 10)	(3,602,842)	3,399,958	14,012,216	13,809,332	25,405,355
Financial assets that have been derecognised-write-offs	-	-	(15,177,716)	(15,177,716)	(20,646,080)
Foreign exchange and other movements	-	-	-	-	-
Closing balance	17,626,723	3,678,610	26,986,118	48,291,451	25,305,099
Gross amount	523,693,737	117,437,179	40,195,497	681,326,413	675,101,825
Investment securities at amortised cost					
Balance at 1 January	283,826	-	-	283,826	-
Net remeasurement of loss allowances (see note 10)	(22,767)	-	1,579,681	1,556,914	-
Foreign exchange and other movements	-	-	-	-	-
Closing balance	261,059	-	1,579,681	1,840,740	-
Gross amount	89,533,608	-	1,579,681	91,113,289	70,913,205
Investment securities at FVOCI					
Balance at 1 January	14,300	-	-	14,300	-
Net remeasurement of loss allowances (see note 10)	9,747	-	-	9,747	-
Foreign exchange and other movements	-	-	-	-	-
Closing balance	24,047	-	-	24,047	-
Gross amount	133,893,811	-	-	133,893,811	77,102,626

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	2018				2017
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Total ₦'000
Other assets					
Balance at 1 January	318,887	-	15,953,915	16,272,802	16,349,277
Net remeasurement of loss allowances (see note 10)	485,877	-	2,271,335	2,757,212	-
Write-offs	-	-	(3,629,057)	(3,629,057)	-
Foreign exchange and other movements	3,592	-	-	3,592	-
Closing balance	808,356	-	14,596,193	15,404,549	16,349,277
Gross amount	20,267,375	-	24,212,915	44,480,290	38,693,386
Performance bonds and guarantees, clean line letters of credit and other commitments					
Balance at 1 January	458,415	-	-	458,415	-
Net remeasurement of loss allowances (see note 10)	746,952	-	-	746,952	-
Foreign exchange and other movements	-	-	-	-	-
Closing balance	1,205,367	-	-	1,205,367	-
Gross amount	234,930,713	-	-	234,930,713	167,211,168

ECL coverage ratio

	GROUP							
	Gross carrying amount				ECL provision			
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
On-balance sheet items								
Assets pledged as collateral at amortised cost	**72,287,014**	**-**	**-**	**72,287,014**	**-**	**-**	**-**	**-**
Assets pledged as collateral at FVOCI	**15,122,879**	**-**	**-**	**15,122,879**	**-**	**-**	**-**	**-**
Loans and advances to customers at amortised cost	**523,693,737**	**117,437,179**	**40,195,497**	**681,326,413**	**17,626,723**	**3,678,610**	**26,986,118**	**48,291,451**
Investment securities at amortised cost	**89,533,608**	**-**	**1,579,681**	**91,113,289**	**261,059**	**-**	**1,579,681**	**1,840,740**
Investment securities at FVOCI	**133,893,811**	**-**	**-**	**133,893,811**	**24,047**	**-**	**-**	**24,047**
Other financial assets measured at amortised cost	**20,267,375**	**-**	**24,212,915**	**44,480,290**	**808,356**	**-**	**14,596,193**	**15,404,549**
Sub-total	**854,798,424**	**117,437,179**	**65,988,093**	**1,038,223,696**	**18,720,185**	**3,678,610**	**43,161,992**	**65,560,787**
Off-balance sheet items								
Performance bonds and guarantees	**175,294,238**	**-**	**-**	**175,294,238**	**843,004**	**-**	**-**	**843,004**
Clean line letters of credit	**59,236,345**	**-**	**-**	**59,236,345**	**362,363**	**-**	**-**	**362,363**
Other commitments	**400,130**	**-**	**-**	**400,130**	**-**	**-**	**-**	**-**
Sub-total	**234,930,713**	**-**	**-**	**234,930,713**	**1,205,367**	**-**	**-**	**1,205,367**
Grand total	**1,089,729,137**	**117,437,179**	**65,988,093**	**1,273,154,409**	**19,925,552**	**3,678,610**	**43,161,992**	**66,766,154**

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ECL coverage ratio

	COMPANY							
	Gross carrying amount				ECL provision			
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000	Total ₦'000
On-balance sheet items								
Assets pledged as collateral at amortised cost	-	-	-	-	-	-	-	-
Assets pledged as collateral at FVOCI	-	-	-	-	-	-	-	-
Loans and advances to customers at amortised cost	-	-	-	-	-	-	-	-
Investment securities at amortised cost	2,873,509	-	-	2,873,509	101,556	-	-	101,556
Investment securities at FVOCI	955,985	-	-	955,985	-	-	-	-
Other financial assets measured at amortised cost	2,403,108	-	-	2,403,108	69,953	-	-	69,953
Sub-total	**6,232,602**	-	-	**6,232,602**	**171,509**	-	-	**171,509**
Off-balance sheet items								
Performance bonds and guarantees	-	-	-	-	-	-	-	-
Clean line letters of credit	-	-	-	-	-	-	-	-
Other commitments	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
Grand total	**6,232,602**	-	-	**6,232,602**	**171,509**	-	-	**171,509**

ECL coverage ratio

	GROUP				COMPANY			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On-balance sheet items								
Assets pledged as collateral at amortised cost	-	-	-	-	-	-	-	-
Assets pledged as collateral at FVOCI	-	-	-	-	-	-	-	-
Loans and advances to customers at amortised cost	3.37%	3.13%	67.14%	7.09%	-	-	-	-
Investment securities at amortised cost	0.29%	-	-	2.02%	3.53%	-	-	3.53%
Investment securities at FVOCI	0.02%	-	-	0.02%	0.00%	-	-	0.00%
Other financial assets measured at amortised cost	3.99%	-	-	34.63%	2.91%	-	-	2.91%
Sub-total	2.19%	3.13%	65.41%	6.31%	2.75%	0.00%	0.00%	2.75%
Off-balance sheet items								
Performance bonds and guarantees	0.48%	-	-	0.48%	-	-	-	-
Clean line letters of credit	0.61%	-	-	0.61%	-	-	-	-
Other commitments	-	-	-	-	-	-	-	-
Sub-total	0.51%	-	-	0.51%	0.00%	-	-	0.00%
Grand total	1.83%	3.13%	65.41%	5.24%	2.75%	0.00%	0.00%	2.75%

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Trading Assets

The Group's trading book comprises debt securities and bills issued by the Federal Government of Nigeria and equity securities. The capital charge for the trading book is computed using the standardised approach. The standardised approach adopts a building block approach to capital computation, where individual capital requirements are summed for the different risk positions. Under the methodology, capital charge is computed for issuer risk, otherwise known as specific risk and for general market risk, which may result from adverse movement in market price. The capital charges cover the Group's debt instruments in the trading book and the total banking book for Foreign Exchange. Commodities are excluded as the Group does not trade in commodities. The standardised method ignores diversification of risk and the risk positions are captured as on the day and not for a period.

The deployment of value at risk (VAR) will enable the Group to migrate to the internal model approach, which measures market risk loss at a given level of confidence and over a specified period. Also, this approach accounts for diversification (which is not done under standardised method).

An analysis of the counterparty credit exposure for the trading assets, which are neither past due nor impaired is as shown in the table below:

GROUP

31 December 2018	Issuer rating	0-30 days ₦'000	31-90 days ₦'000	91-180 days ₦'000	181-365 days ₦'000	Above 365 days ₦'000	Total ₦'000
Security type							
FGN bonds	BB-	**583,473**	-	-	-	-	**583,473**
Nigerian treasury bills	BB-	**46,843,340**	-	-	-	-	**46,843,340**
Equity investments	BB-	**42,300**	-	-	-	-	**42,300**
		47,469,113	-	-	-	-	**47,469,113**

GROUP

31 December 2017	Issuer rating	0-30 days ₦'000	31-90 days ₦'000	91-180 days ₦'000	181-365 days ₦'000	Above 365 days ₦'000	Total ₦'000
Security type							
FGN bonds	BB-	2,020,117	-	-	-	-	2,020,117
Nigerian treasury bills	BB-	21,888,330	-	-	-	-	21,888,330
Equity investments	BB-	27,584	-	-	-	-	27,584
		23,936,031	-	-	-	-	23,936,031

Cash and cash equivalents

The Group held cash and cash equivalents of ₦185.15 billion as at 31 December 2018 (31 December 2017: ₦103.89 billion). The cash and cash equivalents are held with the Central Bank, financial institutions and counterparties, which are rated BBB- to AA based on acceptable external rating agency's 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 through 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 Division 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 such as deposit attrition, funding mismatch and funding concentrations.
- 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 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 contingency deposits and 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 Development Financial Institutions' (DFIs) funds as a result of current security challenges, 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 Management Division acts as the

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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.

(i) 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:

	2018	2017
At 31 December	**50.4%**	36.6%
Average for the year	**48.0%**	34.9%
Maximum for the year	**52.2%**	38.9%
Minimum for the year	**42.0%**	31.3%

Liquidity ratio, which is a measure of liquidity risk is calculated as a ratio of Naira liquid assets to local currency deposits and it is expressed in percentages.

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

(ii) 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 balance sheet date to the contractual maturity date. These include both principal and interest cash flows across the different maturity periods. The following tables show the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities.

		GROUP	
31 December 2018	*Note*	**Carrying amount ₦'000**	**Gross nominal inflow/(outflow) ₦'000**
Non-derivative assets			
Cash and cash equivalent	*21*	**185,147,549**	**185,147,549**
Restricted reserve deposit	*22*	**146,497,087**	**146,497,087**
Non-pledged trading assets	*23(a)*	**47,469,113**	**53,090,164**
Loans and advances to customers	*25*	**633,034,962**	**660,556,714**
Asset pledged as collateral	*27*	**87,409,893**	**134,055,523**
Investment securities	*26*	**235,921,932**	**264,095,535**
Other financial assets (net)	*33(a)*	**29,075,741**	**44,480,290**
		1,364,556,277	**1,487,922,862**
Non-derivative liabilities			
Deposits from banks	*34*	**39,140,044**	**39,140,044**
Deposits from customers	*35*	**821,747,423**	**832,838,261**
Borrowings	*36*	**108,731,522**	**132,351,365**
On-lending facilities	*37*	**57,889,225**	**60,940,333**
Debt securities issued	*38*	**54,651,172**	**81,077,494**
Other financial liabilities	*41(a)*	**112,594,891**	**112,594,891**
		1,194,754,277	**1,258,942,388**

31 December 2018	Note	GROUP 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	*21*	184,950,885	-	196,664	-	-	-	185,147,549
Restricted reserve deposit	*22*	146,497,087	-	-	-	-	-	146,497,087
Non-pledged trading assets	*23(a)*	2,112,638	6,216,095	2,799,590	41,361,841	-	600,000	53,090,164
Loans and advances to customers	*25*	61,450,951	41,815,177	94,210,140	75,940,380	280,237,411	106,902,655	660,556,714
Asset pledged as collateral	*27*	9,045,276	2,063,405	672,525	11,765,709	52,539,029	57,969,579	134,055,523
Investment securities	*26*	10,104,504	38,650,354	7,867,931	83,650,181	47,450,168	76,372,396	264,095,535
Other financial assets (net)	*33(a)*	9,930,195	23,633,920	-	863,121	10,052,054	1,000	44,480,290
		424,091,537	112,378,951	105,746,850	213,581,232	390,278,662	241,845,630	1,487,922,862
Non-derivative liabilities								
Deposits from banks	*34*	39,140,044	-	-	-	-	-	39,140,044
Deposits from customers	*35*	671,401,069	51,640,599	34,305,767	56,574,447	4,916,379	14,000,000	832,838,261
Borrowings	*36*	1,058,318	7,758,513	1,853,578	20,267,977	101,412,979		132,351,365
On-lending facilities	*37*	8,865,454	180,121	265,429	4,565,461	14,204,129	32,859,739	60,940,333
Debt securities issued	*38*	-	-	4,163,672	4,184,137	72,729,685	-	81,077,494
Other financial liabilities	*41(a)*	46,272,817	11,901,204	36,941,974	17,441,637	37,259	-	112,594,891
		766,737,702	71,480,437	77,530,420	103,033,659	193,300,431	46,859,739	1,258,942,388

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		GROUP	
31 December 2017	*Note*	**Carrying amount ₦'000**	**Gross nominal inflow/(outflow) ₦'000**
Non-derivative assets			
Cash and cash equivalent	*21*	103,888,007	103,888,007
Restricted reserve deposit	*22*	109,638,559	109,638,559
Non-pledged trading assets	*23(a)*	23,936,031	23,936,031
Loans and advances to customers	*25*	649,796,726	636,209,504
Asset pledged as collateral	*27*	61,330,157	63,780,737
Investment securities	*26*	153,428,659	106,075,016
Other financial assets (net)	*33(a)*	12,545,060	28,894,337
		1,114,563,199	1,072,422,191
Non-derivative liabilities			
Deposits from banks	*34*	6,355,389	6,355,389
Deposits from customers	*35*	689,860,640	686,662,952
Borrowings	*36*	109,434,970	104,905,180
On-lending facilities	*37*	42,534,316	47,791,762
Debt securities issued	*38*	54,691,520	86,187,442
Other financial liabilities	*41(a)*	62,654,250	62,654,250
		965,531,085	994,556,975

		GROUP						
31 December 2017	*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	*21*	103,888,007	-	-	-	-	-	103,888,007
Restricted reserve deposit	*22*	109,638,559	-	-	-	-	-	109,638,559
Non-pledged trading assets	*23(a)*	23,936,031	-	-	-	-	-	23,936,031
Loans and advances to customers	*25*	36,483,718	53,712,532	23,581,525	48,818,652	370,941,073	102,672,004	636,209,504
Asset pledged as collateral	*27*	-	10,350,000	8,668,915	7,050,000	14,401,800	23,310,022	63,780,737
Investment securities	*26*	18,378,771	5,945,304	20,632,680	15,030,891	35,443,049	10,644,321	106,075,016
Other financial assets (net)	*33(a)*	18,876,941	-	-	183,009	9,834,387	-	28,894,337
		311,202,027	70,007,836	52,883,120	71,082,552	430,620,309	136,626,347	1,072,422,191
Non-derivative liabilities								
Deposits from banks	*34*	6,355,389	-	-	-	-	-	6,355,389
Deposits from customers	*35*	537,083,264	18,539,525	62,857,608	58,503,393	6,408,055	3,271,107	686,662,952
Borrowings	*36*	1,652,729	-	-	23,485,589	79,766,862	-	104,905,180
On-lending facilities	*37*	9,296,374	-	150,099	1,707,557	17,533,585	19,104,147	47,791,762
Debt securities issued	*38*	-	4,153,376	-	4,172,329	71,407,486	6,454,251	86,187,442
Other financial liabilities	*41(a)*	8,470,348	-	36,636,447	17,547,455	-	-	62,654,250
		562,858,104	22,692,901	99,644,154	105,416,323	175,115,988	28,829,505	994,556,975

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The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets.	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and financial assets held.	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement and the net amounts for derivatives that are net settled.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity.	Fair values at the date of the statement of financial position. This is because contractual maturities are not reflective of the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'less than 0-30 days' column.
Trading derivative liabilities and assets that are entered into by the Group with its customers.	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.
Issued financial guarantee contracts and unrecognised loan commitments.	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately; and
- retail mortgage loans have an original contractual maturity of between 10 and 15 years but with an average expected maturity of six years because customers take advantage of early repayment options.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by Central Bank of Nigeria, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other financial institutions and holds unencumbered assets eligible for use as collateral with central bank.

(iii) Liquidity reserves

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

31 December	Note	Carrying amount 2018 ₦'000	Fair value 2018 ₦'000	Carrying amount 2017 ₦'000	Fair value 2017 ₦'000
Balances with central banks	*21*	**17,456,438**	**17,456,438**	10,701,476	10,701,476
Cash and balances with other banks	*21*	**167,691,111**	**167,691,111**	93,186,531	93,186,531
Unencumbered debt securities issued by Central Bank of Nigeria		**259,541,059**	**245,373,941**	155,556,988	132,465,638
Total liquidity reserve		**444,688,608**	**430,521,490**	259,444,995	236,353,645

Included in the unencumbered debt securities issued by central bank are; Federal Government of Nigeria (FGN) Bonds ₦88.83 billion (31 December 2017: ₦66.63 billion), Treasury Bills ₦170.71 billion (31 December 2017: ₦92.55 billion) under note 23(a), 26(a) and (c).

(iv) Financial assets available to support future funding

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

31 December 2018

		Encumbered		Unencumbered		
	Note	Pledged as collateral ₦'000	Other* ₦'000	Available as collateral ₦'000	Other** ₦'000	Total ₦'000
Cash and cash equivalents	*21*	**-**	**-**	**185,147,549**	**-**	**185,147,549**
Restricted reserve deposits	*22*	**-**	**146,497,087**	**-**	**-**	**146,497,087**
Non-pledged trading assets	*23(a)*	**-**	**-**	**-**	**47,469,113**	**47,469,113**
Loans and advances	*25*	**-**	**-**	**-**	**633,034,962**	**633,034,962**
Assets pledged as collateral	*27*	**87,409,893**	**-**	**-**	**-**	**87,409,893**
Investment securities	*26*	**-**	**-**	**235,921,932**	**-**	**235,921,932**
Other assets (net)	*33*	**-**	**-**	**-**	**29,075,741**	**29,075,741**
Total assets		**87,409,893**	**146,497,087**	**421,069,481**	**709,579,816**	**1,364,556,277**

31 December 2017

		Encumbered		Unencumbered		
	Note	Pledged as collateral ₦'000	Other* ₦'000	Available as collateral ₦'000	Other** ₦'000	Total ₦'000
Cash and cash equivalents	*21*	-	-	103,888,007	-	103,888,007
Restricted reserve deposits	*22*	-	109,638,559	-	-	109,638,559
Non-pledged trading assets	*23(a)*	-	-	-	23,936,031	23,936,031
Loans and advances	*25*	-	-	-	649,796,726	649,796,726
Assets pledged as collateral	*27*	61,330,157	-	-	-	61,330,157
Investment securities	*26*	-	-	153,428,659	-	153,428,659
Other assets (net)	*33*	-	-		22,344,109	22,344,109
Total assets		61,330,157	109,638,559	257,316,666	696,076,866	1,124,362,248

* *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.*

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2018 and 31 December 2017 are shown in the preceding table.

Financial assets are pledged as collateral as part of securities borrowing, clearing and client's collection transactions under terms that are usual and customary for such activities.

(d) Market Risk

Market risk is the risk that changes in market prices such as interest rate, equity and commodity prices, 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. The Group 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 Division and include positions from market making and proprietary positions taking, together with financial assets and liabilities that are managed on fair value basis. Non-trading portfolios are mainly held by Asset and Liability Management (ALM) Department and include portfolios held under amortised cost and fair value through other comprehensive income.

The Group has a robust methodology and procedures for the identification, assessment, control, monitoring and reporting of market risks within its trading portfolio and the rest of the Group's balance sheet. The Market Risk Management Unit within Risk Management Division 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, Market and Liquidity Risk Department within Risk Management Division is responsible for limit tracking and reporting to the Chief Risk Officer (CRO) and ultimately, Assets and Liability Committee. The Group employs a range of tools to monitor and ensure risk acceptance is kept within defined limit. Detail of market risk exposures as at 31 December 2018 are provided below.

Market risk measures

The table below sets out the allocation of assets and liabilities subject to price risk, classified by trading and non-trading portfolio:

		GROUP			COMPANY		
31 December 2018	*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 equivalents	*21*	**185,147,549**	**-**	**185,147,549**	**297,957**	**-**	**297,957**
Restricted reserve deposits	*22*	**146,497,087**	**-**	**146,497,087**	**-**	**-**	**-**
Trading assets	*23(a)*	**47,469,113**	**47,469,113**	**-**	**-**	**-**	**-**
Derivative assets held for risk management	*24*	**10,538**	**-**	**10,538**	**-**	**-**	**-**
Loans and advances to customers	*25*	**633,034,962**	**-**	**633,034,962**	**-**	**-**	**-**
Assets pledged as collateral	*27*	**87,409,893**	**-**	**87,409,893**	**-**	**-**	**-**
Investment securities	*26*	**235,921,932**	**-**	**235,921,932**	**3,727,938**	**-**	**3,727,938**
Other financial assets (net)	*33(a) (c)*	**29,075,741**	**-**	**29,075,741**	**2,333,155**	**-**	**2,333,155**
Liabilities subject to market risk:							
Trading liabilities	*23(b)*	**32,474,632**	**32,474,632**	**-**	**-**	**-**	**-**
Derivative liabilities held for risk management	*24*	**10,538**	**-**	**10,538**	**-**	**-**	**-**
Deposits from banks	*34*	**39,140,044**	**-**	**39,140,044**	**-**		**-**
Deposits from customers	*35*	**821,747,423**	**-**	**821,747,423**	**-**	**-**	**-**
Borrowings	*36*	**108,731,522**	**-**	**108,731,522**	**-**	**-**	**-**
On-lending facilities	*37*	**57,889,225**	**-**	**57,889,225**	**-**	**-**	**-**
Debt securities issued	*38*	**54,651,172**	**-**	**54,651,172**	**-**	**-**	**-**
Other financial liabilities	*41(a)*	**112,594,891**	**-**	**112,594,891**	**783,056**	**-**	**783,056**

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for the year ended 31 December 2018 continued

		GROUP			COMPANY		
31 December 2017	*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 equivalents	*21*	103,888,007	-	103,888,007	146,366	-	146,366
Restricted reserve deposits	*22*	109,638,559	-	109,638,559	-	-	-
Trading assets	*23(a)*	23,936,031	23,936,031	-	-	-	-
Derivative assets held for risk management	*24*	-	-	-	-	-	-
Loans and advances to customers	*25*	649,796,726	-	649,796,726	-	-	-
Assets pledged as collateral	*27*	61,330,157	-	61,330,157	-	-	-
Investment securities	*26*	153,428,659	-	153,428,659	5,109,140	-	5,109,140
Other financial assets (net)	*33(a)(c)*	22,344,109	-	22,344,109	744,575	-	744,575
Liabilities subject to market risk:							
Trading liabilities	*23(b)*	21,616,660	21,616,660	-	-	-	-
Derivative liabilities held for risk management	*24*	-	-	-	-	-	-
Deposits from banks	*34*	6,355,389	-	6,355,389	-		-
Deposits from customers	*35*	689,860,640	-	689,860,640	-	-	-
Borrowings	*36*	109,434,970	-	109,434,970	-	-	-
On-lending facilities	*37*	42,534,316	-	42,534,316	-	-	-
Debt securities issued	*38*	54,691,520	-	54,691,520	-	-	-
Other financial liabilities	*41(a)*	62,654,250	-	62,654,250	1,332,702	-	1,332,702

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 fair values of future cash flows from 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 Treasury and Financial Services Division.

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

		GROUP		
31 December 2018	*Note*	**Carrying amount ₦'000**	**Rate sensitive ₦'000**	**Non-rate sensitive ₦'000**
Assets				
Cash and cash equivalents	*21*	**185,147,549**	**6,856,436**	**178,291,113**
Restricted reserve deposits	*22*	**146,497,087**	**-**	**146,497,087**
Non-pledged trading assets	*23(a)*	**-**	**-**	**-**
Derivative assets held for risk management	*24*	**10,538**	**-**	**10,538**
Loans and advances to customers (gross)	*25*	**681,326,413**	**681,326,413**	**-**
Assets pledged as collateral	*27*	**87,409,893**	**87,409,893**	**-**
Investment securities	*26*	**235,921,932**	**223,166,360**	**12,755,572**
Other financial assets (gross)	*33(a)*	**44,480,290**	**-**	**44,480,290**
		1,380,793,702	**998,759,102**	**382,034,600**
Liabilities				
Trading liabilities	*23(b)*	**-**	**-**	**-**
Derivative liabilities held for risk management	*24*	**10,538**	**10,538**	**-**
Deposits from banks	*34*	**39,140,044**	**39,140,044**	**-**
Deposits from customers	*35*	**821,747,423**	**662,128,793**	**159,618,630**
Borrowings	*36*	**108,731,522**	**108,731,522**	**-**
On-lending facilities	*37*	**57,889,225**	**57,889,225**	**-**
Debt securities issued	*38*	**54,651,172**	**54,651,172**	**-**
Other financial liabilities	*41(a)*	**112,594,891**	**-**	**112,594,891**
		1,194,764,815	**922,551,294**	**272,213,521**
Total interest repricing gap		**186,028,887**	**76,207,808**	**109,821,079**

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for the year ended 31 December 2018 continued

		GROUP		
31 December 2017	*Note*	Carrying amount ₦'000	Rate sensitive ₦'000	Non-rate sensitive ₦'000
Assets				
Cash and cash equivalents	*21*	103,888,007	19,937,625	83,950,382
Restricted reserve deposits	*22*	109,638,559	-	109,638,559
Non-pledged trading assets	*23(a)*	-	-	-
Derivative assets held for risk management	*24*	345,784	-	345,784
Loans and advances to customers (gross)	*25*	675,101,825	675,101,825	-
Assets pledged as collateral	*27*	61,330,157	61,330,157	-
Investment securities	*26*	153,428,659	145,033,021	8,395,638
Other financial assets (gross)		38,693,386	-	38,693,386
		1,142,426,377	901,402,628	241,023,749
Liabilities				
Trading liabilities	*23(b)*	-	-	-
Derivative liabilities held for risk management	*24*	345,784	-	345,784
Deposits from banks	*34*	6,355,389	6,355,389	-
Deposits from customers	*35*	689,860,640	530,242,010	159,618,630
Borrowings	*36*	109,434,970	109,434,970	-
On-lending facilities	*37*	42,534,316	42,534,316	-
Debt securities issued	*38*	54,691,520	54,691,520	-
Other financial liabilities	*41(a)*	62,654,250	-	62,654,250
		965,876,869	743,258,205	222,618,664
Total interest repricing gap		176,549,508	158,144,423	18,405,085

GROUP

31 December 2018	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 rate sensitive ₦'000
Assets subject to market risk:								
Cash and cash equivalents	*21*	6,659,772	-	196,664	-	-	-	6,856,436
Loans and advances to customers (gross)	*25*	20,286,013	43,844,495	26,275,659	58,523,767	429,757,995	102,638,484	681,326,413
Assets pledged as collateral	*27*	11,290,615	8,040,000	7,400,000	8,300,000	17,416,000	34,963,278	87,409,893
Investment securities	*26*	89,693,269	11,847,269	3,469,289	86,194,809	13,119,659	18,842,065	223,166,360
		127,929,670	63,731,764	37,341,612	153,018,576	460,293,654	156,443,827	998,759,102
Liabilities subject to market risk:								
Derivative liabilities held for risk management	*24*	10,538	-	-	-	-	-	10,538
Deposits from banks	*34*	39,140,044	-	-	-	-	-	39,140,044
Deposits from customers	*35*	514,691,601	51,640,599	34,305,767	56,574,447	4,916,379	-	662,128,793
Borrowings	*36*	19,978,185	7,758,513	19,230,408	18,474,509	43,289,907	-	108,731,522
On-lending facilities	*37*	8,817,904	20,665	77,727	4,233,499	12,488,923	32,250,507	57,889,225
Debt securities issued	*38*	-	-	-	-	49,691,078	4,960,094	54,651,172
		582,638,272	59,419,777	53,613,902	79,282,455	110,386,287	37,210,601	922,551,294
Total interest repricing gap		(454,708,602)	4,311,987	(16,272,290)	73,736,121	349,907,367	119,233,226	76,207,808

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

		GROUP						
31 December 2017	*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 rate sensitive ₦'000
Assets subject to market risk:								
Cash and cash equivalents	*21*	19,937,625	-	-	-	-	-	19,937,625
Loans and advances to customers	*25*	32,422,182	53,620,898	23,502,179	48,799,609	414,118,473	102,638,484	675,101,825
Assets pledged as collateral	*27*	4,183,853	10,350,000	2,034,482	7,050,000	14,401,800	23,310,022	61,330,157
Investment securities	*26*	34,576,812	19,385,378	19,994,121	17,370,179	27,098,847	26,607,684	145,033,021
Other financial assets		-	-	-	-	-	-	-
		91,120,472	83,356,276	45,530,782	73,219,788	455,619,120	152,556,190	901,402,628
Liabilities subject to market risk:								
Trading liabilities	*23(b)*	21,616,660	-	-	-	-	-	21,616,660
Deposits from banks	*34*	6,355,389	-	-	-	-	-	6,355,389
Deposits from customers	*35*	433,237,968	73,476,091	14,378,225	5,634,063	3,515,663	-	530,242,010
Borrowings	*36*	114,489	-	6,613,130	22,940,489	79,766,862	-	109,434,970
On-lending facilities	*37*	4,038,928	-	150,099	1,707,557	17,533,585	19,104,147	42,534,316
Debt securities issued	*38*	-	-	-	-	28,790,231	25,901,289	54,691,520
		465,363,434	73,476,091	21,141,454	30,282,109	129,606,341	45,005,436	764,874,865
Total interest repricing gap		(374,242,962)	9,880,185	24,389,328	42,937,679	326,012,779	107,550,754	136,527,763

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 points and 100 basis points (bps) parallel fall or rise. The financial assets and liabilities sensitive to interest rate risk are loans and advances, cash and cash equivalents (placements), assets pledged as collateral (treasury bills and FGN bonds), investment securities (treasury bills, FGN bonds, state government bonds and corporate bonds) and deposits from banks, deposits from customers, borrowings, on-lending facilities and debt securities issued. A weighted average rate has been applied and the effects are shown in the table below:

GROUP

31 December 2018	**Gross amount ₦'000**	**Weighted average interest rate %**	**Interest due at current weighted average rate ₦'000**	**50bps ₦'000**	**(50bps) ₦'000**	**100bps ₦'000**	**Total (100bps) ₦'000**
Non-trading assets subject to rate sensitive	**998,759,102**	**13%**	**131,662,948**	**136,656,744**	**126,669,152**	**141,650,539**	**121,675,357**
Non-trading liabilities subject to rate sensitive	**922,551,294**	**6%**	**(59,089,590)**	**(63,702,346)**	**(54,476,834)**	**(68,315,103)**	**(49,864,077)**
			72,573,358	**72,954,398**	**72,192,318**	**73,335,436**	**71,811,281**
Impact on net interest income				**381,040**	**(381,040)**	**762,078**	**(762,077)**

GROUP

31 December 2017	Gross amount ₦'000	Weighted average interest rate %	Interest due at current weighted average rate ₦'000	50bps ₦'000	(50bps) ₦'000	100bps ₦'000	Total (100bps) ₦'000
Non-trading assets subject to rate sensitive	901,402,628	15%	132,357,044	136,864,057	127,850,031	141,371,070	123,343,018
Non-trading liabilities subject to rate sensitive	743,258,205	8%	(61,831,909)	(65,548,200)	(58,115,618)	(69,264,491)	(54,399,327)
			70,525,135	71,315,857	69,734,413	72,106,579	68,943,691
Impact on net interest income				790,722	(790,722)	1,581,444	(1,581,444)

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 50 and 100 basis point shifts in the yield curve, over one-year horizons under business-as-usual conditions assuming static portfolio indicates the potential risk.

Exposure to other market risk – trading portfolios

The principal tools used by Treasury Risk Management Unit to measure and control market risk exposure within the Group's trading portfolios are the open position limits, mark-to-market analysis, value-at-risk analysis, sensitivity analysis and the earning-at-risk analysis. Limit measurements (regulatory and internal) across the trading portfolios have been clearly defined, in line with the Group's overall risk appetite. These set limits shall prevent undue exposure in the event of abrupt market volatility. The Treasury Risk Management Unit ensures that these limits and triggers are adhered to by the Treasury Department.

The trading book includes the treasury bills and Federal Government of Nigeria bonds. The sensitivity to earnings was not considered because it does not have material impact on earnings.

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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 mark-to-market currency rates applied is the rates published by Central Bank of Nigeria.

However, 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 enforced through daily monitoring by the Risk Management Division.

The table below summarises foreign currency exposures of the Group as at the period ended:

		GROUP					
31 December 2018	*Note*	**NGN ₦'000**	**USD ₦'000**	**GBP ₦'000**	**EUR ₦'000**	**Other ₦'000**	**Grand total ₦'000**
Assets							
Cash and cash equivalents	*21*	**45,607,805**	**114,052,807**	**7,357,282**	**17,159,200**	**970,455**	**185,147,549**
Restricted reserve deposit	*22*	**146,497,087**	**-**	**-**	**-**	**-**	**146,497,087**
Non-pledged trading assets	*23(a)*	**47,469,113**	**-**	**-**	**-**	**-**	**47,469,113**
Derivative assets held for risk management	*24*	**-**	**10,538**	**-**	**-**	**-**	**10,538**
Loans and advances (net)	*25*	**273,396,557**	**358,155,017**	**662**	**1,482,726**	**-**	**633,034,962**
Investment securities	*26*	**200,664,074**	**35,257,858**	**-**	**-**	**-**	**235,921,932**
Asset pledged as collateral	*27*	**87,409,893**	**-**	**-**	**-**	**-**	**87,409,893**
Other assets	*33*	**23,788,331**	**5,249,266**	**26,808**	**11,336**	**-**	**29,075,741**
Total assets		**824,832,860**	**512,725,486**	**7,384,752**	**18,653,262**	**970,455**	**1,364,566,815**
Liabilities							
Trading liabilities	*23(b)*	**32,474,632**	**-**	**-**	**-**	**-**	**32,474,632**
Deposits from customers	*35*	**588,496,412**	**226,935,391**	**2,852,316**	**3,463,291**	**13**	**821,747,423**
Deposits from banks	*34*	**-**	**39,140,044**	**-**	**-**	**-**	**39,140,044**
Borrowings	*36*	**13,322,028**	**95,409,494**	**-**	**-**	**-**	**108,731,522**
On-lending facilities	*37*	**57,889,225**	**-**	**-**	**-**	**-**	**57,889,225**
Debt securities issued	*38*	**51,688,084**	**2,963,088**	**-**	**-**	**-**	**54,651,172**
Derivative liability held for risk management	*24*	**-**	**10,538**	**-**	**-**	**-**	**10,538**
Provision	*40*	**2,275,205**	**9,308,227**	**-**	**-**	**-**	**11,583,432**
Other liabilities	*41(a)*	**32,893,167**	**73,585,943**	**2,361,121**	**3,433,951**	**320,709**	**112,594,891**
Total liabilities		**779,038,753**	**447,352,725**	**5,213,437**	**6,897,242**	**320,722**	**1,238,822,879**
Net on-balance sheet financial position		**45,794,107**	**65,372,762**	**2,171,315**	**11,756,020**	**649,733**	**125,743,936**
Off-balance sheet financial position		**126,556,851**	**92,054,720**	**2,328,621**	**11,386,348**	**-**	**232,326,540**

		GROUP					
31 December 2017	*Note*	NGN ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Other ₦'000	Grand total ₦'000
Assets							
Cash and cash equivalents	*21*	41,512,926	44,722,499	6,585,295	10,831,556	235,731	103,888,007
Restricted reserve deposit	*22*	109,638,559	-	-	-	-	109,638,559
Non-pledged trading assets	*23(a)*	23,936,031	-	-	-	-	23,936,031
Loans and advances (net)	*25*	290,236,010	359,402,270	40,751	117,695	-	649,796,726
Investment securities	*26*	134,255,470	19,173,189	-	-	-	153,428,659
Asset pledged as collateral	*27*	61,330,157	-	-	-	-	61,330,157
Other assets	*33*	20,146,240	2,009,191	1,741,461	3,707,428	-	27,604,320
Total assets		681,055,393	425,307,149	8,367,507	14,656,679	235,731	1,129,622,459
Liabilities							
Trading liabilities	*23(b)*	21,616,660	-	-	-	-	21,616,660
Deposits from customers	*35*	514,675,886	167,290,410	2,666,881	5,227,452	11	689,860,640
Deposits from banks	*34*	-	6,355,389	-	-	-	6,355,389
Borrowings	*36*	6,613,130	102,821,840	-	-	-	109,434,970
On-lending facilities	*37*	42,534,316	-	-	-	-	42,534,316
Debt securities issued	*38*	54,691,520	-	-	-	-	54,691,520
Provision	*40*	1,910,871	3,311,600	-	-	-	5,222,471
Other liabilities	*41(a)*	20,582,527	39,641,916	616,127	1,813,628	52	62,654,250
Total liabilities		662,624,910	319,421,155	3,283,008	7,041,080	63	992,370,216
Net on-balance sheet financial position		18,430,483	105,885,994	5,084,499	7,615,599	235,668	137,252,243
Off-balance sheet financial position	*43(b)*	51,367,701	99,818,570	3,328,621	10,386,348	-	164,901,240

In line with Central Bank of Nigeria guidelines, percentage of foreign borrowings of the Banking subsidiary to the shareholders' fund of the Banking subsidiary as at 31 December 2018 is 57.28% (31 December 2017: 64.24%) which is below the limit of 125%.

Exposure to currency risks – non-trading portfolios

At 31 December 2018, if foreign exchange rates at that date had been 10 percent lower with all other variables held constant, profit and equity for the year would have been ₦7.93 billion (31 December 2017: ₦11.86 billion) lower, arising mainly as a result of the decrease in revaluation of loans as compared to borrowings, foreign currency deposits and other foreign currency liabilities. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit and equity would have been ₦6.24 billion (31 December 2017: ₦10.32 billion) higher, arising mainly as a result of higher increase in revaluation of loans and advances than the increase on borrowings, foreign currency deposits and other foreign currency liabilities.

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Foreign exchange risk (USD)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against USD, as the Group is mainly exposed to USD. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on profit or loss and equity for each category of USD financial instruments held as at 31 December 2018. It includes the Group's USD financial instruments carried at a NIFEX rate of ₦358.79/$.

	2018			2017		
	Carrying amount ₦'000	10% decrease in the value of Naira against USD ₦'000	10% increase in the value of Naira against USD ₦'000	Carrying amount ₦'000	10% decrease in the value of Naira against USD ₦'000	10% increase in the value of Naira against USD ₦'000
Financial assets						
Cash and cash equivalents	**114,052,807**	**11,405,281**	**(11,405,281)**	44,722,499	4,472,250	(4,472,250)
Derivative assets held for risk management	**10,538**	**1,054**	**(1,054)**	-	-	-
Loans and advances to customers	**358,155,017**	**35,815,502**	**(35,815,502)**	359,402,270	35,940,227	(35,940,227)
Investment securities	**35,257,858**	**3,525,786**	**(3,525,786)**	19,173,189	1,917,319	(1,917,319)
Other assets	**5,249,266**	**524,927**	**(524,927)**	2,009,191	200,919	(200,919)
Impact on financial assets	**512,725,486**	**51,272,550**	**(51,272,550)**	425,307,149	42,530,715	(42,530,715)
Financial liabilities						
Deposits from banks	**39,140,044**	**3,914,004**	**(3,914,004)**	6,355,389	635,539	(635,539)
Deposits from customers	**226,935,391**	**22,693,539**	**(22,693,539)**	167,290,410	16,729,041	(16,729,041)
Borrowings	**95,409,494**	**9,540,949**	**(9,540,949)**	102,821,840	10,282,184	(10,282,184)
Debt securities issued	**2,963,088**	**296,309**	**(296,309)**	-	-	-
Derivative liabilities held for risk management	**10,538**	**1,054**	**(1,054)**	-	-	-
Provision	**9,308,227**	**930,823**	**(930,823)**	3,311,600	331,160	(331,160)
Other liabilities	**73,585,943**	**7,358,594**	**(7,358,594)**	39,641,916	3,964,192	(3,964,192)
Impact on financial liabilities	**447,352,725**	**44,735,272**	**(44,735,272)**	319,421,155	31,942,116	(31,942,116)
Total increase/(decrease)	**65,372,762**	**6,537,278**	**(6,537,278)**	105,885,994	10,588,599	(10,588,599)

Foreign exchange risk (GBP)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against GBP, as the Group is exposed to GBP. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on profit or loss and equity for each category of GBP financial instruments held as at 31 December 2018. It includes the Group's GBP financial instruments at carrying amounts.

	2018			2017		
	Carrying amount ₦'000	10% decrease in the value of Naira against GDP ₦'000	10% increase in the value of Naira against GDP ₦'000	Carrying amount ₦'000	10% decrease in the value of Naira against GDP ₦'000	10% increase in the value of Naira against GDP ₦'000
Financial assets						
Cash and cash equivalents	**7,357,282**	**735,728**	**(735,728)**	6,585,295	658,530	(658,530)
Loans and advances to customers	**662**	**66**	**(66)**	40,751	4,075	(4,075)
Other assets	**26,808**	**2,681**	**(2,681)**	1,741,461	174,146	(174,146)
Impact on financial assets	**7,384,752**	**738,475**	**(738,475)**	8,367,507	836,751	(836,751)
Financial liabilities						
Deposits from customers	**2,852,316**	**285,232**	**(285,232)**	2,666,881	266,688	(266,688)
Other liabilities	**2,361,121**	**236,112**	**(236,112)**	616,127	61,613	(61,613)
Impact on financial liabilities	**5,213,437**	**521,344**	**(521,344)**	3,283,008	328,301	(328,301)
Total increase/(decrease)	**2,171,315**	**217,131**	**(217,131)**	5,084,499	508,450	(508,450)

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Foreign exchange risk (EUR)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against EUR, as the Group is exposed to EUR. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on profit or loss and equity for each category of EUR financial instruments held as at 31 December 2018. It includes the Group's EUR financial instruments carrying amounts.

	2018			2017		
	Carrying amount ₦'000	**10% decrease in the value of Naira against EUR ₦'000**	**10% increase in the value of Naira against EUR ₦'000**	Carrying amount ₦'000	10% decrease in the value of Naira against EUR ₦'000	10% increase in the value of Naira against EUR ₦'000
Financial assets						
Cash and cash equivalents	**17,159,200**	**1,715,920**	**(1,715,920)**	10,831,556	1,083,156	(1,083,156)
Loans and advances to customers	**1,482,726**	**148,273**	**(148,273)**	117,695	11,770	(11,770)
Other assets	**11,336**	**1,134**	**(1,134)**	3,707,428	370,743	(370,743)
Impact on financial assets	**18,653,262**	**1,865,327**	**(1,865,327)**	14,656,679	1,465,669	(1,465,669)
Financial liabilities						
Deposits from customers	**3,463,291**	**346,329**	**(346,329)**	5,227,452	522,745	(522,745)
Other liabilities	**3,433,951**	**343,395**	**(343,395)**	1,813,628	181,363	(181,363)
Impact on financial liabilities	**6,897,242**	**689,724**	**(689,724)**	7,041,080	704,108	(704,108)
Total increase/(decrease)	**11,756,020**	**1,175,603**	**(1,175,603)**	7,615,599	761,561	(761,561)

(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/exposures:

- 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 period;
- losses incurred as a result of damages to the physical assets; and
- losses incurred as a result of disruption to business or system failure – system malfunction, downtime and/or disruption.

The Group's appetite for operational risk losses is set by the Board Risk, Audit and Finance Committee (BRAFC) on an annual basis, and this sets the tone for operational risk management practices in the course of the period. 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 business and process owners across the Group proactively identify weak-points/risks across their respective functions, activities, processes and systems using the risk and control self-assessment (RCSA). The Risk Management Division validates the risk maps for reasonability of assessments, completeness and recommends appropriate mitigating controls to reduce/eliminate inherent process risks. The Group conducts RCSA twice in a year but the risk register (outcome of the RCSA) is regularly updated, triggered by change(s) to processes, activities, systems or other reasons such as introduction of new product/service or the occurrence of risk events.

The completed RCSAs are further subjected to analysis by the Risk Management Division in order to understand the major vulnerabilities in the Group and their root causes. The outcome of such assessments, apart from being escalated to Executive Management and Board, are useful for improving the control environment. They are a risk-based form of addressing major issues that cut across most functions in the Group, thereby increasing effectiveness and efficiency of resolution. The Group also conducts risk assessment for all new products and services, including any major changes to existing products, services and processes.

Operational risk indicators are used to track/measure as well as monitor 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 or to minimise losses and other damages. Tolerance levels are set for each risk indicator and used as the basis for reporting risk exposures to the respective risk committees, including departmental/divisional operational risk committees and the Board Risk, Audit and Finance Committee (BRAFC).

Operational risk losses are periodically collated and analysed by the Risk Management 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 their effectiveness. The Group's loss experience is escalated to the Board Risk, Audit and Finance Committee (BRAFC) supported by clearly defined remedial action plans to correct the root causes leading to the losses. Periodic operational risk meetings are held across the Group to boost risk awareness and entrench 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

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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 Risk, Audit and Finance Committee as part of the annual review process.

The Group uses a combination of provision and insurance to mitigate residual risks arising from operational risk events. A number of insurance policies have been undertaken by the Group to minimise losses in the event of an operational risk incident while provision is also made for expected operational risk losses in order to minimise variations in the financial performance of the Group.

Capital is reserved for unexpected operational risks losses based on Basel II Basic Indicator Approach, as advised by the Central Bank of Nigeria. Existing operational risk practices will enable the Group to adopt the more advanced approaches in the near future – the standardised and advanced measurement approach (AMA).

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

Operational risk loss experience

The Group continues to manage its various operational risk exposures in order to be within the Board approved risk appetite. It also ensures that all operational risk losses are recognised immediately in the financial year.

In line with the provisions of the Basel II Accord, operational risk within credit and market risks is duly recognised for effective management and accountability. However, for capital computation purposes, operational risk within credit risk is measured under credit risk while those captured under market risk will be measured under operational risk (Basel II Accord, paragraph 673).

Existing controls have been strengthened to address the identified lapses and the Group continues to collaborate with other stakeholders, including regulators to curb the spate of fraud, including virtual banking operational risk exposures, which have understandably grown in recent time across the industry because of increased automation and migration of customers to alternate channels.

In response to observed trend, and emerging risks, the Group took the following measures to curb the spate of operational risk events:

- all day (24/7) functional fraud monitoring team continues;
- implementation of a fraud monitoring solution to detect fraudulent card related transactions;
- implementation of an automated fraud alert system that monitors suspicious inflow (transactions from other financial institutions) and outflow transactions from various e-channel platforms based on fraud trends;
- monthly fraud awareness tips sent to customers and periodic fraud awareness training for staff;
- proactive implementation of fraud prevention rules based on global and local fraud trends, and in line with the Group's risk appetite;
- activities around the major areas of vulnerabilities have been reviewed in order to strengthen the controls in these areas; and
- a second level authentication is being extended to critical internal and alternate channel applications.

Information security management is getting increased attention in the Group. The information security office (ISO) has been set-up within Risk Management to improve security monitoring and incident response. Also, the banking subsidiary has developed a cyber security strategy cum road map. Implementation of the developed strategy has just commenced and this is estimated to be completed in eighteen (18) months within which the entity is expected to graduate increasingly to a higher levels of maturity within the implementation period.

Operational risk management function in FCMB extends to the management of reputational and strategic risks.

Strategic risk: the risk of incurring an economic loss as a result of adverse impact of internal and external factors on the Group's earnings and/or ability to achieve its strategic objectives. It is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It is also the risk associated with future business plans and strategies, including plans for entering new business lines, expanding existing services and enhancing infrastructure.

The Group is exposed to strategic risks in its business planning activities and to strategic execution risk in all key operations impacted by the Group's strategy. The crystallisation of this risk could occur as a result of wrong strategic/business decisions (e.g. poorly planned and executed decisions regarding mergers, divestures, acquisitions, etc.), inadequate corporate strategy, improper analysis that can impact the implementation of key decisions, inability to respond promptly to business opportunities, lack of responsiveness to industry changes, improper communication of the Group's strategic objectives, inability to recruit personnel with skills and experience required to execute strategy and lack of complete and accurate information. These could all directly or indirectly erode the Group's earnings.

FCMB addresses strategic risk through its strategic risk management framework, providing guidance for the management of the Group's strategic risks. It describes the processes, systems and controls established by the Group to identify, assess, monitor, control and report strategic risk. The Group also has a three year rolling corporate strategy plan, which is reviewed annually and closely monitored to ensure that strategic plans are properly aligned with the Group's operating model. The Group scans the environment for any economic, regulatory, legal and political changes that might affect its strategy.

Reputational risk: the potential loss due to damage or erosion of goodwill as a result of failed risk management, weak corporate governance practices, environmental, social and ethical performance, poor customer relationship management practices, non-compliance with regulatory and statutory requirements, weak financial performance or any other factor that affects stakeholders perception of the Group.

Reputational risks to the Group could crystallise as a result of operating in a highly regulated environment with significant vulnerability to regulatory actions that may adversely impact the Group's reputation. FCMB recognises the following as its sources of reputational risk, among others:

- poor corporate governance: conflict of interest, executive compensation, influence on Board members, insider related lending;
- compliance breaches: violation of regulations and laws, aiding/abetting illegal activities, tax structures or fraud, fraudulent disclosures;
- poor employee relations: discrimination/harassment, poor employment conditions and welfare;
- poor financial performance: missed projection and earnings surprise, significant earnings volatility, financial irregularities;
- social, environmental and ethical: bribes/kick-backs, facilitating corruption, community/environmental neglect;
- control failures: significant operational risk failures;
- communication/crisis management: adverse stakeholder relations (media, investors, regulators, customers, trade unions, etc.); and
- poor customer relationship management: misselling, unfair/deceptive practices (e.g. high pricing, hidden transaction costs, illegal charges, over-charging, etc.), mishandling of complaints, privacy/confidentiality breaches;
  Reputational risk can materialise as a result of adverse opinions of stakeholders, operating losses, litigation, sanctions or fines imposed by regulators, failure of directors, management

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and staff to adhere to ethical code of conduct, failure to deliver quality service to customers, failure to address issues of public concern, labour unrest and failure to adhere to good employment practices. Consequently, the Group could suffer loss due to decline in customer base and loss of market share as well as deterioration of brand value.

Reputational risk can materialise as a result of adverse opinions of stakeholders, operating losses, litigation, sanctions or fines imposed by regulators, failure of directors, management and staff to adhere to ethical code of conduct, failure to deliver quality service to customers, failure to address issues of public concern, labour unrest and failure to adhere to good employment practices. Consequently, the Group could suffer loss due to decline in customer base and loss of market share as well as deterioration of brand value.

The reputational risk management framework outlines how reputation risk is to be identified, assessed, mitigated and monitored. The Business and Operational Risk Management Department monitors the major drivers of this risk. The Group also has formal policies (whistle blower policies, confidentiality policies, performance management framework and policies, code of business ethics, service delivery model, CRM strategy/service charter, etc.) and procedures to control exposure to its recognised reputational risk drivers. In addition, the Group has developed a self-assessment process to mitigate identified reputational loss events. Events in relation to customer query are tracked to ensure they are treated within the established service level agreement and issues are escalated where necessary. The Group consciously seeks to understand stakeholders' expectations and perception by conducting survey, which it uses to design and execute appropriate management responses.

Operational risk awareness

The Group intensified its operational risk awareness campaign in the course of the period 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 significantly improve the risk management culture and buy-in amongst all employees.

Group operational risk practices

The subsidiary companies continue to improve on their operational risk management activities and reporting, thereby enhancing the Enterprise Risk Management practices in the Group.

(f) Capital Management

The Central Bank of Nigeria requires each banking subsidiary with international authorisation to hold minimum regulatory capital of ₦50 billion and maintain a capital adequacy ratio (total regulatory capital to risk weighted assets) of 15%. Capital adequacy ratio (CAR) is a measure of the ratio of capital to risk weighted assets (RWA).

The Risk Management Committee (RMC) has 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 Bank is adequately capitalised – that the Bank 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 2 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. Deferred tax and regulatory risk reserve (RRR) are also deducted from capital but the RRR is recognised as balance sheet item (exposures are risk-weighted net of the provisions in the RRR).
- 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, debt security qualifies for the tier 2 capital having met the conditions specified by CBN.

As directed by the CBN, the Bank adopts the following approaches for the computation of capital adequacy ratio under Pillar 1:

- standardised approach for credit risk;
- standardised approach for market risk; and
- basic indicator approach for operational risk.

In line with the CBN guideline for the standardised approach, the risk weighted assets (RWA) for credit risks are derived using the CBN specified risk weights (RW) for the different asset classes.

The Bank also complies with the Pillar 2 requirement, which requires it to do an assessment of internal capital required to cover all material risk exposures, including the credit, market and operational risks addressed under Pillar 1. This process known as internal capital adequacy assessment process (ICAAP) was completed for the 2016 financial year and submitted to the Central Bank of Nigeria (CBN) by April, 2017. The ICAAP reveals that the Bank has sufficient capital under normal business conditions but would require additional capital under severe stress testing scenarios, triggered by events leading to significant non-performing loans and resultant provisioning. Apart from the possibility of having savings from the operating expenses and the raising of additional tier 1 capital, the Bank will continue to intensify effort in the following areas:

- proactive loan monitoring and portfolio review of risk assets.
- proactive identification of loans showing signs of defaults to put them on remedial management.
- proactive loan monitoring and portfolio review of risk assets.
- proactive identification of loans showing signs of defaults to put them on remedial management.
- intense recovery of bad loans.
- implementation of the Bank's portfolio plan, including gradual deleveraging and diversification of the loan book.
- implementation of the Bank's revised lending framework and risk acceptance criteria (RAC).
- investment of funds in safer, alternative earning assets.
- optimise capital – risk adjusted pricing and return on capital/performance management.
- investment in product innovation.
- delivery of quality and superior service to customers. This will improve patronage and referral.
- optimisation of alternate channel opportunities.
- expansion of payment and settlement opportunities in transaction banking.
- cost management – optimal staffing and management of capital expenditure.
- control and monitoring of cost to income ratio.
- growing of stable low cost deposits.
- continuous tracking and trapping of retail banking opportunities with corporate customers.

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Internal capital adequacy assessment process (ICAAP)

The Banking subsidiary observes the following procedures in the internal capital adequacy assessment process (ICAAP):

(i) Computation of capital adequacy ratio (CAR) and capital requirement under Pillar 1.

(ii) Material risk identification and assessment (MRIA) process.

(iii) Stress testing and scenario analysis.

(iv) Internal capital assessment.

(v) ICAAP review and approval.

(i) Computation of capital adequacy ratio (CAR) and capital requirement under Pillar 1

The banking subsidiary computed the capital adequacy ratio and capital requirement to cover Pillar 1 risks using the following methodologies:

- credit risk – standardised approach;
- market risk – standardised approach; and
- operational risk – basic indicator approach.

(ii) Material risk identification and assessment (MRIA) process

One of the key purposes of the ICAAP is to embed the principles of risk and capital management in the Bank's business activities. The MRIA process identifies the key risk exposures of the Bank, determines management's assessment of the residual risk exposures and the corresponding capital requirements. The steps below are essential to completing this risk assessment.

Risk identification

A catalogue of material risks relevant to the Bank are identified through a combination of the following activities:

(a) Review of the Bank's operating environment
- a forward and backward looking analysis of the Bank's operating environment and business activities was conducted in order to identify various threats in the business and operating environment, including regulatory changes and implication on the business.

(b) Identification of the sources of risk, through a review of the products, services, business areas and activities that could generate the risks within the Group.

(c) Review of available data from the business, risk and internal audit functions to assist with the material risk identification assessment (MRIA) process. The following are examples of some key data considered in completing the MRIA;
- most recent risk and control self-assessment (RCSA) results;
- near misses, incidents and frauds reports; and
- internal audit findings.

(d) Material risk assessment workshop: a material risk identification and assessment (MRIA) workshop was conducted to identify and assess the major risk exposures of the Bank – other than Credit, Market & Operational Risks. The workshop included key stakeholders representing the major functions and departments of the Bank (for Enterprise Risk Management) or the related business units (for specific/functional risk management). This workshop leveraged on different experiences and perspectives of the participants in the risk identification and assessment process. To ensure its effectiveness, the following guidelines were followed:
- all relevant business process expertise and experience was represented;
- sufficient time was allowed for the deliberation;
- the workshop started with an introduction by Risk Management on ICAAP and highlight of the purpose of the workshop; and
- people were encouraged to express identified threats in their own words. This is to ensure they are not constrained to any Risk Management jargon and therefore limited in their expression.

The risks identified were reviewed and assessed at the workshop to determine the residual risk and capital requirement.

Risk assessment

The activities carried out are as follows:

(a) an assessment of the identified risks is conducted considering existing documentation, experience and expert judgement;

(b) the inherent likelihood of occurrence and impact of the risk is determined; and

(c) the controls designed to mitigate the risks are reviewed in order to determine the residual risk exposure of the Bank.

Although coordinated by Risk Management, the initial assessment above is done in conjunction with key stakeholders across the business, before a more elaborate workshop is held with Management and key business and process owners. The risk assessment for the materials risks culminated in the computation of capital for each risk exposure, with the methodology also presented and validated at the workshop.

Usually, more than one material risk assessment workshop is held in order to complete and finalise review of the risk exposures, data and methodology used for the computation. This also becomes necessary in order to determine and agree the action plans to address observed lapses and gaps. The ICAAP documentation for the MRIA include:

- definition and sources of the risk;
- manifestation of the risk and how it could impact the Bank;
- current mitigation techniques of the risks; and
- capital required for the residual risk exposure.

The ICAAP is also forward looking, ensuring that the capital plan considers the Bank's strategic business plan and stress scenarios.

(iii) Stress testing and scenario analysis

Extreme but plausible scenario was run on the business projections and related total capital (ICAAP) required under normal condition in order to compute the capital required under stress condition and determine the need for any additional capital. This exercise was conducted by a group of people across the Group to ensure that they were relevant and robust enough.

We ensured that:

- the assumptions about the level of adverse shock scenarios and their duration were severe but plausible; and
- the model used was risk sensitive to view the outcome based on changes to the different parameters or risk factors.

The exercise was conducted on the base case projections to assess the adequacy of FCMB's capital levels, capital buffer and capital ratios. The stress testing exercise determines the potential volatility of capital requirements with respect to the five year financial projections. The base case capital projections and stressed capital can vary based on changes to key assumptions or risk factors. The conservative approach has been adopted to ensure that the outcome of the exercise is reasonable and representative of a likely outcome in a stressed condition/situation.

The following sensitivities were considered before coming up with a plausible scenario and the macro-economic stress, which considers some of them:

- reduction in net interest margin;
- increased operational costs;
- increased credit losses;
- sector concentration risk; and
- liquidity stress.

(iv) Assessment of internal capital

The Bank's internal capital (which is the capital required to cover material risk exposures) as determined by the internal capital assessment process (ICAAP) was compared to the capital available under normal and stress condition to determine the capital planning buffer (CPB) required by the Bank and the amount of shortfall to be provided.

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(v) ICAAP review and approval

Although the Executive Management of the Bank and other key stakeholders play key role in the preparation of the Group's ICAAP, the Board of Directors (BOD) has overall responsibility for the ICAAP. Therefore, it is involved in the review of the ICAAP and the final approval of the document lies with it. Subsequent to the final review and approval of the Board of Directors, the ICAAP document is forwarded to the Central Bank of Nigeria (CBN), preparatory to its supervisory review and evaluation process (SREP).

The tables below show the break-down of the Commercial and Retail Banking Business Segment and the Banking subsidiary's regulatory capital as at 31 December 2018 and 31 December 2017.

Tier 1 capital includes share capital, share premium, retained earnings and reserves created by appropriations to earnings less book value of goodwill (where applicable), deferred tax and under-impairment (regulatory risk reserve) (RRR), losses for the current financial period, investment in own shares (treasury stock), including cross holding of related companies' equity, 50% of investments in unconsolidated banking and financial subsidiary/associate companies, excess exposure(s) over single obligor without CBN approval, exposures to own financial holding company, unsecured lending to subsidiaries within the same group.

Tier 2 capital includes preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, hybrid instruments – convertible bonds, hybrid (debt/equity) capital instruments, eligible subordinated term debt (limited to 25% of total Tier 1 capital), Other comprehensive income, fair reserves, 50% of investments in unconsolidated banking and financial subsidiary and associate companies.

Debt securities issued qualify under tier 2 capital have met the following Central Bank of Nigeria conditions: they are unsecured, subordinated and fully paid-up; they are not redeemable at the initiative of the holder or without the prior consent of the Central Bank of Nigeria; the debt has an original maturity of at least five years; where there is no set maturity, repayment shall be subject to at least five years' prior notice.

Capital adequacy computation:

	COMMERCIAL AND RETAIL BANKING BUSINESS SEGMENT			
	31 Dec 2018 ₦'000	Adjusted impact of IFRS 9 transition on 31 Dec 2018 ₦'000	Adjusted impact of IFRS 9 transition on 1 Jan 2018 ₦'000	31 Dec 2017 ₦'000
Tier 1 capital				
Share capital	**2,650,000**	2,650,000	2,100,000	2,100,000
Share premium	**100,846,691**	100,846,691	100,846,691	100,846,691
Treasury shares	**-**	-	-	-
Statutory reserves	**25,662,313**	25,662,313	21,910,185	21,910,185
Other reserves	**9,476,579**	9,476,579	9,119,081	16,550,870
Retained earnings	**19,209,006**	19,209,006	12,096,658	24,294,968
IFRS 9 transitional adjustment	**-**	6,415,494	8,553,992	-
Less: Goodwill	**(5,993,863)**	(5,993,863)	(5,993,863)	(5,993,863)
Deferred tax assets	**(7,944,838)**	(7,944,838)	(8,233,563)	(8,233,563)
Software	**(3,898,353)**	(3,898,353)	(3,519,517)	(3,519,517)
Regulatory risk reserve	**(14,351,464)**	(146,790)	(552,139)	(14,756,813)
Investments in unconsolidated subsidiaries	**-**	-	-	-
Total qualifying tier 1 capital	**125,656,072**	146,276,240	136,327,526	133,198,958
Tier 2 capital				
Translation reserve	**8,001,202**	8,001,202	6,852,261	6,852,261
Collective impairment	**-**	-	-	-
Debt securities issued	**16,556,544**	16,556,544	23,351,280	23,351,280
Total qualifying tier 2 capital	**24,557,746**	24,557,746	30,203,541	30,203,541
Total regulatory capital	**150,213,818**	170,833,986	166,531,067	163,402,499
Less: Investments in unconsolidated subsidiaries	-	-	-	-
Total regulatory capital	**150,213,818**	170,833,986	166,531,067	163,402,499
Risk weighted assets				
On balance sheet	**-**	-	-	-
Off balance sheet	**-**	-	-	-
Risk-weighted amount for credit risk	**823,116,199**	837,320,873	764,198,929	764,198,929
Risk-weighted amount for operational risk	**211,544,802**	211,544,802	184,844,678	184,844,678
Risk-weighted amount for market risk	**25,691,024**	25,691,024	18,428,418	18,428,418
	1,060,352,025	1,074,556,699	967,472,025	967,472,025
Capital adequacy ratio	**14.17%**	15.90%	17.21%	16.89%

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Capital adequacy computation:

	BANKING SUBSIDIARY			
	31 Dec 2018 ₦'000	Adjusted impact of IFRS 9 transition on 31 Dec 2018 ₦'000	Adjusted impact of IFRS 9 transition on 1 Jan 2018 ₦'000	31 Dec 2017 ₦'000
Tier 1 capital				
Share capital	**2,000,000**	2,000,000	2,000,000	2,000,000
Share premium	**100,846,691**	100,846,691	100,846,691	100,846,691
Treasury shares	**-**	-	-	-
Statutory reserves	**23,763,447**	23,763,447	21,910,185	21,910,185
Other reserves	**9,329,789**	9,329,789	9,118,155	16,549,944
Retained earnings	**14,775,957**	14,775,957	12,108,215	24,306,395
IFRS 9 transitional adjustment	**-**	6,415,417	8,553,889	-
Less: Goodwill	**(5,993,863)**	(5,993,863)	(5,993,863)	(5,993,863)
Deferred tax assets	**(7,944,838)**	(7,944,838)	(8,233,563)	(8,233,563)
Software	**(3,672,617)**	(3,672,617)	(3,519,517)	(3,519,517)
Regulatory risk reserve	**(14,204,674)**	-	(551,213)	(14,755,887)
Investments in unconsolidated subsidiaries	**-**	-	-	-
Total qualifying tier 1 capital	**118,899,892**	139,519,983	136,238,979	133,110,385
Tier 2 capital				
Translation reserve	**8,001,202**	8,001,202	6,852,261	6,852,261
Collective impairment	**-**	-	-	-
Debt securities issued	**16,556,544**	16,556,544	23,351,280	23,351,280
Total qualifying tier 2 capital	**24,557,746**	24,557,746	30,203,541	30,203,541
Total regulatory capital	**143,457,638**	164,077,729	166,442,520	163,313,926
Less: Investments in unconsolidated subsidiaries	-	-	-	-
Total regulatory capital	**143,457,638**	164,077,729	166,442,520	163,313,926
Risk weighted assets				
On balance sheet	**-**	-	-	-
Off balance sheet	**-**	-	-	-
Risk-weighted amount for credit risk	**803,194,915**	817,399,589	764,087,995	764,087,995
Risk-weighted amount for operational risk	**195,734,733**	195,734,733	184,762,814	184,762,814
Risk-weighted amount for market risk	**25,691,024**	25,691,024	18,428,418	18,428,418
	1,024,620,672	1,038,825,346	967,279,227	967,279,227
Capital adequacy ratio	**14.00%**	15.79%	17.21%	16.88%

Note on capital adequacy ratio

The Basel II capital adequacy ratio after adjusted impact of IFRS 9 transition were 15.90% and 15.79% for the Commercial and Retail Banking Business Segment and the Banking subsidiary respectively, as at 31 December 2018 (31 December 2017: 16.89% and 16.88%), which are above the CBN minimum capital adequacy requirements of 15%.

The Group has complied with the regulatory capital requirements for other subsidiaries of the Group.

The Central Bank of Nigeria issued a circular on 18 October 2018 relating to the treatment of IFRS expected credit loss for regulatory purposes. Banks were directed to use the balance in regulatory risk reserve as at 1 January 2018 to offset the impact of IFRS 9 expected credit loss amount as at transition date. Where the additional ECL provision is higher than the balance in regulatory risk reserve, the excess shall be amortised in line with the transitional arrangements.

Transitional arrangement of the ECL accounting provisions for regulatory capital purpose: for the purpose of transitional arrangement, using static approach requires banks to hold static the 'Adjusted Day On Impact' and amortise on a straightline basis over the four-year transition period by writing back to the Tier 1 capital as indicated in the table below. The Adjusted Day On Impact for the Commercial and Retail Banking Business Segment and Banking subsidiary were ₦10.69 billion and ₦10.69 billion respectively.

Period	Provision to be written back	%	Commercial and retail banking	Banking subsidiary
Year 0 (1 January 2018)	4/5 of Adjusted Day One Impact	80%	8,553,992	8,553,889
Year 1 (31 December 2018)	3/5 of Adjusted Day One Impact	60%	6,415,494	6,415,417
Year 2 (31 December 2019)	2/5 of Adjusted Day One Impact	40%	4,276,996	4,276,944
Year 3 (31 December 2020)	1/5 of Adjusted Day One Impact	20%	2,138,498	2,138,472
Year 4 (31 December 2021)	Nil	0%	-	-

5 Use of Estimates and Judgements

The preparation of the consolidated and separate financial statements in conformity with IFRS requires Directors to make judgments, 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 and separate financial statements are disclosed below.

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

Key Sources of Estimation Uncertainty

(a) Impairment

Impairment of financial instruments assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward looking information in the measurement of expected credit losses, see Note 3(k)(vii).

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(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 the Group's accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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 arms 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 judgment 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 judgment 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.

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 judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation 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.

Financial Instruments Measured at Fair Value

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:

		GROUP			
31 December 2018	*Note*	**Level 1 ₦'000**	**Level 2 ₦'000**	**Level 3 ₦'000**	**Total ₦'000**
Assets					
Trading assets	*23(a)*	**47,469,113**	**-**	**-**	**47,469,113**
Derivative assets held for risk management	*24*	**-**	**10,538**	**-**	**10,538**
Assets pledged as collateral	*27(a)*	**15,122,879**	**-**	**-**	**15,122,879**
Investment securities	*26(c)(d)(f)*	**134,472,285**	**-**	**12,177,098**	**146,649,383**
		197,064,277	**10,538**	**12,177,098**	**209,251,913**
Liabilities					
Trading liabilities	*23(b)*	**32,474,632**	**-**	**-**	**32,474,632**
Derivative liabilities held for risk management	*24*	**-**	**10,538**	**-**	**10,538**
		32,474,632	**10,538**	**-**	**32,485,170**

31 December 2017	*Note*	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Assets					
Trading assets	*23(a)*	23,936,031	-	-	23,936,031
Derivative assets held for risk management	*24*	-	345,784	-	345,784
Assets pledged as collateral	*27(a)*	61,330,157	-	-	61,330,157
Investment securities	*26(c)(d)(f)*	83,416,686	-	-	83,416,686
		168,682,874	345,784	-	169,028,658
Liabilities					
Trading liabilities	*23(b)*	21,616,660	-	-	21,616,660
Derivative liabilities held for risk management	*24*	-	345,784	-	345,784
		21,616,660	345,784	-	21,962,444

The carrying amount under Level 3 represents the fair value of unquoted equity investments. The movement has been disclosed in Note 26(j).

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Financial Instruments Not Measured at Fair Value

The table below sets out the fair value of financial instruments not measured at fair value and analyses them by level in the fair value hierarchy into which each fair value measurement is categorised.

GROUP

31 December 2018	Note	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Total carrying amount ₦'000
Assets						
Cash and cash equivalents	*21*	-	185,147,549	-	185,147,549	185,147,549
Restricted reserve deposits	*22*	-	146,497,087	-	146,497,087	146,497,087
Loans and advances to customers	*25*	-	642,925,828	-	642,925,828	633,034,962
Assets pledged as collateral	*27*	-	58,345,822	-	58,345,822	72,287,014
Investment securities	*26(a)*	-	91,611,899	-	91,611,899	89,272,549
Other financial assets (net)	*33(a)*	-	29,075,741	-	29,075,741	29,075,741
Liabilities						
Deposits from banks	*34*	-	39,140,044	-	39,140,044	39,140,044
Deposits from customers	*35*	-	669,845,963	-	669,845,963	821,747,423
Borrowings	*36*	-	121,970,195	-	121,970,195	108,731,522
On-lending facilities	*37*	-	59,980,946	-	59,980,946	57,889,225
Debt securities issued	*38*	-	59,273,390	-	59,273,390	54,651,172
Other financial liabilities	*41(a)*	-	112,594,891	-	112,594,891	112,594,891

31 December 2017	Note	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Total carrying amount ₦'000
Assets						
Cash and cash equivalents	*21*	-	103,888,007	-	103,888,007	103,888,007
Restricted reserve deposits	*22*	-	109,638,559	-	109,638,559	109,638,559
Loans and advances to customers	*25*	-	642,925,828	-	642,925,828	649,796,726
Assets pledged as collateral	*27*	-	76,778,955	-	76,778,955	58,888,057
Investment securities	*26(a)(e)(f)*	-	77,690,362	-	77,690,362	75,434,801
Other financial assets (net)	*33(a)*	-	22,344,109	-	22,344,109	22,344,109
Liabilities						
Deposits from banks	*34*	-	6,355,389	-	6,355,389	6,355,389
Deposits from customers	*35*	-	669,845,963	-	669,845,963	689,860,640
Borrowings	*36*	-	121,970,195	-	121,970,195	109,434,970
On-lending facilities	*37*	-	59,980,946	-	59,980,946	42,534,316
Debt securities issued	*38*	-	61,920,982	-	61,920,982	54,691,520
Other financial liabilities	*41(a)*		62,654,250	-	62,654,250	62,654,250

Loans and advances to customers are net of charges for impairment. Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value has been estimated using the discounted cash flow techniques.

Deposits from banks and customers: the estimated fair value of deposits from banks and customers not quoted in an active market is based on discounted cash flows applying the rates that are offered for deposits of similar maturities and terms.

Borrowings: the estimated fair value of borrowings represents the market value of the borrowings arrived at by recalculating the carrying amount of the borrowings using the estimated market rate for the borrowings.

On-lending facilities: the estimated fair value of on-lending facilities represents the market value of the on-lending facilities arrived at by recalculating the carrying amount of the on-lending facilities using the estimated market rate for the on-lending facilities.

The carrying amount of all other financial liabilities are reasonable approximations of their fair values which are repayable on demand.

No fair value disclosures were provided for unquoted equity investment securities of ₦2.95 billion in 31 December 2017 that are measured at cost because their fair value could not be determined reliably.

(c) Determination of Impairment of Goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment on goodwill. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, 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, projected cash flows and recoverable amounts.

(d) Income Taxes

The Group is subject to income taxes in two 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.

(e) Deferred Tax

The Group recognises deferred tax assets based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's entities will have future taxable profits against which these assets can be used.

(f) 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 expected loss model (IFRS 9). As a result of the differences in the methodology/ provision regime, there will be variances in the impairment 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:

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(i) Provisions for loans recognised in profit or loss 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 is greater than IFRS provisions; the excess provision resulting should be transferred from the retained reserve account to a 'regulatory risk reserve'.
- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of profit or loss and other comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

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

The banking subsidiary has complied with the requirements of the guidelines as follows:

Prudential adjustments for the year ended 31 December 2018

	31 December 2018 ₦'000
Impairment assessment under IFRS	
Loans and advances:	
Stage 1	17,268,441
Stage 2	3,663,122
Stage 3	26,409,025
Total impairment allowances on loans	47,340,588
Other financial assets:	
12-month ECL	107,983
Lifetime ECL impaired	14,667,598
Provision	10,901,503
Investment securities at amortised cost	1,726,254
Investment securities at FVOCI	24,047
Total impairment allowances on other financial assets and provision	27,427,385
Total impairment allowances by the group (a)	74,767,973
Total regulatory impairment based on prudential guidelines (b)	62,926,661
Required balance in regulatory risk reserves (c = b - a)	-
Balance, 1 January 2018	13,413,598
Transfer from regulatory risk reserve	(13,413,598)
Balance, 31 December 2018	-

Prudential adjustments for the year ended 31 December 2017

	31 December 2017 ₦'000
Impairment assessment under IFRS	
Loans and advances:	
Specific impairment allowances on loans to customers	13,851,535
Collective impairment allowances on loans to customers	9,802,016
Total impairment allowances on loans	23,653,551
Other financial assets:	
Specific impairment allowances on other assets	15,953,915
Operational risk provision	4,828,936
Total impairment allowances on other financial assets and provision	20,782,851
Total impairment allowances by the Banking subsidiary (a)	44,436,402
Total regulatory impairment based on prudential guidelines (b)	57,850,000
Required balance in regulatory risk reserves (c = b - a)	13,413,598
Balance, 1 January 2017	6,278,522
Transfer from regulatory risk reserve	7,135,076
Balance, 31 December 2017	13,413,598

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6 Operating Segments

The Group has eight 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 Group 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.

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 provides financial advisory services to organisations in raising funds.

Asset Management – administer and manages the pension fund assets and other investment portfolios for structured retiree savings account holders and other equity fund account holders.

SME Banking – provides banking services to Small and Medium Enterprises (SME) and commercial registered businesses with an annual turnover less than ₦2.5 billion.

Commercial Banking – provides banking services to Small and Medium Enterprises (SME) and commercial registered businesses with an annual turnover between ₦2.5 billion and ₦5 billion.

Corporate Banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The corporate banking business unit caters for the specific needs of companies and financial institutions with an annual turnover in excess of ₦5 billion.

Personal Banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages. Retail banking business unit caters for needs of individuals.

Institutional Banking – government financing, financial institutions, multilateral agencies. The business unit caters for governments at the various levels and their agencies.

Treasury and Financial Markets – Treasury and financial markets group provides 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.

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.

Information about operating segments:

(i) The business segment results are as follows:

	GROUP								
31 December 2018	**Investment Banking ₦'000**	**Asset Management ₦'000**	**SME Banking ₦'000**	**Commercial Banking ₦'000**	**Corporate Banking ₦'000**	**Personal Banking ₦'000**	**Institutional Banking ₦'000**	**Treasury & Financial Markets ₦'000**	**Total ₦'000**
External revenues:									
Net interest income	2,937,775	256,839	18,998,642	1,433,208	13,595,705	31,660,888	3,188,571	501,730	**72,573,358**
Net fee and commission income	2,622,050	3,259,828	6,734,197	447,902	2,280,382	4,981,166	382,383	898,972	**21,606,880**
Net trading income	168,103	-	-	-	-	-	-	6,025,602	**6,193,705**
Net loss from other financial instruments at FVTPL	(345,819)	-	-	-	-	-	-	-	**(345,819)**
Other revenue	1,704,245	2,766	1,885,000	110,320	1,436,148	3,819,056	116,441	2,677,753	**11,751,729**
Inter-segment revenue	-	-	1,954,316	78,229	(2,517,861)	1,596,045	434,081	(1,544,810)	**-**
Total segment net revenue	**7,086,354**	**3,519,433**	**29,572,155**	**2,069,659**	**14,794,374**	**42,057,155**	**4,121,476**	**8,559,247**	**111,779,853**
Other material non-cash items:									
Impairment losses on financial assets	262,808	6,836	4,574,956	1,709,837	7,423,052	(3,935)	139,728	-	**14,113,282**
Depreciation and amortisation expenses	126,031	143,936	1,802,957	192,528	541,065	2,190,726	371,418	168,653	**5,537,314**
Reportable segment profit/(loss) before income tax	1,956,852	1,595,745	695,953	(2,198,990)	(1,126,730)	10,496,525	(778,994)	7,801,936	18,442,297
Reportable segment assets	45,946,300	5,924,497	110,601,434	13,176,619	494,762,004	194,177,083	11,988,578	347,666,508	1,224,243,023
Reportable segment liabilities	33,179,438	4,120,437	321,914,620	24,352,201	135,067,588	440,185,737	58,924,232	180,631,780	1,198,376,033

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GROUP

31 December 2017	Investment Banking ₦'000	Asset Management ₦'000	SME Banking ₦'000	Commercial Banking ₦'000	Corporate Banking ₦'000	Personal Banking ₦'000	Institutional Banking ₦'000	Treasury & Financial Markets ₦'000	Total ₦'000
External revenues:									
Net interest income	2,575,061	122,732	18,102,273	1,714,440	15,180,938	28,292,867	3,380,127	1,156,697	**70,525,135**
Net fee and commission income	2,151,303	320,141	5,267,772	580,345	2,760,669	4,406,263	383,701	352,165	**16,222,359**
Net trading	645,599	-	-	-	-	-	-	1,753,317	**2,398,916**
Net loss from other financial instruments at FVTPL	-	-	-	-	-	-	-	111,891	**111,891**
Other revenue	366,800	135,504	2,508,663	360,928	4,310,273	4,390,891	339,235	971,931	**13,384,225**
Inter-segment revenue	-	-	1,058,985	44,957	(1,970,915)	1,210,096	312,971	(656,094)	**-**
Total segment net revenue	**5,738,763**	**578,377**	**26,937,693**	**2,700,670**	**20,280,965**	**38,300,117**	**4,416,034**	**3,689,907**	**102,642,526**
Other material non-cash items:									
Impairment losses on financial assets	9,567	3,693	6,005,242	1,735,530	11,877,830	2,987,547	48,097	-	**22,667,506**
Depreciation and amortisation expenses	131,766	13,890	1,681,405	192,904	501,981	2,085,888	493,686	158,192	**5,259,712**
Reportable segment profit before income tax	2,039,306	250,075	324,853	(1,936,550)	(71,832)	9,064,945	(592,239)	1,586,608	**10,665,166**
Reportable segment assets	26,306,575	4,483,805	90,427,283	20,776,636	437,210,674	105,747,278	3,664,405	331,367,244	1,019,983,900
Reportable segment liabilities	24,129,873	2,220,730	233,009,051	27,199,108	'155,651,372	260,086,439	45,802,878	218,235,595	966,335,046

(ii) Reconciliations of reportable segments revenues, profit or loss and assets and liabilities.

	GROUP 2018 ₦'000	2017 ₦'000
Revenues		
Total revenue for reportable segments	**111,779,853**	102,642,526
Unallocated amounts	**-**	-
Elimination of inter-segment revenue	**-**	-
Total revenue	**111,779,853**	102,642,526
Profit or loss		
Total profit or loss for reportable segments	**18,442,297**	10,665,166
Unallocated amounts	**-**	-
Profit before income tax	**18,442,297**	10,665,166
Assets		
Total assets for reportable segments	**1,224,243,023**	1,019,983,900
Other unallocated amounts	**207,054,999**	166,541,039
Total assets	**1,431,298,022**	1,186,524,939
Liabilities		
Total liabilities for reportable segments	**1,198,376,033**	966,335,046
Other unallocated amounts	**49,494,883**	32,728,081
Total liabilities	**1,247,870,916**	999,063,127

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 31 December 2018 is as follows:

	Nigeria ₦'000	Europe ₦'000	Total ₦'000
Revenues	99,721,572	2,920,954	102,642,526
Non-current assets (see note 6 (v) below)	60,305,253	242,121	60,547,374

(iv) The geographical information result for 31 December 2017 is as follows:

	Nigeria ₦'000	Europe ₦'000	Total ₦'000
Revenues	100,685,629	1,956,897	102,642,526
Non-current assets (see note 6 (v) below)	49,234,984	149,695	49,384,679

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

(vi) Included in the Personal Banking reportable segment were group lending (micro-lending) business performance. The group lending business recorded profit of ₦286.90 million for the year ended 31 December 2018 (2017: ₦306.78 million) and customer loans and advances of ₦1.33 billion (2017: ₦1.19 billion) and deposit from customer of ₦984.05 million (2017: ₦582.44 million).

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for the year ended 31 December 2018 continued

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:

		31 DECEMBER 2018			31 DECEMBER 2017		
	Note	Carrying value ₦'000	Fair value ₦'000	Fair value hierarchy ₦'000	Carrying value ₦'000	Fair value ₦'000	Fair value ₦'000
Assets							
Carried at FVTPL:							
Trading assets	*23(a)*	**47,469,113**	**47,469,113**	**1**	23,936,031	23,936,031	1
Derivative assets held for risk management	*24*	**10,538**	**10,538**	**2**			
Investment securities	*26(f)*	**-**	**-**				
Assets pledged as collateral	*27(a)*	**15,122,879**	**15,122,879**	**1**	2,442,100	2,442,100	1
Carried at FVOCI:							
Investment securities	*26(c)(d)*	**134,472,285**	**134,472,285**	**1**	77,993,858	77,993,858	1
Investment securities	*26(f)*	**12,177,098**	**12,177,098**	**3**	2,948,673	2,948,673	-
Carried at amortised cost:							
Cash and cash equivalents	*21*	**185,147,549**	**185,147,549**	**-**	103,888,007	103,888,007	-
Restricted reserve deposits	*22*	**146,497,087**	**146,497,087**	**-**	109,638,559	109,638,559	-
Loans and advances to customers (Gross)	*25(a)*	**681,326,413**	**673,231,209**	**3**	675,101,825	675,201,825	3
Investment securities	*26(a)*	**89,272,549**	**51,021,035**	**1**	70,913,205	95,162,401	1
Assets pledged as collateral	*27(b)*	**72,287,014**	**63,432,543**	**1**	58,888,057	58,345,822	1
Other financial assets	*33(a)*	**29,075,741**	**29,075,741**	**-**	22,344,109	22,344,109	-
Liabilities							
Carried at FVTPL:							
Trading liabilities	*23(a)(b)*	**32,474,632**	**32,474,632**	**1**	21,616,660	21,616,660	1
Carried at amortised cost:							
Deposits from banks	*34*	**39,140,044**	**39,140,044**	**-**	6,355,389	6,355,389	-
Deposits from customers	*35*	**821,747,423**	**778,730,897**	**-**	689,860,640	669,845,963	-
Borrowings	*36*	**108,731,522**	**97,029,789**	**-**	109,434,970	121,970,195	-
On-lending facilities	*37*	**57,889,225**	**54,761,917**	**3**	42,534,316	59,980,946	3
Debt securities issued	*38*	**54,651,172**	**51,936,720**	**3**	54,691,520	59,273,390	3
Other financial liabilities	*41(a)*	**112,594,891**	**112,594,891**	**-**	62,654,250	62,654,250	-

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral – dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

	GROUP		COMPANY	
8 Interest and Discount Income	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Interest and discount income				
Cash and cash equivalents	**2,368,296**	858,722	**13,235**	420,084
Loans and advances to customers	**100,862,288**	106,800,484	**-**	-
Investment securities at amortised cost	**12,390,484**	15,564,361	**290,147**	401,989
Investment securities at FVOCI (2017: available for sale)	**16,041,880**	9,133,477	**137,047**	64,492
	131,662,948	132,357,044	**440,429**	886,565

(a) Included in the total interest income calculated using the effective interest method reported above that relate to financial assets not carried at fair value through profit or loss is ₦115.62 billion (2017: ₦123.22 billion).

(b) Included in interest income on loans and advances are amounts for the year ended 31 December 2017 is a total ₦3.14 billion relating to impaired financial assets.

	GROUP		COMPANY	
9 Interest Expense	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Deposits from banks	**475,750**	3,464,702	**-**	-
Deposits from customers	**38,214,989**	39,155,220	**-**	-
	38,690,739	42,619,922	**-**	-
Borrowings	**7,829,455**	9,146,704	**-**	-
Debt securities issued	**8,514,138**	8,299,147	**-**	-
On-lending facilities	**4,055,258**	1,766,136	**-**	-
	59,089,590	61,831,909	**-**	-

(a) Total interest expense are calculated using the effective interest method reported above and does not include interest expense on financial liabilities carried at fair value through profit or loss.

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for the year ended 31 December 2018 continued

10 Net Impairment Loss on Assets	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Loan and advances (see note 25(c))	**13,809,332**	25,405,356	**-**	-
Other assets (see note 33(c))	**2,757,212**	1,347,895	**62,507**	-
Investment securities – amortised cost (see note 26(b))	**1,556,914**	9,095	**(152)**	-
Investment securities – fair value other comprehensive income (see note 26(c) and 26(f))	**9,747**	-	**-**	-
Financial guarantee contracts and loan commitment issued (see note 40(a))	**746,952**	-	**-**	-
Recoveries on loans previously written off	**(4,766,875)**	(4,094,840)	**-**	-
	14,113,282	22,667,506	**62,355**	-

11 Net Fee and Commission Income	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Credit related fees	**370,531**	400,414	**-**	-
Account Maintenance	**3,390,331**	3,521,360	**-**	-
Letters of credit commission	**879,296**	986,338	**-**	-
Asset Management Fees	**2,946,628**	244,671	**-**	**-**
Administration Fees	**146,485**	9,000	**-**	**-**
Commission on off-balance sheet transactions	**477,208**	434,837	**-**	**-**
Electronics fees and commissions	**8,316,466**	5,754,949	**-**	-
Service fees and commissions	**11,459,401**	10,278,327	**-**	-
Gross Fee and commission income	**27,986,346**	21,629,896	**-**	-
Electronics fees and commissions recoverable expenses	**(5,153,469)**	(4,765,070)	**-**	-
Cheque books recoverable expenses	**(40,551)**	(45,476)	**-**	-
Other banks charges	**(1,185,446)**	(596,991)	**(6)**	(13)
Fee and commission expense	**(6,379,466)**	(5,407,537)	**(6)**	(13)
Net fee and commission income	**21,606,880**	16,222,359	**(6)**	(13)

The fees and commission income reported above excludes amount included in determining effective interest rates on financial assets that are not carried at fair value through profit or loss.

12 Net Trading Income

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Foreign exchange trading income	**2,700,002**	994,485	**147,064**	594,366
Bonds trading income	**1,333,150**	149,659	**-**	-
Treasury bills trading income	**2,137,099**	1,226,515	**-**	-
Options and equities trading income	**23,454**	28,257	**-**	-
	6,193,705	2,398,916	**147,064**	594,366

13 Net (loss)/income from Financial Instruments Measured at Fair Value Through Profit or Loss

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Net (loss)/income arising on:				
Fair value gain on derivative financial instruments held for risk management	**-**	111,891	**-**	-
Fair value (loss) on investment securities measured at FVTPL (see note 26(e) and 26(j))	**(345,819)**	-	**(345,819)**	-
	(345,819)	111,891	**(345,819)**	-

14 Other Income

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Dividends on equity investment securities in the subsidiaries (see note (a) below)	**-**	-	**2,953,212**	793,045
Dividends on unquoted equity securities (see note (b) below)	**537,576**	567,166	**-**	-
Foreign exchange gains (see note (c) below)	**9,334,192**	8,722,791	**243,702**	208,384
Gain on disposal of investment securities (see note (f) below)	**1,313,358**	19,357	**1,310,609**	-
Loss on previously held equity interest in associate company	**-**	(106,569)	**-**	-
Gain on sale of property and equipment	**63,456**	1,040,777	**46**	46
Other income (see note (d) below)	**503,147**	3,140,703	**59,073**	46,993
	11,751,729	13,384,225	**4,566,642**	1,048,468

(a) The amount of ₦2.95 billion in the Company represents ₦733.1 million (2017: ₦564.63 million) from FCMB Pensions Limited , ₦2 billion (2017: Nil) from Credit Direct Limited, ₦100 million (2017: Nil) from CSL Stockbrokers Limited and ₦120.13 million (2017: ₦106.5 million) from CSL Trustees Limited.

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for the year ended 31 December 2018 continued

(b) Dividend income from unquoted equity investments represent dividend received from unquoted equity instruments held for strategic purposes and for which the Group has elected to present the fair value gain and loss in other comprehensive income.

(c) Foreign currency gain represent gains from the revaluation of foreign currency-denominated assets and liabilities held in the non-trading books.

(d) Other income comprises:

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Rental income	**406,912**	1,510,594	**-**	42,584
Other recoveries (see note (e) below)	**96,235**	1,630,109	**59,073**	4,409
	503,147	3,140,703	**59,073**	46,993

(e) Recoveries amounting to ₦96.24 million (2017: ₦1.63 billion) represent amounts recovered from previously written off receivables.

(f) During the year ended 31 December 2018, the Company disposed a significant portion of its investment in the private equity fund resulting in a gain of ₦1.3 billion.

	GROUP		COMPANY	
15 Personnel Expenses	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Wages and salaries	**20,820,320**	18,466,969	**225,553**	183,464
Contributions to defined contribution plans (see note 39)	**603,817**	511,685	**8,564**	4,576
Non-payroll staff cost (see note (a) below)	**4,503,754**	4,453,650	**102,064**	77,016
	25,927,891	23,432,304	**336,181**	265,056

(a) Non-payroll staff cost

Non-payroll staff cost also includes medical expenses, club subscriptions and other related expenses not paid to staff.

	GROUP		COMPANY	
16 Depreciation and Amortisation	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Amortisation of intangibles (see note 31)	**1,246,371**	1,133,244	**-**	883
Depreciation of property and equipment (see note 30)	**4,290,943**	4,126,468	**18,358**	21,130
	5,537,314	5,259,712	**18,358**	22,013

	GROUP		COMPANY	
17 General and Administrative Expenses	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Communication, stationery and postage	**1,732,015**	1,739,418	**4,046**	3,952
Business travel expenses	**1,174,174**	1,007,878	**7,243**	14,189
Advert, promotion and corporate gifts	**3,463,459**	2,114,164	**7,522**	5,007
Business premises and equipment costs	**4,980,217**	4,691,071	**19,627**	15,932
Directors' emoluments and expenses	**1,071,463**	937,948	**286,496**	269,907
IT expenses	**4,791,453**	3,689,089	**4,275**	7,506
Contract services and training expenses	**6,005,872**	5,087,998	**626**	2,815
Vehicles maintenance expenses	**1,490,893**	1,485,953	**2,373**	2,096
Security expenses	**2,240,094**	2,160,268	**-**	-
Auditors' remuneration (including interim audit fees)	**398,578**	372,835	**36,300**	36,300
Professional charges	**2,382,190**	2,784,799	**143,646**	65,875
	29,730,408	26,071,421	**512,154**	423,579

	GROUP		COMPANY	
18 Other Operating Expenses	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
NDIC Insurance Premium	**3,123,131**	3,234,128	**-**	-
AMCON Levy	**6,472,256**	6,452,983	**-**	-
Insurance expenses	**512,155**	457,395	**4,946**	4,271
Others (see note (a) below)	**7,921,119**	4,628,760	**198,624**	274,248
	18,028,661	14,773,266	**203,570**	278,519

(a) Others comprise:

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
AGM, meetings and shareholders expenses	**493,261**	362,467	**169,237**	215,673
Donation and sponsorship expenses	**315,803**	395,360	**1,667**	-
Entertainment expenses	**394,861**	344,467	**8,001**	7,047
Fraud and forgery expense	**93,449**	6,399	**-**	-
Regulatory charges	**6,946**	6,523	**6,946**	6,523
Other accounts written off	**128,095**	94,948	**-**	212
PENCOM Recovery Agent fee	**611**	1,942	**-**	-
Pension Protection Fund expenses	**65,672**	59,960	**-**	-
Provision for litigation	**5,720,327**	2,782,729	**-**	121
Industrial training fund levy	**221,883**	188,263	**6,083**	5,314
Nigeria Social Insurance Trust Fund expenses	**179,192**	155,745	**2,965**	1,465
Penalties (see note 50)	**36,868**	28,262	**100**	20,000
Miscellaneous expenses	**264,150**	201,696	**3,625**	17,893
	7,921,118	4,628,760	**198,624**	274,248

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19 Earnings Per Share

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Basic and diluted earnings per share				
Profit attributable to equity holders	**14,885,691**	8,604,060	**3,552,392**	1,524,886
Weighted average number of ordinary shares in issue	**19,802,710**	19,802,710	**19,802,710**	19,802,710
	0.75	0.43	**0.18**	0.08

The Group does not have dilutive potential ordinary shares as at 31 December 2018 (December 2017: nil).

20 Tax Expense

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(i) Current tax expense:				
Dividend tax (see note 20(v))	**107,102**	-	**107,102**	-
Minimum tax	**952,422**	996,366	**-**	-
National Information Technology Development Agency (NITDA) levy (see Note 20(v))	**120,463**	131,229	**16,198**	10,573
Tertiary education tax (see note 20(v))	**130,931**	107,402	**-**	4,760
Capital gain tax (see note 20(v))	**1,182**	89,519	**-**	-
Corporate income tax (see note 20(v))	**1,670,012**	1,055,148	**-**	-
(ii) Deferred tax expense:				
Origination of temporary differences (see note 32(b))	**488,657**	(327,476)	**-**	-
	2,411,245	1,055,822	**16,198**	15,333
Total tax expense	**3,470,769**	2,052,188	**123,300**	15,333

	GROUP		COMPANY	
	%	2018 ₦'000	%	2018 ₦'000
(iii) Reconciliation of effective tax rate				
Profit before tax		**18,442,297**		**3,675,692**
Income tax using the domestic corporation tax rate	**30.0%**	**5,532,689**	**30.0%**	**1,102,708**
National Information Technology Development Agency (NITDA) levy	**0.7%**	**120,463**	**0.4%**	**16,198**
Non-deductible expenses	**33.4%**	**6,156,655**	**16.3%**	**600,424**
Tax exempt income	**(70.1%)**	**(12,931,082)**	**(101.6%)**	**(3,738,001)**
Minimum tax	**5.2%**	**952,422**	**0.0%**	**-**
Unrecognised tax losses	**18.4%**	**3,400,407**	**55.4%**	**2,034,869**
Capital gain tax	**0.0%**	**1,182**	**0.0%**	**-**
Tertiary education tax	**0.7%**	**130,931**	**0.0%**	**-**
Impact of excess dividend tax	**0.6%**	**107,102**	**2.9%**	**107,102**
Total tax expense	**18.9%**	**3,470,769**	**3.4%**	**123,300**

	GROUP		COMPANY	
	%	2017 ₦'000	%	2017 ₦'000
(iii) Reconciliation of effective tax rate				
Profit before tax		10,665,166		1,540,219
Income tax using the domestic corporation tax rate	30.0%	3,199,550	30.0%	462,066
National Information Technology Development Agency (NITDA) levy	1.2%	131,229	0.7%	10,573
Non-deductible expenses	30.1%	3,212,784	0.9%	14,051
Tax exempt income	(100.0%)	(11,431,007)	(26.3%)	(404,493)
Minimum tax	9.3%	996,366	0.0%	-
Unrecognised tax losses	53.9%	5,746,345	(4.7%)	(71,624)
Capital gain tax	0.8%	89,519	0.0%	-
Tertiary education tax	1.0%	107,402	0.3%	4,760
Over provision of tax due to restatement	(0.1%)	(7,610)	0.0%	-
Total tax expense	19.2%	2,052,188	1.0%	15,333

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

(iv)

The Banking subsidiary was assessed based on the minimum tax legislation for the year ended 31 December 2018 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 2 January 2012.

The Order exempts all interests earned on Bonds (Federal, state, local and corporate bodies including supra-national) 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 Banking subsidiary's income was derived 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 Banking subsidiary has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a tax payer does not have any tax liability arising from its tax assessment.

Excess dividend tax in line with Section 19 of Companies Income Tax Act stipulates that where a company pays dividend in a year where no tax is payable due to no total profit or total profit that is less than the amount of dividend paid, whether or not the recipient of the dividend is a Nigeria company, the company paying the dividend shall be charged to a tax at the rate of 30% of the amount of dividend paid as if that is the total profit of the company. During the year ended 31 December 2018, the Company assessed its excess dividend tax liability and charged ₦107 million as dividend tax in the current year (31 December 2017: Nil).

The Group utilised the services of the following tax consultants during the year under review:

NAME OF PROFESSIONAL
Pedabo Associates Ltd.

FRC NUMBER
FRC/2013/ICAN/00000000908

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(v) Current income tax liability				
Beginning of the year	**3,860,163**	2,859,562	**59,915**	44,582
Tax paid	**(1,395,826)**	(410,944)	**(4,760)**	-
Tax refund (see note (vi) below)	**(408,078)**	(968,119)	**-**	-
Dividend tax (see note 20(i))	**107,102**	-	**107,102**	-
Minimum tax (see note 20(i))	**952,422**	996,366	**-**	-
Capital gain tax (see note 20(i))	**1,182**	89,519	**-**	-
National Information Technology Development Agency (NITDA) levy (see note 20(i))	**120,463**	131,229	**16,198**	10,573
Tertiary education tax (see note 20(i))	**130,931**	107,402	**-**	4,760
Income tax expense (see note 20(i))	**1,670,012**	1,055,148	**-**	-
	5,038,371	3,860,163	**178,455**	59,915
Current	**5,038,371**	3,860,163	**178,455**	59,915
Non-current	**-**	-	**-**	-
	5,038,371	3,860,163	**178,455**	59,915

(vi) Amount represents withholding tax credit notes utilised during the year. Withholding tax is an advance payment of company income tax (CIT) deducted at source used to net off the tax liability for the year.

21 Cash and Cash Equivalents

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Cash	**42,543,752**	27,454,048	**-**	-
Current balances within Nigeria	**2,248,763**	1,860,535	**162,721**	146,366
Current balances with banks outside Nigeria (see note (c) below)	**116,042,160**	43,934,323	**-**	-
Placements with local and foreign banks (see note (a))	**6,856,436**	19,937,625	**135,236**	-
Unrestricted balances with central banks	**17,456,438**	10,701,476	**-**	-
	185,147,549	103,888,007	**297,957**	146,366
Current	**185,147,549**	103,888,007	**297,957**	146,366
Non-current	**-**	-	**-**	-
	185,147,549	103,888,007	**297,957**	146,366
(a) Placements with local banks and foreign banks analysed				
Placements with local banks	**5,242,183**	10,617,721	**135,236**	-
Placements with foreign banks	**1,632,229**	9,319,904	**-**	-
	6,874,412	19,937,625	**135,236**	-
Less impairment allowances	**(17,976)**	-	**-**	-
	6,856,436	19,937,625	**135,236**	-

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for the year ended 31 December 2018 continued

(b) 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.

(c) Balances with banks outside Nigeria include ₦35.07 billion (31 December 2017: ₦16.78 billion) which represents the naira value of foreign currency amounts held by the Banking subsidiary on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see Note 41(a)).

	GROUP		COMPANY	
22 Restricted Reserve Deposits	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Restricted mandatory reserve deposits with central banks (see note (a))	**121,386,623**	109,638,559	**-**	-
Special Cash Reserve Requirement (see note (b))	**25,110,464**	-	**-**	-
	146,497,087	109,638,559	**-**	-
Current	**-**	-	**-**	-
Non-current	**146,497,087**	109,638,559	**-**	-
	146,497,087	109,638,559	**-**	-

(a) Restricted mandatory reserve deposits are not available for use in the Banking subsidiary's and Group's day-to-day operations. Mandatory reserve deposits are non interest-bearing and are computed as a fixed percentage of the Banking subsidiary's qualifying deposit liabilities. For the purposes of the Statement of cashflow, these balances are excluded from cash and cash equivalents.

(b) Special Cash Reserve Requirement represents a 5% special intervention reserve held with the Central Bank of Nigeria as a regulatory requirement.

	GROUP		COMPANY	
23(a) Trading Assets	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Federal Government of Nigeria Bonds – fair value through profit or loss (FVTPL)	**583,473**	2,020,117	**-**	-
Treasury Bills – fair value through profit or loss (FVTPL)	**46,843,340**	21,888,330	**-**	-
Equity securities	**42,300**	27,584	**-**	-
	47,469,113	23,936,031	**-**	-
Current	**47,469,113**	23,936,031	**-**	-
Non-current	**-**	-	**-**	-
	47,469,113	23,936,031	**-**	-

23(b) Trading Liabilities

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Short sold positions – Federal Government of Nigeria Bonds – fair value through profit or loss (FVTPL)	**7,774,906**	3,303,109	**-**	-
Short sold positions – Treasury bills – fair value through profit or loss (FVTPL)	**24,699,726**	18,313,551	**-**	-
	32,474,632	21,616,660	**-**	-
Current	**32,474,632**	21,616,660	**-**	-
Non-current	**-**	-	**-**	-
	32,474,632	21,616,660	**-**	-

24 Derivative Assets and Liabilities

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Instrument type				
Assets				
Net position of non-deliverable forwards transactions	**10,538**	345,784	**-**	-
	10,538	345,784	**-**	-
Current	**10,538**	345,784	**-**	-
Non-current	**-**	-	**-**	-
	10,538	345,784	**-**	-
Liabilities				
Net position of non-deliverable forwards transactions	**10,538**	345,784	**-**	-
	10,538	345,784	**-**	-
Current	**10,538**	345,784	**-**	-
Non-current	**-**	-	**-**	-
	10,538	345,784	**-**	-

The Banking Subsidiary enters into foreign exchange non-deliverable forward contracts with counterparties. On initial recognition, the Banking Subsidiary estimates the fair value of derivatives transacted with the counterparties using the discounted mark-to-market technique. In many cases, all significant inputs into the valuation techniques are wholly observable (e.g. with reference to similar transactions in the wholesale dealer market.)

The fair value of the assets and liabilities did not result in a gain or loss to be recognised in the statement of profit or loss and other comprehensive income for the year.

All derivative assets are current.

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25 Loans and Advances to Customers

	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
(a) Loans and advances to customers				
Overdrafts	**43,384,163**	40,791,972	**-**	-
Term loans	**566,775,157**	589,991,932	**-**	-
On-lending facilities	**53,829,600**	25,645,164	**-**	-
Advances under finance lease	**17,337,493**	18,672,757	**-**	-
Gross loans and advances to customers	**681,326,413**	675,101,825	**-**	-
Less impairment loss allowance	**(48,291,451)**	(25,305,099)	**-**	-
Net loans and advances to customers	**633,034,962**	649,796,726	**-**	-
Current	**148,929,934**	158,344,868	**-**	-
Non-current	**484,105,028**	491,451,858	**-**	-
	633,034,962	649,796,726	**-**	-

	GROUP 2018 Gross amount	GROUP 2018 ECL allowance	GROUP 2018 Carrying amount	GROUP 2017 Gross amount	GROUP 2017 Impairment allowance	GROUP 2017 Carrying amount
Retail customers:						
Mortgage lending	**2,148,877**	**(185,010)**	**1,963,867**	2,446,497	(63,370)	2,383,127
Personal loans	**92,944,394**	**(6,580,832)**	**86,363,562**	88,837,096	(1,886,261)	86,950,835
Credit cards	**4,444,335**	**(484,373)**	**3,959,962**	3,736,278	(86,613)	3,649,665
Corporate customers:						
Finance leases	**17,337,493**	**(1,145,072)**	**16,192,421**	18,672,757	(394,858)	18,277,899
Other secured lending	**564,451,314**	**(39,896,164)**	**524,555,150**	561,409,197	(22,873,997)	538,535,200
	681,326,413	**(48,291,451)**	**633,034,962**	675,101,825	(25,305,099)	649,796,726

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(b) Finance leases				
Loan and advances to customer at amortised cost include the following finance lease:				
Gross investment:				
Less than one year	**14,081,859**	6,021,839	**-**	-
Between one and five years	**4,082,234**	17,477,878	**-**	-
More than five years	**5,415,731**	3,377,909	**-**	-
	23,579,824	26,877,626	**-**	-
Unearned finance income	**(6,242,331)**	(8,204,869)	**-**	-
Net investment in finance leases	**17,337,493**	18,672,757	**-**	-
Less impairment allowance	**(1,145,072)**	(394,858)	**-**	-
	16,192,421	18,277,899	**-**	-
Net investment in finance leases				
Net investment in finance leases, receivables:				
Less than one year	**10,661,705**	4,919,672	**-**	-
Between one and five years	**3,875,029**	11,825,294	**-**	-
More than five years	**2,800,759**	1,927,791	**-**	-
	17,337,493	18,672,757	**-**	-

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(c) Loans and advances to customers at amortised cost

	GROUP			
	2018 Stage 1 ₦'000	**2018 Stage 2 ₦'000**	**2018 Stage 3 ₦'000**	**2018 Total ₦'000**
Balance at 1 January 2018	**-**	**-**	**-**	**-**
Transfer to stage 1	**21,229,565**	**-**	**-**	**21,229,565**
Transfer to stage 2	**-**	**278,652**	**-**	**278,652**
Transfer to stage 3	**-**	**-**	**28,151,628**	**28,151,628**
Net remeasurement of loss allowances (see note 10)	**(3,602,842)**	**3,399,958**	**14,012,216**	**13,809,332**
Write-offs	**-**	**-**	**(15,177,726)**	**(15,177,726)**
Closing balance	**17,626,723**	**3,678,610**	**26,986,118**	**48,291,451**

	GROUP		
	2017 Specific impairment ₦'000	2017 Collective impairment ₦'000	2017 Total ₦'000
Balance at 1 January 2017	6,524,600	14,021,224	20,545,824
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowances (see note 10)	24,049,910	1,355,445	25,405,355
Write-offs	(15,270,557)	(5,375,523)	(20,646,080)
Closing balance	15,303,953	10,001,146	25,305,099

(d) Classification of loans by security type

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Secured against real estate	**114,347,561**	113,768,273	**-**	-
Secured by shares of quoted companies	**32,476,851**	1,472,875	**-**	-
Cash collateral, lien over fixed and floating assets	**332,282,953**	399,741,750	**-**	-
Otherwise secured	**20,419,318**	10,194,194	**-**	-
Unsecured	**181,799,730**	149,924,733	**-**	-
	681,326,413	675,101,825	**-**	-

(e) In 2017, impaired loans that are not individually significant are included in the collective impairment. Therefore when such loans are written off the cumulative impairment on them are taken from the collective impairment allowance.

(f) Information about the Group's credit analysis, market risks, and impairment losses for loans and advances is included in Note 4.

26 Investment Securities

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Investment securities at amortised cost (see note (a))	**89,272,549**	-	**2,771,953**	-
Investment securities at FVOCI – debt instruments (see note (c) below)	**133,893,811**	-	**955,985**	-
Investment securities at FVOCI – quoted equity investments (see note (d) below)	**578,474**	-	**-**	-
Investment securities at FVOCI – unquoted equity investments (see note (f) below)	**12,177,098**	-	**-**	-
Held-to-maturity (see note (a) below)	**-**	70,913,205	**-**	2,647,592
Available-for-sale (see note (c),(d),(e) and (f) below)	**-**	82,515,454	**-**	2,461,548
	235,921,932	153,428,659	**3,727,938**	5,109,140
Current	**191,204,636**	91,326,490	**-**	-
Non-current	**44,717,296**	62,102,169	**3,727,938**	5,109,140
	235,921,932	153,428,659	**3,727,938**	5,109,140
(a) Investment securities at amortised cost				
Federal Government of Nigeria (FGN) Bonds – listed	**80,174,530**	-	**-**	-
State Government Bonds – unlisted	**6,643,979**	-	**-**	-
Treasury bills	**1,005,350**	-		-
Corporate bonds – unlisted	**2,515,711**	-	**2,873,509**	-
Placements with foreign banks	**773,719**	-	**-**	-
Held-to-maturity investment securities				
Federal Government of Nigeria (FGN) Bonds – listed	**-**	57,501,141	**-**	
State Government Bonds – unlisted	**-**	8,771,927	**-**	
Treasury Bills	**-**	1,557,658	**-**	-
Corporate bonds – unlisted	**-**	3,082,479	**-**	**2,647,592**
	91,113,289	70,913,205	**2,873,509**	2,647,592
Less impairment allowances (note (b) below)	**(1,840,740)**	-	**(101,556)**	-
	89,272,549	70,913,205	**2,771,953**	2,647,592

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	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(b) Impairment allowance				
Balance at 1 January	**-**	-	**-**	-
Transfer to 12-month ECL	**283,826**	-	**101,708**	-
Net remeasurement of loss allowance (see note 10)	**1,556,914**	-	**(152)**	-
Closing balance	**1,840,740**	-	**101,556**	-
(c) Investment securities at FVOCI				
Federal Government of Nigeria (FGN) Bonds – listed	**8,076,637**	-	**-**	-
Federal Government of Nigeria (FGN) Sukuk Bonds	**2,003,460**	-	**-**	-
Treasury bills – listed	**122,857,729**	-	**-**	-
Unclaimed dividend investment fund	**955,985**	-	**955,985**	-
Available-for-sale investment securities				
Federal Government of Nigeria (FGN) Bonds – listed	**-**	5,017,650	**-**	-
Federal Government of Nigeria (FGN) Sukuk Bonds	**-**	2,094,185	**-**	-
Treasury bills – listed	**-**	69,102,166	**-**	-
Unclaimed dividend investment fund	**-**	888,625	**-**	888,625
	133,893,811	77,102,626	**955,985**	888,625
Impairment allowance				
Balance at 1 January	**-**	-	**-**	-
Transfer to 12-month ECL	**14,300**	-	**-**	-
Net remeasurement of loss allowance (see note 10)	**9,747**	-	**-**	-
Closing balance	**24,047**	-	**-**	-

The impairment of ₦9.7 million arising from investment securities at FVOCI for the year was recognised in profit or loss, see note 10 and other comprehensive income.

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(d) Investment securities at FVOCI – quoted equity investments				
DAAR Communications Underwriting	**29,822**	-	**-**	-
Unity Bank Plc	**1,197**	-	**-**	-
Nigerian Aviation Handling Company (NAHCO) Plc	**11**	-	**-**	-
Standard Alliance Co Plc	**285,740**	-	**-**	-
Industrial and General Insurance Plc	**3,811**	-	**-**	-
Food Concepts	**1,980**	-	**-**	-
Legacy Equity Fund	**60,500**	-	**-**	-
Legacy Debt Fund	**42,065**	-	**-**	-
Legacy USD Bond Fund	**153,348**	-	**-**	-
Available-for-sale equity investment securities measured at fair value				
DAAR Communications Underwriting	**-**	37,277	**-**	-
Unity Bank Plc	**-**	593	**-**	-
UTC Nigeria Plc	**-**	11	**-**	-
Central Securities Clearing System	**-**	25,025	**-**	-
Industrial and General Insurance Plc	**-**	3,267	**-**	-
Food Concepts	**-**	1,890	**-**	-
Legacy Short Maturity Fund	**-**	38,819	**-**	-
Legacy Equity Fund	**-**	70,000	**-**	-
Standard Alliance Co Plc	**-**	714,350	**-**	-
	578,474	891,232	**-**	-

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(e) Investment securities at FVTPL – unquoted equity investments				
Private Equity Funds	**-**		**-**	
Available-for-sale unquoted equity investment securities measured at cost				
Private Equity Funds	**-**	1,572,923	**-**	1,572,923
	-	1,572,923	**-**	1,572,923

During the year, a significant portion of the private equity fund was disposed. The fair value of the

Notes to the Consolidated and Separate Financial Statements

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undisposed portion was deemed as Nil which resulted in a fair value loss of ₦345 million (see note 13).

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(f) Investment securities at FVOCI – unquoted equity investments				
Credit Reference Company Limited	**84,183**	-	**-**	-
Nigeria Inter-bank Settlement System Plc	**952,790**	-	**-**	-
Africa Finance Corporation	**9,233,807**	-	**-**	-
Africa Export-Import Bank, Cairo	**1,600,314**	-	**-**	-
Smartcard Nigeria Plc	**258,418**	-	**-**	-
FMDQ (OTC) Plc	**33,546**	-	**-**	-
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	**-**	-	**-**	-
Financial Derivative Ltd	**14,040**	-	**-**	-
Available-for-sale unquoted equity investment securities measured at cost				
Credit Reference Company Limited	**-**	61,111	**-**	-
Nigeria Inter-bank Settlement System Plc	**-**	102,970	**-**	-
Africa Finance Corporation	**-**	2,558,388	**-**	-
Africa Export-Import Bank, Cario	**-**	144,805	**-**	-
Smartcard Nigeria Plc	**-**	22,804	**-**	-
FMDQ (OTC) Plc	**-**	30,000	**-**	-
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	**-**	18,595	**-**	-
Financial Derivative Ltd	**-**	10,000	**-**	-
	12,177,098	2,948,673	**-**	-
Specific allowances for impairment against unquoted equity securities at cost under available-for-sale investments				
Balance at 1 January	**-**	957,414	**-**	-
Charge for the year (See note 10(c))	**-**	9,095	**-**	-
Write off during the year	**-**	(966,509)	**-**	-
Balance at reporting date	**-**	-	**-**	-

(g) At 1 January 2018, the Group designated certain equity investments shown above in note (f) as equity securities at fair value through other comprehensive income. In 2017, these investments were classified as available-for-sale and measured at cost. The fair value through other comprehensive income designation was made because the investments are expected to be held for the long-term for strategic purposes. None of these strategic investments was disposed during 2018, and there were no transfers of any cumulative gain or loss within equity relating these investments.

(h) Debt securities classified at amortised cost (2017: Held-to-maturity) have interest rates of 7.00% to 17.25% (2017: 7.00% to 15.25%) and mature between 2019 and 2037 years. Debt securities at fair value through other comprehensive income (2017: Available-for-sale) have stated interest rates of 10.23% to 16.39% (2017: 7.00% to 15.25%) and mature between 2019 and 2037 years.

(i) Information about the Group's exposure to credit and market risks and fair value measurement is included in Note 4.

(j) Movement in investment securities

The movement in investment securities for the Group may be summarised as follows:

	GROUP					
	Unquoted equity securities at fair value through other comprehensive income ₦'000	**Unquoted equity securities at fair value through profit or loss ₦'000**	**Debt securities at amortised cost ₦'000**	**Debt securities at fair value through other comprehensive income ₦'000**	**Quoted equity securities measured at fair value through profit or loss ₦'000**	**Total ₦'000**
Balance at 1 January 2018	2,948,673	1,572,923	70,913,205	77,102,626	891,232	153,428,659
Exchange differences	-	-	116,288	-	-	116,288
Additions	4,040	-	33,748,185	87,897,017	119,818	121,769,060
Disposals	-	(1,227,104)	(18,243,748)	(30,044,356)	-	(49,515,208)
Loss from changes in fair value recognised in profit or loss (see Note 13)	-	(345,819)	-	-	-	(345,819)
Gain (loss) from changes in fair value recognised in other comprehensive income	2,465,800	-	-	(644,994)	(432,576)	1,388,230
Item reclassified subsequently to profit or loss due to disposal	-	-	-	(659,184)	-	(659,184)
Unquoted equity investments at FVOCI (see Note 46)	6,758,585	-				6,758,585
Impairment allowance	-	-	(1,840,740)	-	-	(1,840,740)
Interest accrued	-	-	12,390,484	16,041,880	-	28,432,364
Coupon interest received	-	-	(7,811,125)	(15,799,178)	-	(23,610,303)
Balance at 31 December 2018	**12,177,098**	**-**	**89,272,549**	**133,893,811**	**578,474**	**235,921,932**
Balance at 1 January 2017	2,638,910	1,572,923	78,868,832	44,143,733	1,217,278	128,441,676
Exchange differences	-	-	(10,386)	-	-	(10,386)
Additions	-	-	20,575,584	99,540,386	-	120,115,970
Disposals	(647,651)	-	(25,231,189)	(67,787,765)	(375,304)	(94,041,909)
Gains from changes in fair value recognised in other comprehensive income	-	-	-	1,206,272	49,258	1,255,530
Impairment written off against unquoted equity securities at cost	957,414	-	-	-	-	957,414
Interest accrued	-	-	13,020,511	-	-	13,020,511
Coupon interest received	-	-	(16,310,147)	-	-	(16,310,147)
Balance at 31 December 2017	**2,948,673**	**1,572,923**	**70,913,205**	**77,102,626**	**891,232**	**153,428,659**

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The movement in investment securities for the Company may be summarised as follows:

	COMPANY					
	Unquoted equity securities at fair value through other comprehensive income ₦'000	Unquoted equity securities at fair value through profit or loss ₦'000	Debt securities at amortised cost ₦'000	Debt securities at fair value through other comprehensive income ₦'000	Quoted equity securities measured at fair value through profit or loss ₦'000	Total ₦'000
Balance at 1 January 2018	-	1,572,923	2,647,592	888,625	-	5,109,140
Exchange differences	-	-	225,917	-	-	225,917
Additions	-	-	-	76,793	-	76,793
Disposals	-	(1,227,104)	-	(144,999)	-	(1,372,103)
(Loss) from changes in fair value recognised in profit or loss (see Note 13)	-	(345,819)	-	-	-	(345,819)
(Loss) from changes in fair value recognised in other comprehensive income	-	-	-	(1,481)	-	(1,481)
Impairment allowance	-	-	(101,556)	-	-	(101,556)
Interest accrued	-	-	290,147	137,047	-	427,194
Coupon interest received	-	-	(290,147)	-	-	(290,147)
Balance at 31 December 2018	**-**	**-**	**2,771,953**	**955,985**	**-**	**3,727,938**
Balance at 1 January 2017	-	1,572,923	2,701,510	569,767	-	4,844,200
Additions	-	-	-	318,858	-	318,858
Disposals	-	-	(57,907)	-	-	(57,907)
Interest accrued	-	-	267,780	-	-	267,780
Coupon interest received	-	-	(263,791)	-	-	(263,791)
Balance at 31 December 2017	**-**	**1,572,923**	**2,647,592**	**888,625**	**-**	**5,109,140**

27 Assets Pledged as Collateral

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
The nature and carrying amounts of the non tradable financial assets pledged as collaterals are as follows:				
(a) Investment securities – FVOCI				
Treasury Bills – listed	**15,122,879**	-	**-**	-
Available-for-sale investment securities				
Treasury Bills – listed	**-**	2,442,100	**-**	-
	15,122,879	2,442,100	**-**	-
(b) Investment securities – amortised cost				
Federal Government of Nigeria (FGN) Bonds – listed	**72,287,014**	-	**-**	-
Held-to-maturity investment securities				
Federal Government of Nigeria (FGN) Bonds – listed	**-**	58,888,057	**-**	-
	72,287,014	58,888,057	**-**	-
	87,409,893	61,330,157		
Current	**23,546,915**	19,434,482	**-**	-
Non-current	**63,862,978**	41,895,675	**-**	-
	87,409,893	61,330,157	**-**	-

As at the year end, the Group held no collateral, which it was permitted to sell or re-pledge in the absence of default by the owner of the collateral (31 December 2017: nil).

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The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralised. These represent pledged assets to these parties:

		GROUP		COMPANY	
Counterparties	**Reasons for pledged securities**	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Nigeria Inter-bank Settlement Plc (NIBSS)	Cards, POS transactions settlements	**2,323,869**	2,334,482	**-**	-
Interswitch Nigeria Limited	Cards, POS transactions settlements	**1,500,000**	292,382	**-**	-
Federal Inland Revenue Service (FIRS)	Third parties collection transactions	**3,700,000**	1,595,700	**-**	-
Central Bank of Nigeria (CBN)	Third parties clearing instruments/on-lending facilities to customers	**31,116,000**	30,405,280	**-**	-
Bank of Industry (BOI)	On-lending facilities to customers	**9,765,096**	6,135,160	**-**	-
System Specs/Remita	Remita Transfer Transactions	**300,000**	354,300	**-**	-
Standard Bank London	Borrowed funds repo transactions	**16,760,000**	20,212,853	**-**	-
E-transact	Cards, POS transactions settlements	**1,220,000**	-	**-**	-
Development Bank of Nigeria (DBN)	On-lending facilities to customers	**3,536,428**	-	**-**	-
Central Bank of Nigeria (CBN)	FMDQ OTC settlement transactions	**1,100,000**	-	**-**	-
Central Bank of Nigeria (CBN)	Interbank Funding under repurchase agreement	**16,088,500**	-	**-**	-
		87,409,893	61,330,157	**-**	-

28 Investment in Subsidiaries

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(a) Investment in subsidiaries comprises:				
First City Monument Bank Limited (see note (i) below)	-	-	**115,422,326**	115,422,326
FCMB Capital Markets Limited (see note (ii) below)	-	-	**240,000**	240,000
CSL Stockbrokers Limited (CSLS) (see note (iii) below)	-	-	**3,053,777**	3,053,777
CSL Trustees Limited (see note (iv) below)	-	-	**220,000**	220,000
FCMB Microfinance Bank Limited (see note (v) below)	-	-	**150,000**	100,000
FCMB Pensions Limited (see note (vi) below)	-	-	**7,748,392**	7,353,930
Credit Direct Limited (see note (vii) below)	-	-	**366,210**	-
	-	-	**127,200,705**	126,390,033
Specific allowances for impairment	-	-	**(795,331)**	(795,331)
Carrying amount	-	-	**126,405,374**	125,594,702
Current	-	-	**-**	-
Non-current	-	-	**126,405,374**	125,594,702
	-	-	**126,405,374**	125,594,702

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Specific allowances for impairment				
Balance at 1 January	-	-	**795,331**	795,331
Charge for the year	-	-	**-**	-
Balance at reporting date	-	-	**795,331**	795,331

(b) Group entities

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

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Company name	Country of incorporation	Nature of business	Percentage of equity capital held (direct holdings)	Financial year end
(1) First City Monument Bank Limited see Note (i) below)	Nigeria	Banking	100.00%	31-Dec-2018
(2) FCMB Capital Markets Limited (see Note (ii) below)	Nigeria	Capital Market	100.00%	31-Dec-2018
(3) CSL Stockbrokers Limited (CSLS) (see Note (iii) below)	Nigeria	Stockbroking	100.00%	31-Dec-2018
(4) CSL Trustees Limited (see Note (iv) below)	Nigeria	Trusteeship	100.00%	31-Dec-2018
(5) FCMB Microfinance Bank Limited (see Note (v) below)	Nigeria	Micro-lending	100.00%	31-Dec-2018
(6) FCMB Pensions Limited (see Note (vi) below)	Nigeria	Pension Fund Administrator	91.64%	31-Dec-2018
(7) Credit Direct Limited (see Note (vii) below)	Nigeria	Micro-lending	100.00%	31-Dec-2018

(i) This represents the cost of the Company's 100% equity holding in First City Monument Bank Limited. The Company was incorporated 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 Commercial Business on 1 September 1983. The Bank was converted into a Public Limited Liability Company and its shares listed on the Nigerian Stock Exchange on 21 December, 2004. The Bank was however delisted from the Nigerian Stock Exchange on 21 June 2013 and registered as a Limited Liability Company on 4 September 2013 following the group restructuring.

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

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

(iv) This represents the cost of the Company's 100% equity holding in CSL Trustees Limited. The Company was incorporated in November 24, 2010. The Company invested additional ₦180 million in CSL Trustees Limited in September 2015 in order to recapitalise the business in line with the new SEC minimum capitalisation policy of ₦300 million for trustee businesses in Nigeria.

(v) This represents the cost of the Company's 100% equity holding in FCMB Microfinance Bank Limited. The Company was incorporated on February 25, 2015 and started operations on January 1, 2017.

(vi) This represents the Company's 91.64% equity holding in FCMB Pensions 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. FCMB Pensions Limited was a former associate company to the Group by virtue of the Group's initial 28.22% equity holding. However, the Group acquired additional 60% and 3.42% equity holding in November 2017 and August 2018 respectively thereby raising the total equity holding to 91.64%. The Company changed its name from Legacy Pension Managers Limited to FCMB Pensions Limited in November 2018.

(vii) This represents the Company's 100% equity holding in Credit Direct Limited. The Company was incorporated on June 13, 2006 and commenced operations in January 2007.

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

(c) Group Restructuring

Effective 1 October 2018, there was a restructuring within the Group which was accounted for as a business transaction under common control. The Banking subsidiary and the Holding company entered into a transaction whereby the Banking subsidiary transferred its 100% equity stake in Credit Direct Limited (CDL) to the Holding company for a consideration equal to the carrying amount of ₦366.2 million in the separate financial statements of the Banking subsidiary.

In line with the Group's accounting policy, the assets and liabilities of CDL in the Group financial statement of the banking subsidiary were derecognised and transferred at book values on the date of the disposal to the Holding company with corresponding entry eliminating share of CDL retained earnings from the Banking group after adjusting for the consideration received. In addition, the book value accounting has been consistently used in previous common control transactions within the Group. In applying book value accounting, at consolidation the retained earnings and reserves of CDL were eliminated from the Banking subsidiary's Group retained earnings and recognised in the Holding Company's group retained earnings.

(d) Movement in investment in subsidiaries

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
FCMB Pensions Limited				
Balance as at beginning of the year	**-**	-	**7,353,930**	-
Transferred from equity accounted investee	**-**	-	**-**	418,577
Acquisition of additional equity interest	**-**	-	**394,462**	6,935,353
	-	-	**7,748,392**	7,353,930
Credit Direct Limited				
Balance as at beginning of the year	**-**	-	**-**	-
Transfer from banking subsidiary	**-**	-	**366,210**	-
			366,210	-

29 Investment in Associates

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(a) Investment in associate company:				
Balance at 1 January	**-**	846,512	**-**	418,577
Share of profit/(loss)	**-**	226,849	**-**	-
Dividends paid	**-**	(121,924)	**-**	-
Transfer to subsidiary	**-**	(951,437)	**-**	(418,577)
Balance at 31 December	**-**	-	**-**	-

(b) The Group acquired additional 60% equity holding in the associate – Legacy Pension Managers Limited (now known as FCMB Pensions Limited) in 2017 and this resulted in a reclassification from associate to subsidiary.

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30 Property and Equipment

	GROUP							
	Leasehold land ₦'000	Buildings ₦'000	Leasehold improvement ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital Work in progress ₦'000	Total ₦'000
Cost								
Balance at 1 January 2018	2,831,882	21,148,997	5,806,477	5,071,733	22,865,249	8,875,453	2,404,971	69,004,762
Additions during the year	115	307,153	670,904	1,024,589	4,525,233	307,220	1,885,964	8,721,178
Reclassifications	999,554	1,982,308	(1,938,470)	-	49,405	564	(1,093,361)	-
Transfer from intangible assets (see note 31)	-	-	-	-	-	88,440	-	88,440
Disposal during the year	-	(123,922)	(8,199)	(610,013)	(435,597)	(51,111)	-	(1,228,842)
Translation difference	-	-	10,242	-	6,116	300	-	16,658
Balance at reporting date	**3,831,551**	**23,314,536**	**4,540,954**	**5,486,309**	**27,010,406**	**9,220,866**	**3,197,574**	**76,602,196**
Accumulated depreciation								
Balance at 1 January 2018	-	3,264,455	3,836,431	4,000,582	16,061,884	8,439,237	-	35,602,589
Reclassification		73,373	(73,373)	-	-	-	-	-
Charge for the year see note 16)	-	441,894	179,100	620,107	2,752,298	297,544	-	4,290,943
Eliminated on disposal	-	(24,728)	(23,717)	(443,260)	(78,436)	(12,665)	-	(582,806)
Translation difference	-	-	3,945	-	5,510	261	-	9,716
Balance at reporting date	**-**	**3,754,994**	**3,922,386**	**4,177,429**	**18,741,256**	**8,724,377**	**-**	**39,320,442**
Carrying amounts:								
Balance at 31 December 2018	**3,831,551**	**19,559,542**	**618,568**	**1,308,880**	**8,269,150**	**496,489**	**3,197,574**	**37,281,754**
Balance at 31 December 2017	**2,831,882**	**17,884,542**	**1,970,046**	**1,071,151**	**6,803,365**	**436,216**	**2,404,971**	**33,402,173**

COMPANY

	Leasehold land ₦'000	Buildings ₦'000	Leasehold improvement ₦'000	Motor vehicles ₦'000	Furniture, fittings and equipment ₦'000	Computer equipment ₦'000	Capital work in progress ₦'000	Total ₦'000
Cost								
Balance at 1 January 2018	-	-	5,181	69,448	14,011	3,335	-	91,975
Additions during the year	-	-	-	-	538	1,539	-	2,077
Disposal during the year	-	-	-	(11,000)	-	(322)	-	(11,322)
Balance at reporting date	**-**	**-**	**5,181**	**58,448**	**14,549**	**4,552**	**-**	**82,730**
Accumulated depreciation								
Balance at 1 January 2018	-	-	2,195	41,239	7,941	2,578	-	53,953
Charge for the year (see note 16)	-	-	518	14,929	2,263	648	-	18,358
Eliminated on disposal	-	-	-	(7,105)	-	(322)	-	(7,427)
Balance at reporting date	**-**	**-**	**2,713**	**49,063**	**10,204**	**2,904**	**-**	**64,884**
Carrying amounts:								
Balance at 31 December 2018	**-**	**-**	**2,468**	**9,385**	**4,345**	**1,648**	**-**	**17,846**
Balance at 31 December 2017	**-**	**-**	**2,986**	**28,209**	**6,070**	**757**	**-**	**38,022**

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2017: nil).

(ii) There were no restrictions on title of any property and equipment.

(iii) There were no property and equipment pledged as security for liabilities.

(iv) There were no contractual commitments for the acquisition of property and equipment.

(v) There were no impairment losses on any class of property and equipment during the year (31 December 2017: nil).

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	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Current	**-**	-	**-**	-
Non-current	**37,281,754**	33,402,173	**17,846**	38,022
	37,281,754	33,402,173	**17,846**	38,022

(i) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2017: nil).

(ii) There were no restrictions on title of any property and equipment.

(iii) There were no property and equipment pledged as security for liabilities.

(iv) There were no contractual commitments for the acquisition of property and equipment.

(v) There were no impairment losses on any class of property and equipment during the year (31 December 2017: nil).

31 Intangible Assets

	GROUP		COMPANY	
	2017 ₦'000	2016 ₦'000	**2017 ₦'000**	2016 ₦'000
(a) Software				
Cost				
Beginning of the year	**8,284,068**	6,940,083	**3,851**	3,851
Additions during the year	**648,377**	329,067	**-**	-
Work-in-progress – additions during the year	**1,089,091**	1,091,969	**-**	-
Items written-off	**(318)**	(110,617)	**-**	-
Transfer to property and equipment	**(88,440)**	13,376	**-**	-
Translation difference for the year	**17,673**	20,190	**-**	-
Balance at reporting date	**9,950,451**	8,284,068	**3,851**	3,851
Amortisation				
Beginning of the year	**4,702,085**	3,467,292	**3,851**	2,968
Charge for the year (see note 16)	**1,246,371**	1,133,244	**-**	883
Translation difference for the year	**20,190**	101,549	**-**	-
Balance at reporting date	**5,968,646**	4,702,085	**3,851**	3,851
Carrying amount	**3,981,805**	3,581,983	**-**	-
(b) Goodwill				
Beginning of the year	**11,338,977**	6,199,739	**-**	-
Acquired during the year	**-**	5,139,238	**-**	-
At end of the reporting date	**11,338,977**	11,338,977	**-**	-
	15,320,782	14,920,960	**-**	-
Current	**-**	-	**-**	-
Non-current	**15,320,782**	14,920,960	**-**	-
	15,320,782	14,920,960	**-**	-
The Goodwill is attributable to;				
FCMB Limited	**5,993,863**	5,993,863	**-**	-
FCMB Pensions Limited	**5,139,238**	5,139,238	**-**	-
CSL Stockbrokers Limited	**205,876**	205,876	**-**	-
	11,338,977	11,338,977	**-**	-

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(d) 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. The recoverable amount has been calculated based on the value in use of the Cash Generating Units (CGUs), determined by discounting the future cashflows expected to be generated from the continuing use of the CGUs assets and their ultimate disposal. No Impairment charge was taken during the year (2017:Nil) because the recoverable amount of these CGUs were determined to be higher than the carrying amounts.

The key assumptions used in the calculation of value in use were as follows:

	FCMB Pensions Limited		**CSL Stockbrokers Limited**		**FCMB Limited**	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017	**31 December 2018**	31 December 2017
Discount rate (see note (e))	**26.50%**	23.50%	**26.50%**	26.50%	**16.70%**	16.16%
Terminal growth rate	**5.00%**	4.50%	**3.00%**	3.00%	**3.90%**	3.93%
Forecast profit before taxes (average of 3-5 years)	**₦2.633 billion**	₦2.711 billion	**₦1.042 billion**	₦1.392 billion	**₦19.93 billion**	₦19.03 billion

(e) For FCMB Pensions Limited and CSL Stockbrokers Limited, the discount rate was a post-tax measure derived using the capital asset pricing model (CAPM) approach and that reflects the inherent risks of the specific CGU. The discount rate for FCMB Limited was a pre-tax measure based on the rate of the Bank's year 2023 Naira bond issued in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

Three years of cash flows were included in the discounted cash flow model. The terminal growth rate was derived from the average GDP growth rate of Nigeria from 1982 until 2018.

Forecast profit before taxes was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past four years and the estimated growth for the next three years.

The estimated recoverable amount (₦9.19 billion) of the investment in FCMB Pensions Limited exceeded its carrying amount (₦7.75 billion) by approximately ₦1.44 billion. For CSL Stockbrokers Limited, the estimated recoverable amount (₦3.345 billion; 2017: ₦2.843 billion) of the investment exceeded its carrying amount (₦2.258 billion; 2017: ₦2.258 billion) by approximately ₦1.09 billion. The estimated recoverable amount (₦694.3 billion; 2017: ₦279.4 billion) of the investment in FCMB Limited exceeded its carrying amount (₦151 billion; 2017: ₦160 billion) by approximately ₦543 billion.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

(f) There were no capitalised borrowing costs related to any acquisition or internal development of software during the year (31 December 2017: nil).

32 Deferred Tax Assets and Liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	GROUP					
	31 December 2018			31 December 2017		
	Assets ₦'000	**Liabilities ₦'000**	**Net ₦'000**	Assets ₦'000	Liabilities ₦'000	Net ₦'000
Property and equipment	**1,268,838**	**(394,983)**	**873,855**	1,091,642	-	1,091,642
Defined benefits	**(51,008)**	**21,653**	**(29,355)**	(33,936)	-	(33,936)
Allowances for loan losses	**1,878,223**	**65,627**	**1,943,850**	2,220,251	(106,821)	2,113,430
Unrelieved loss carried forward	**4,848,785**	**-**	**4,848,785**	4,955,606	-	4,955,606
Net tax assets/(liabilities)	**7,944,838**	**(307,703)**	**7,637,135**	8,233,563	(106,821)	8,126,742

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Deferred tax assets				
Current	**-**	-	**-**	-
Non-current	**7,944,838**	8,233,563	**-**	-
	7,944,838	8,233,563	**-**	-

(b) Movements in temporary differences during the year ended 31 December 2018

	GROUP 2018			
	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December
Property and equipment	**1,091,642**	**(216,837)**	**-**	**873,855**
Defined benefits	**(33,936)**	**4,581**	**-**	**(29,355)**
Allowances for loan losses	**2,220,251**	**(276,401)**	**-**	**1,943,850**
Unrelieved loss carried forward	**4,848,785**	**-**	**-**	**4,848,785**
	8,126,742	**(488,657)**	**-**	**7,637,135**

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Movements in temporary differences during the year ended 31 December 2017

	GROUP 2017			
	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December
Property and equipment	1,091,642	-	-	1,091,642
Defined benefits	(33,936)	-	-	(33,936)
Allowances for loan losses	2,327,073	(106,822)	-	2,220,251
Unrelieved loss carried forward	4,521,309	434,298	-	4,955,607
	7,906,088	327,476	-	8,233,564

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(c) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Unrelieved losses	**19,417,744**	12,216,460	**598,354**	365,921
Allowance for loan losses and other losses	**1,380,211**	649,576	**18,706**	-
Property and equipment (unutilised capital allowance)	**4,934,700**	3,940,330	**33,551**	27,418
	25,732,655	16,806,366	**650,611**	393,339

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

33 Other Assets

	GROUP		COMPANY	
	2017 ₦'000	2016 ₦'000	**2017 ₦'000**	2016 ₦'000
(a) Other financial assets				
E-settlement receivables	**22,765,797**	16,907,651	**-**	-
Margin call receivables	**-**	3,812,632	**-**	-
Agric SMEIS receivables	**890,922**	552,232	**-**	-
Related parties receivables	**-**	1,635,903	**-**	-
Insurance claims and fraud receivables	**2,017,094**	1,519,875	**-**	-
Deposits with the Court (note (d) below)	**9,925,631**	9,149,072	**-**	-
Accounts receivable – corporate and state bonds	**395,482**	2,278,407	**-**	-
Accounts receivable – others	**8,485,364**	2,837,614	**2,403,108**	**744,575**
	44,480,290	38,693,386	**2,403,108**	**744,575**
Less impairment allowances (note (c) below)	**(15,404,549)**	(16,349,277)	**(69,953)**	-
	29,075,741	22,344,109	**2,333,155**	**744,575**
(b) Other non-financial assets:				
Prepayments	**5,742,007**	4,625,840	**9,796**	**4,000**
Consumables	**441,826**	634,371	**-**	-
	6,183,833	5,260,211	**9,796**	**4,000**
	35,259,574	27,604,320	**2,342,951**	**748,575**
Current	**22,222,687**	5,910,673	**2,342,951**	**748,575**
Non-current	**13,036,887**	21,693,647	**-**	-
	35,259,574	27,604,320	**2,342,951**	**748,575**
(c) Movement in impairment on other financial assets				
Balance at 1 January	**-**	15,328,849	**-**	-
Transfer to Lifetime ECL impaired	**16,164,819**	-	**-**	-
Transfer to 12-month ECL	**107,983**	-	**7,446**	-
Net remeasurement of loss allowances (see note 10)	**2,757,212**	1,347,895	**62,507**	-
Write-offs	**(3,629,057)**	(336,856)	**-**	-
Translation difference	**3,592**	9,389	**-**	-
Closing balance	**15,404,549**	16,349,277	**69,953**	-

(d) The amount represents deposits with the court in respect of an ongoing suit against the Banking subsidiary in United Kingdom as ordered by the court of which the sum of $3.5 million (₦1.3 billion) has been transferred to Zumax with recourse.

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	GROUP		COMPANY	
34 Deposits from Banks	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Other deposits from banks	**39,140,044**	6,355,389	**-**	-
	39,140,044	6,355,389	**-**	-
Current	**39,140,044**	6,355,389	**-**	-
Non-current	**-**	-	**-**	-
	39,140,044	6,355,389	**-**	-
Other deposits from banks comprise:				
Wema Bank Plc, Nigeria	**3,609,577**	-	**-**	-
Polaris Bank Limited, Nigeria	**2,200,964**	-	**-**	-
Rand Merchant Bank Limited, Nigeria	**2,000,877**	-	**-**	-
Zenith Bank Plc, Nigeria	**6,003,288**	-	**-**	-
FSDH Merchant Bank Limited, Nigeria	**-**	1,664,064	**-**	-
Other foreign banks	**25,325,338**	4,691,325	**-**	-
	39,140,044	6,355,389	**-**	-

	GROUP		COMPANY	
35 Deposits from Customers	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Retail customers:				
Term deposits	**219,698,884**	186,072,318	**-**	-
Current deposits	**237,286,893**	159,483,260	**-**	-
Savings	**195,086,667**	153,582,465	**-**	-
	652,072,444	499,138,043	**-**	-
Corporate customers:				
Term deposits	**24,430,891**	48,323,506	**-**	-
Current deposits	**145,244,088**	142,399,091	**-**	-
	169,674,979	190,722,597	**-**	-
	821,747,423	689,860,640	**-**	-
Current	**802,831,044**	680,181,478	**-**	-
Non-current	**18,916,379**	9,679,162	**-**	-
	821,747,423	689,860,640	**-**	-

Corporate customers represents deposits from corporate bodies, government agencies while retail customers represents deposits from individuals, unregistered small and medium scale business ventures.

36 Borrowings

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(a) Borrowings comprise:				
Standard Bank, London (See note (b)(i) below)	**11,109,416**	-	**-**	-
Standard Bank, London (See note (b)(ii) below)	**-**	16,696,274	**-**	-
International Finance Corporation (IFC) (See note (b)(iii) below)	**-**	557,004	**-**	-
International Finance Corporation (IFC) (See note (b)(iv) below)	**-**	1,389,616	**-**	-
International Finance Corporation (IFC) (See note (b)(v) below)	**4,538,101**	8,332,563	**-**	-
International Finance Corporation (IFC) (See note (b)(vi) below)	**3,403,413**	6,248,897	**-**	-
Netherlands Development Finance Company (FMO) (See note (b)(vii) below)	**3,010,549**	4,610,278	**-**	-
Netherlands Development Finance Company (FMO) (See note (b)(viii) below)	**3,010,549**	4,610,278	**-**	-
European Investment Bank (EIB) (See note (b)(ix) below)	**11,901,688**	10,907,316	**-**	-
Citibank, N.A (OPIC) (See note (b)(x) below)	**5,417,185**	11,626,781	**-**	-
African Export-Import Bank (Afrexim) See note (b)(xi) below)	**22,056,854**	27,667,720	**-**	-
Financial Derivatives Company Limited (See note (b)(xii) below)	**-**	101,085	**-**	-
First City Asset Management (FCAM) (See note (b)(xiii) below)	**10,280,936**	5,785,285	**-**	-
Micheal Ojo (See note (b)(xiv) below)	**838,586**	726,759	**-**	-
BMCE Bank International Plc (See note (b)(xv) below)	**3,602,644**	-	**-**	-
African Export-Import Bank (Afrexim)/ Cargill (See note (b)(xvi) below)	**2,693,745**	-	**-**	-
British Arab Commercial Bank UK (See note (b)(xvii) below)	**3,540,462**	-	**-**	-
African Export-Import Bank (Afrexim)/ Cargill (See note (b)(xviii) below)	**10,775,732**	-	**-**	-
Standard Bank/Cargill (See note (b)(xix) below)	**3,482,511**	-	**-**	-
Credit Suisse Bank/Cargill (See note (b)(xx) below)	**3,481,769**	-	**-**	-
Credit Suisse Bank/Cargill (See note (b)(xxi) below)	**3,384,875**	-	**-**	-
British Commercial Bank (See note (b)(xxii) below)	**-**	3,413,748	**-**	-
British Commercial Bank (See note (b)(xxiii) below)	**-**	3,395,643	**-**	-
British Commercial Bank (See note (b)(xxiv) below)		3,365,723	**-**	-
Bank of Industry (BOI), Nigeria (See note (b)(xxv) below)	**2,009,765**	-	**-**	-
Tayo Oyedeji (See note (b)(xxvi) below)	**192,742**	-	**-**	-
	108,731,522	109,434,970	**-**	-
Current	**65,441,615**	29,668,108	**-**	-
Non-current	**43,289,907**	79,766,862	**-**	-
	108,731,522	109,434,970	**-**	-

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(b)

i) The amount of ₦11,109,415,459.56 (31 December 2017: Nil) represents a secured facility granted by Standard Bank, London repayable after a tenor of 1 year, maturing 19 June 2019 with an interest rate of 1 year LIBOR + 3.25%. The facility is secured by Federal Government of Nigeria bonds.

ii) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦16,696,274,000 (USD 50,000,000) granted by Standard Bank.

iii) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦557,003,760 (USD 20,000,000) granted by International Finance Corporation (IFC).

iv) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦1,389,616,000 (USD 50,000,000) granted by International Finance Corporation (IFC).

v) The amount of ₦4,538,100,701.61 (31 December 2017: ₦8,332,563,254 (USD 50,000,000) represents an unsecured facility granted by International Finance Corporation (IFC) repayable after a tenor of 5 years maturing 9 October 2019 with an interest rate of 3 months LIBOR + 4.75%.

vi) The amount of ₦3,403,413,473.14 (31 December 2017: ₦6,248,897,128 (USD 37,500,000) represents an unsecured facility granted by International Finance Corporation (IFC) repayable after a tenor of 5 years maturing 9 October 2019 with an interest rate of 6 months LIBOR + 4.75%.

vii) The amount of ₦3,010,549,253.72 (31 December 2017: ₦4,610,278,232 (USD 25,000,000) represents an unsecured facility granted by Netherlands Development Finance Company (FMO) repayable after a tenor of 6 years maturing 30 June 2020 with an interest rate of 6 months LIBOR + 4.5%.

viii) The amount of ₦3,010,549,253.79 (31 December 2017: ₦4,610,278,232 (USD 25,000,000) represents an unsecured facility granted by Netherlands Development Finance Company (FMO) repayable after a tenor of 6 years maturing 30 June 2020 with an interest rate of 6 months LIBOR + 4.5%.

ix) The amount of ₦11,901,688,445.73 (31 December 2017: ₦10,907,315,673 (USD 32,877,500) represents an unsecured facility granted by European Investment Bank (EIB) repayable after a tenor of 8 years maturing 22 September 2022 with an interest rate of LIBOR plus 4%.

x) The amount of ₦5,417,185,194.54 (31 December 2017: ₦11,626,781,155 (USD 75,000,000)) represents an unsecured facility granted by OPIC, repayable after a tenor of 4 year maturing 15 August 2019 with an interest rate of one(1) week LIBOR + 3.65% bi-annually.

xi) The amount of ₦22,056,853,868.06 (31 December 2017: ₦27,667,720,168) represents an unsecured facility granted by African Export Import (AFREXIM) Bank, repayable after a tenor of 5 years maturing 14 September 2021 with an interest rate of 3 months LIBOR+ 6.20% payable quarterly.

xii) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦101,084,931) granted by Financial Derivatives Company Limited.

xiii) The amount of ₦10,280,936,160.87 (31 December 2017: ₦5,785,285,008) represents an unsecured facility granted by First City Asset Management Limited (FCAM).

xiv) The amount of ₦838,585,760.66 (31 December 2017: ₦726,759,331) represents an unsecured facility granted by Micheal Ojo, at interest rate of 14.40%, maturing 28 January 2019.

xv) The amount of ₦3,602,644,487.43 (31 December 2017: Nil) represents facility secured with FGN bonds granted by BMCE Bank International Plc, maturing 12 March 2020 with an interest rate of 3 months LIBOR +5.5%.

xvi) The amount of ₦2,693,744,736.29 (31 December 2017: Nil) represents an unsecured facility granted by AFREXIM Bank Cargill, maturing 30 October 2019 with an interest rate of 6.20%.

xvii) The amount of ₦3,540,462,229.06 (31 December 2017: Nil) represents an unsecured facility granted by British Arab Commercial Bank UK, maturing 18 March 2019 with an interest rate of 6.58%.

xviii) The amount of ₦10,775,731,830.69 (31 December 2017: Nil) represents an unsecured facility granted by AFREXIM Bank Cargill, maturing 30 October 2019 with an interest rate of 7.17%.

xix) The amount of ₦3,482,510,775.80 (31 December 2017: Nil) represents an unsecured facility granted by Standard Bank Cargill, maturing 30 October 2019 with an interest rate of 6.49%.

xx) The amount of ₦3,481,768,824.67 (31 December 2017: Nil) represents an unsecured facility granted by Credit suisse Bank Cargill, maturing 10 June 2019 with an interest rate of 6.58%.

xxi) The amount of ₦3,384,874,688.15 (31 December 2017: Nil) represents an unsecured facility granted by Credit suisse Bank Cargill, maturing 08 October 2019 with an interest rate of 7.06%.

xxii) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦3,413,748,697) granted by the British Commercial Bank.

xxiii) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: ₦3,395,642,823) granted by the British Commercial Bank.

xxiv) This represents an unsecured facility that has been repaid as at 31 December 2018 (31 December 2017: 3,365,722,615) granted by the British Commercial Bank.

xxv) The amount of ₦2,009,765,428.76 (31 December 2017: Nil) represents an unsecured facility granted by the Bank of Industry, maturing 12 December 2022 with an interest rate of 10.0%.

xxvi) The amount of ₦192,741,780.82(31 December 2017: Nil) represents an unsecured facility granted by Tayo Oyedeji, maturing 22 January 2019 with an interest rate of 16.25%.

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(c) Movement in borrowings account during the year was as follows:				
Balance, beginning of the year	**109,434,970**	132,094,368	**-**	-
Additions during the year	**48,769,311**	10,298,880	**-**	-
Repayments during the year	**(58,135,758)**	(43,184,244)	**-**	-
Translation difference	**8,662,999**	10,225,966	**-**	-
	108,731,522	109,434,970	**-**	-

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37 On-Lending Facilities	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Bank of industry (BOI) (see note (a) below)	**4,495,305**	25,041,640	**-**	-
Commercial Agriculture Credit Scheme (CACS) (see note (b) below)	**14,770,378**	5,274,089	**-**	-
Real Sector Support Facility (RSSF) (see note (c) below)	**11,991,533**	-	**-**	-
Power and Aviation intervention Fund (see note (d) below)	**24,154,134**	-	**-**	-
Micro, Small and Medium Enterprises Development Fund (MSMEDF) (see note (e) below)	**840,522**	12,218,587	**-**	-
Development Bank of Nigeria (DBN) (see note (f) below)	**1,637,353**	-	**-**	-
	57,889,225	42,534,316	**-**	-
Current	**13,876,465**	4,154,030	**-**	-
Non-current	**44,012,760**	38,380,286	**-**	-
	57,889,225	42,534,316	**-**	-

(a) Bank of Industry (BOI) Intervention

The Bank of Industry (BOI) – SME/Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing/restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The facility is secured by Nigerian Government Securities. The value of Government securities pledged as collateral is ₦9.77 billion for 31 December 2018 (31 December 2017: ₦6.14 billion). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum is deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the intervention programme and the Bank is under obligation to on-lend to customers at an all-In interest rate of 7% per annum. The Bank is the primary obligor to BOI and assumes the credit risk.

(b) Commercial Agriculture Credit Scheme (CACS)

The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector. The facility has a tenor of 16 years with effect from 2009 and will expire in September 2025. The facility attracts an interest rate of 2% per annum and the Bank is under obligation to on-lend to the Bank's qualified customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the credit risk of all amounts lent to the Bank's customers. This facility is not secured.

(c) Real Sector Support Facility (RSSF)

The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a ₦300 billion Real Sector Support Facility (RSSF). The facility is disbursed to large enterprises and startups with financing needs of ₦500 million up to a maximum of ₦10.0 billion. The activities targeted by the Facility are manufacturing, agricultural value chain and selected service sub-sectors. The funds are received from the CBN at 3%, and disbursed at 9% to the beneficiary. The facility is secured by Nigerian Government Securities.

The value of Government securities pledged as collateral is ₦14.32 billion for 31 December 2018 (31 December 2017: ₦13.26 billion).

(d) Power and Aviation Intervention Fund

The purpose of granting new loans and refinancing/restructuring existing loans to companies in the power and aviation industries is to support Federal Government's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility annually subject to a maximum tenor of five years. The facility attracts an interest rate of 1% per annum payable quarterly in arrears and the Banking subsidiary is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. This facility is not secured.

(e) Micro, Small and Medium Enterprises Development Fund (MSMEDF)

The Micro Small and Medium Scale Enterprises Development Fund (MSMEDF) is an intervention fund received from Central Bank of Nigeria, established to support the channelling of low interest funds to the Micro Small and Medium Scale Enterprises sub-sector of the Nigerian economy. The facility attracts an interest rate of 2% per annum and the Banking subsidiary is obligated to on-lend to SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year. This facility is not secured.

(f) Development Bank of Nigeria (DBN)

The Development Bank of Nigeria (DBN) is a ₦24 billion line of credit granted to the Banking subsidiary for the purpose of providing on-lending concessionary loans to MSMEs, including agricultural sector, manufacturing sector and gender loans. The facility has a maximum tenor of 10 years for term loans and a maximum tenor of 3 years for working capital requirements. The facility attracts an interest rate of between 9.76% – 11.76% per annum for loan tenors up to 3 year and above and the Banking subsidiary is under obligation to on-lend to customers at an all-in interest spread of 6% per annum. This facility is secured.

(g) The on-lending facilities granted at below the market rate were measured at fair value on initial recognition and subsequently at amortised cost. The fair value gain on initial recognition was recognised in the profit or loss.

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(h) Movement in on-lending facilities during the year was as follows:				
Balance, beginning of the year	**42,534,316**	42,199,380	**-**	-
Additions during the year	**32,190,635**	25,190,635	**-**	-
Repayments during the year	**(16,835,726)**	(24,855,699)	**-**	-
Balance, end of the year	**57,889,225**	42,534,316	**-**	-

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38 Debt Securities Issued	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Debt securities at amortised cost:				
Bond issued (see note (a) below)	**54,651,172**	54,691,520	-	-
	54,651,172	54,691,520	-	-
Current	**8,347,809**	8,325,705	-	-
Non-current	**46,303,363**	46,365,815	-	-
	54,651,172	54,691,520	-	-

(a) The amount of ₦54.65 billion (31 December 2017: ₦54.69 billion) represents the amortised cost of unsecured corporate bonds issued at par in different tranches. The coupon is paid semi-annually. See the table below for the tranches and their terms:

Tranche	Face value (₦'billion)	Carrying amount (₦'billion) 31 Dec 2018	Carrying amount (₦'billion) 31 Dec 2017	Coupon rate	Issued date	Maturity date
Tranche 1 – ₦26 billion, 7years	26.00	26.18	26.12	14.25%	07-Nov-2014	19-Nov-2021
Tranche 2 – ₦23.185 billion, 5years	23.19	23.51	23.42	15.00%	06-Nov-2015	06-Nov-2020
Tranche 3 – ₦5.104 billion, 7years	5.10	4.96	5.15	17.25%	09-Dec-2016	08-Dec-2023
Total	54.29	54.65	54.69			

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the year ended 31 December 2018.

(b) Movement in Debt securities issued during the year was as follows:

	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
Balance, beginning of the year	**54,691,520**	54,481,989	-	-
Accrued coupon interest for the year	**985,094**	981,643	-	-
Coupon interest paid during the year	**(1,025,442)**	(772,112)	-	-
Balance, end of the year	**54,651,172**	54,691,520	-	-

39 Retirement Benefit Obligations

Defined contribution scheme

The Group and its employees make a joint contribution, 18% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. During the year, the Group has complied with the Pension Reform Act 2014 and up to date payment of the reviewed employer contribution of 10% remitted while employees' contribution remains at 8%.

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

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Balance at start of year	**70,364**	17,603	**-**	**-**
Charged to profit or loss (see note 15)	**603,817**	511,685	**8,564**	**4,576**
Employee contribution	**483,054**	604,944	**6,851**	**3,661**
Total amounts remitted	**(1,077,028)**	(1,063,868)	**(15,415)**	**(8,237)**
At reporting date	**80,207**	70,364	**-**	**-**
Current	**80,207**	70,364	**-**	**-**
Non-current	**-**	-	**-**	**-**
	80,207	70,364	**-**	**-**

40 Provision

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Legal claims (see (d) below)	**9,611,857**	3,576,634	**303,630**	**303,630**
Financial guarantee contracts and loan commitments issued (see (b) below)	**1,205,367**	-	**-**	**-**
Deferred income (see (c) below)	**766,208**	328,083	**-**	**-**
	11,583,432	3,904,717	**303,630**	**303,630**
Current	**-**	-	**-**	**-**
Non-current	**11,583,432**	3,904,717	**303,630**	**303,630**
	11,583,432	3,904,717	**303,630**	**303,630**

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(a) Movement in provision during the year

	GROUP 2018			
	Claims ₦'000	Financial guarantee contracts and loan commitments issued ₦'000	Deferred income ₦'000	Total ₦'000
Balance as at start of year	**3,576,634**	**-**	**328,083**	**3,904,717**
Transfer to 12-month ECL	**-**	**458,415**	**-**	**458,415**
Net remeasurement of loss allowance (see note 10)	**-**	**746,952**	**-**	**746,952**
Provisions made during the year (see note 18(a))	**5,720,327**	**-**	**-**	**5,720,327**
Amount recognised and amortised during the year	**-**	**-**	**438,125**	**438,125**
Translation difference	**314,896**	**-**	**-**	**314,896**
Balance as at end of year	**9,611,857**	**1,205,367**	**766,208**	**11,583,432**

	GROUP 2017			
	Claims ₦'000	Financial guarantee contracts and loan commitments issued ₦'000	Deferred income ₦'000	Total ₦'000
Balance as at start of year	793,905	-	208,400	1,002,305
Transfer to 12-month ECL	-	-	-	-
Net remeasurement of loss allowance (see note 10)	-	-	-	-
Provisions made during the year (see note 18(a))	2,782,729	-	-	2,782,729
Amount recognised and amortised during the year	-	-	119,683	119,683
Translation difference	-	-	-	-
Balance as at end of year	3,576,634	-	328,083	3,904,717

	COMPANY 2018			
	Claims ₦'000	**Financial guarantee contracts and loan commitments issued ₦'000**	**Deferred income ₦'000**	**Total ₦'000**
Balance as at start of year	**303,630**	**-**	**-**	**303,630**
Provisions made during the year	**-**	**-**	**-**	**-**
Payment during the year	**-**	**-**	**-**	**-**
Balance as at end of year	**303,630**	**-**	**-**	**303,630**

	COMPANY 2018			
	Claims ₦'000	**Financial guarantee contracts and loan commitments issued ₦'000**	**Deferred income ₦'000**	**Total ₦'000**
Balance as at start of year	416,864	-	-	416,864
Provisions made during the year	92,813	-	-	92,813
Payment during the year	(206,047)	-	-	(206,047)
Balance as at end of year	303,630	-	-	303,630

(b) The amount is in respect of financial guarantee contracts and loan commitment issued which represent the sum of ECL provision of ₦1.08 billion on financial guarantee contracts and ECL provision of ₦150.63 million on undrawn loan commitments.

(c) Included in deferred income are amounts for financial guarantee contracts which represents the amount initially recognised less cumulative amortisation.

(d) Legal claims: This represents provision reserved for pending probable legal cases that may crystallise.

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41 Other Liabilities	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
(a) Other financial liabilities				
Customers' deposit for letters of credit	**35,067,564**	16,780,583	**-**	-
Bank cheques/drafts	**4,156,421**	3,762,656	**-**	-
Negotiated letters of credits	**36,494,903**	18,850,277	**-**	-
E-settlement payables	**10,853,376**	9,180,757	**-**	-
Withholding tax and value added tax payables	**986,546**	733,579	**2,689**	-
Unclaimed items	**6,863,401**	4,902,240	**-**	-
Undisbursed intervention funds	**4,815,007**	-	**-**	-
AMCON Sinking fund accounts payable (see note (c) below)	**1,505,819**	1,505,819	**-**	-
Pension Protection Fund	**120,120**	-	**-**	-
Accounts payable – others	**10,866,813**	6,177,896	**13,410**	647,045
Accounts payable – unclaimed dividend	**766,957**	685,657	**766,957**	685,657
Proceeds from public offers	**97,964**	74,786	**-**	-
	112,594,891	62,654,250	**783,056**	1,332,702
(b) Other non-financial liabilities				
Deferred income (see note (d) below)	**99,559**	12,922	**-**	-
Accrued expenses	**3,522,197**	3,614,611	**420,842**	295,961
	3,621,756	3,627,533	**420,842**	295,961
	116,216,647	66,281,783	**1,203,898**	1,628,663
Current	**112,557,632**	48,394,985	**1,203,898**	1,628,663
Non-current	**3,659,015**	17,886,798	**-**	-
	116,216,647	66,281,783	**1,203,898**	1,628,663

(c) This relates to AMCON sinking fund contribution for prior years as advised by Central Bank of Nigeria, based on the recalculation in line with the AMCON Amendment Act 2015. This amount is payable over a period of five years commencing in year 2019.

(d) Included in deferred income are amounts for rent received in advance, which are amortised over the lease period.

42 Share Capital	GROUP 2018 ₦'000	GROUP 2017 ₦'000	COMPANY 2018 ₦'000	COMPANY 2017 ₦'000
(a) Authorised				
30 billion ordinary shares of 50k each (2017: 30 billion)	**15,000,000**	15,000,000	**15,000,000**	15,000,000
(b) Issued and fully paid				
19.8 billion ordinary shares of 50k each (2017: 19.8 billion)	**9,901,355**	9,901,355	**9,901,355**	9,901,355

43 Share Premium and Reserves

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

(a) Share premium

This is 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 paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. The Bank transferred 15% of its profit after tax to statutory reserves as at period end (31 December 2017: 15%).

(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 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 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. In the CBN Circular dated 5 April 2017, all DMBs are required to set aside and remit 5% of the annual profit after tax for equity investments.

(d) Fair Value Reserve

The fair value reserves comprise:

- the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income (2017: available-for-sale financial assets); and
- the cumulative net change in fair value of debt securities at fair value through other comprehensive income (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. The amount is reduced by the amount of loss allowance.

(e) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment of loans and advances under the Nigerian GAAP and Central Bank of Nigeria prudential guidelines and the expected loss model used in calculating the impairment balance under IFRS. The Central Bank of Nigeria issued a circular on 18 October 2018 relating to the treatment of IFRS expected credit loss for regulatory purposes. Banks were directed to use the balance in regulatory risk reserve as at 1 January 2018 to offset the impact of IFRS 9 expected credit loss amount as at transition date.

(f) Retained earnings

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

(g) Foreign currency translation reserve (FCTR)

Records exchange movements on the Group's net investment in foreign subsidiaries.

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44 Non-Controlling Interest (NCI)

Disclosure of NCI in the Group's subsidiary

The following table summarises the information relating to the Group's subsidiary, FCMB Pensions Limited:

	COMPANY	
	31 December 2018	**31 December 2017**
NCI percentage	**8.36%**	11.78%
Total assets	**4,452,022**	3,857,317
Total liabilities	**1,815,724**	781,761
Net assets	**2,636,298**	3,075,556
Adjustment to net assets	**-**	-
Adjusted net assets	**2,636,298**	3,075,556
Net assets attributable to NCI	**220,514**	362,206
Movement in NCI		
Opening balance	**362,206**	-
Dividend paid/declared	**(142,288)**	-
(Reduction)/addition due to acquisition of FCMB Pensions shares by the Group	**(83,112)**	352,542
Share of post acquisition profit	**85,837**	8,918
Share of other comprehensive income	**(2,129)**	746
Total NCI at year end	**220,514**	362,206

45 Contingencies

(a) Legal proceedings

The Group in its ordinary course of business is presently involved in 313 cases as a defendant (31 December 2017: 334) and 20 cases as a plaintiff (31 December 2017: 32). The total amount claimed in the 313 cases against the Bank is estimated at ₦98.68 billion ($26.29 million (₦9.43 billion) and ₦89.25 billion (31 December 2017: ₦51.37 billion ($26.29 million (₦9.49 billion and ₦41.88 billion) while the total amount claimed in the 20 cases instituted by the Banking subsidiary is ₦2.05 billion (31 December 2017: ₦1.95 billion). The Directors of the Group are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Group and are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements. Based on the realistic reserves as recommended by solicitors in charge of these ongoing litigations, a provision of ₦9.31 billion ($23.36 million (₦8.38 billion) and ₦926.38 million) has been made for the year ended 31 December 2018 (31 December 2017: $10,000,000 (₦3.31 billion)). See note 40(a) for the provisions made in the books for claims. The Court, also granted an injunction over the assets of FCMB in the sum of £20,300,000 (₦9.98 billion) as at year ended, (31 December 2017: £20,300,000 (₦9.149 billion). The Bank has exercised their rights under the Freezing Order to pay this money into the Court Funds Office discharging the Freezing Order. The £20,300,000 (₦9.98 billion) as at year ended, (31 December 2017: £20,300,000 (₦9.149 billion) currently at the Court Funds Office remains the property of the Bank pending further order of the Court. See note 33(a).

(b) Other 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 performance 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 year, 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 contingent risk.

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

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Performance bonds and guarantees	**172,690,065**	98,409,992	**-**	-
Loan commitments	**2,604,173**	2,309,928	**-**	-
Clean line letters of credit	**59,236,345**	66,404,271	**-**	-
	234,530,583	167,124,191	**-**	-
Other commitment	**400,130**	86,977	**-**	-
	234,930,713	167,211,168	**-**	-
Current	**74,500,237**	81,355,010	**-**	-
Non-current	**160,430,476**	85,856,158	**-**	-
	234,930,713	167,211,168	**-**	-

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.

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46 Transition to IFRS 9 - Financial Assets and Financial Liabilities

Classification and measurement of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements.

			GROUP	
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 ₦'000	New carrying amount under IFRS 9 ₦'000
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	103,888,007	103,877,965
Restricted reserve deposits	Loans and receivables	Amortised cost	109,638,559	109,638,559
Trading assets	FVTPL	FVTPL	23,936,031	23,936,031
Loans and advances to customers	Loans and receivables	Amortised cost	649,796,726	625,366,031
Assets pledged as collateral	Available for sale	FVOCI	2,442,100	2,442,100
Assets pledged as collateral	Held-to-maturity investments	Amortised cost	58,888,057	58,888,057
Investment securities	Held-to-maturity investments	Amortised cost	70,913,205	70,639,421
Investment securities	Available for sale (AFS)	FVOCI	77,102,626	77,088,326
Investment securities	Equity securities measured at fair value under available-for-sale investments	FVOCI	891,232	891,232
Investment securities	Unquoted equity securities at cost under AFS investments	FVOCI	2,948,673	9,707,258
Investment securities	Unquoted equity securities at cost under AFS investments	FVTPL	1,572,923	1,572,923
Other assets	Loans and receivables	Amortised cost	22,344,109	22,381,514
Total financial assets			**1,124,362,248**	**1,106,429,417**
Financial liabilities				
Trading liabilities	FVTPL	FVTPL	21,616,660	21,616,660
Deposits from banks	Amortised cost	Amortised cost	6,355,389	6,355,389
Deposits from customers	Amortised cost	Amortised cost	689,860,640	689,860,640
Borrowings	Amortised cost	Amortised cost	109,434,970	109,434,970
On-lending facilities	Amortised cost	Amortised cost	42,534,316	42,534,316
Debt securities issued	Amortised cost	Amortised cost	54,691,520	54,691,520
Other liabilities	Amortised cost	Amortised cost	62,654,250	62,654,250
Total financial liabilities			**987,147,745**	**987,147,745**

	Original classification under IAS 39	New classification under IFRS 9	COMPANY Original carrying amount under IAS 39 ₦'000	COMPANY New carrying amount under IFRS 9 ₦'000
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	146,366	146,366
Restricted reserve deposits	Loans and receivables	Amortised cost	-	-
Trading assets	FVTPL	FVTPL	-	-
Loans and advances to customers	Loans and receivables	Amortised cost	-	-
Assets pledged as collateral	Available for sale	FVOCI	-	-
Assets pledged as collateral	Held-to-maturity investments	Amortised cost	-	-
Investment securities	Held-to-maturity investments	Amortised cost	2,647,592	2,545,884
Investment securities	Available for sale (AFS)	FVOCI	888,625	888,625
Investment securities	Equity securities measured at fair value under available-for-sale investments	FVOCI	-	-
Investment securities	Unquoted equity securities at cost under AFS investments	FVOCI	-	-
Investment securities	Unquoted equity securities at cost under AFS investments	FVTPL	1,572,923	1,572,923
Other assets	Loans and receivables	Amortised cost	744,575	737,129
Total financial assets			**6,000,081**	**5,890,927**
Financial liabilities				
Trading liabilities	FVTPL	FVTPL	-	-
Deposits from banks	Amortised cost	Amortised cost	-	-
Deposits from customers	Amortised cost	Amortised cost	-	-
Borrowings	Amortised cost	Amortised cost	-	-
On-lending facilities	Amortised cost	Amortised cost	-	-
Debt securities issued	Amortised cost	Amortised cost	-	-
Other liabilities	Amortised cost	Amortised cost	1,332,702	1,332,702
Total financial liabilities			**1,332,702**	**1,332,702**

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The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	GROUP			
	IAS 39 carrying amount 31 December 2017 ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS 9 carrying amount 1 January 2018 ₦'000
Financial assets				
Amortised cost				
Cash and cash equivalents				
Opening balance	103,888,007	-	-	**103,888,007**
Due from banks	-	-	-	**-**
Remeasurement	-	-	(10,042)	**(10,042)**
Closing balance				**103,877,965**
Restricted reserve deposits				
Opening balance	109,638,559	-	-	**109,638,559**
Remeasurement	-	-	-	**-**
Closing balance				**109,638,559**
Loans and advances to customers				
Opening balance	649,796,726	-	-	**649,796,726**
Remeasurement	-	-	(24,430,695)	**(24,430,695)**
Closing balance				**625,366,031**
Assets pledged as collateral				
Opening balance	58,888,057	-	-	**58,888,057**
Remeasurement	-	-	-	**-**
Closing balance				**58,888,057**
Investment securities				
Opening balance	70,913,205	-	-	**70,913,205**
Remeasurement	-	-	(273,784)	**(273,784)**
Closing balance				**70,639,421**
Other assets				
Opening balance	22,344,109	-	-	**22,344,109**
Remeasurement	-	-	37,405	**37,405**
Closing balance				**22,381,514**
Financial guarantee contracts and loan commitment issued	-	-	(458,415)	**(458,415)**
Financial assets – Treasury bills FVOCI	-	-	(11,522)	**(11,522)**
Financial assets – FGN Bonds FVOCI	-	-	(2,778)	**(2,778)**
Total amortised cost	1,015,468,663	-	(25,149,831)	**990,791,547**

	GROUP			
	IAS 39 carrying amount 31 December 2017 ₦'000	**Reclassification ₦'000**	**Remeasurement ₦'000**	**IFRS 9 carrying amount 1 January 2018 ₦'000**
Available-for-sale (AFS)				
Investment securities				
Opening balance	84,957,554	-	-	**84,957,554**
To FVOCI - assets pledged as collateral	-	(2,442,100)	-	**(2,442,100)**
To FVOCI - debt	-	(77,102,626)	-	**(77,102,626)**
To FVOCI - quoted equity securities	-	(891,232)	-	**(891,232)**
To FVOCI - unquoted equity securities	-	(2,948,673)	-	**(2,948,673)**
To FVTPL - unquoted equity securities	-	(1,572,923)	-	**(1,572,923)**
Remeasurement	-	-	-	**-**
Closing balance				**-**
FVOCI - debt				
Assets pledged as collateral				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	2,442,100		**2,442,100**
Remeasurement	-	-	-	**-**
Closing balance				**2,442,100**
FVOCI - debt				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	77,102,626		**77,102,626**
Remeasurement	-	-	-	**-**
Closing balance				**77,102,626**
FVOCI - quoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	891,232		**891,232**
Remeasurement	-	-	-	**-**
Closing balance				**891,232**
FVOCI - unquoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	2,948,673		**2,948,673**
Remeasurement	-	-	6,758,585	**6,758,585**
Closing balance				**9,707,258**

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	GROUP			
	IAS 39 carrying amount 31 December 2017 ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS 9 carrying amount 1 January 2018 ₦'000
FVTPL- unquoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	1,572,923	-	**1,572,923**
Remeasurement	-	-	-	**-**
Closing balance				**1,572,923**
Total	84,957,554	-	6,758,585	**91,716,139**
FVTPL				
Trading assets	23,936,031	-	-	**23,936,031**
Closing balance	23,936,031		-	**23,936,031**
Total	23,936,031		-	**23,936,031**
Financial liabilities				
Amortised cost				
Deposits from banks	6,355,389	-	-	**6,355,389**
Deposits from customers	689,860,640	-	-	**689,860,640**
Borrowings	109,434,970	-	-	**109,434,970**
On-lending facilities	42,534,316	-	-	**42,534,316**
Debt securities issued	54,691,520	-	-	**54,691,520**
Other liabilities	62,654,250	-	-	**62,654,250**
Closing balance	965,531,085	-	-	**965,531,085**
Total amortised cost	965,531,085	-	-	**965,531,085**

	COMPANY			
	IAS 39 carrying amount 31 December 2017 ₦'000	**Reclassification ₦'000**	**Remeasurement ₦'000**	**IFRS 9 carrying amount 1 January 2018 ₦'000**
Financial assets				
Amortised cost				
Cash and cash equivalents				
Opening balance	146,366	-	-	**146,366**
Due from banks	-	-	-	**-**
Remeasurement	-	-	-	**-**
Closing balance				**146,366**
Restricted reserve deposits				
Opening balance	-	-	-	**-**
Remeasurement	-	-	-	**-**
Closing balance				**-**
Loans and advances to customers				
Opening balance	-	-	-	**-**
Remeasurement	-	-	-	**-**
Closing balance				**-**
Assets pledged as collateral				
Opening balance	-	-	-	**-**
Remeasurement	-	-	-	**-**
Closing balance				**-**
Investment securities				
Opening balance	2,647,592	-	-	**2,647,592**
Remeasurement	-	-	(101,708)	**(101,708)**
Closing balance				**2,545,884**
Other assets				
Opening balance	744,575	-	-	**744,575**
Remeasurement	-	-	(7,446)	**(7,446)**
Closing balance				**737,129**
Financial guarantee contracts and loan commitment issued	-	-	-	**-**
Financial assets – Treasury bills FVOCI	-	-	-	**-**
Financial assets – FGN Bonds FVOCI	-	-	-	**-**
Total amortised cost	3,538,533		(109,154)	**3,429,379**

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	COMPANY			
	IAS 39 carrying amount 31 December 2017 ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS 9 carrying amount 1 January 2018 ₦'000
Available-for-sale (AFS)				
Investment securities				
Opening balance	2,461,548	-	-	**2,461,548**
To FVOCI - assets pledged as collateral	-	-		**-**
To FVOCI - debt	-	(888,625)	-	**(888,625)**
To FVOCI - quoted equity securities	-	-	-	**-**
To FVOCI - unquoted equity securities	-	-	-	**-**
To FVTPL - unquoted equity securities		(1,572,923)		**(1,572,923)**
Remeasurement	-	-	-	**-**
Closing balance				**-**
FVOCI - debt				
Assets pledged as collateral				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	-	-	**-**
Remeasurement	-		-	**-**
Closing balance				**-**
FVOCI - debt				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	888,625	-	**888,625**
Remeasurement	-		-	**-**
Closing balance				**888,625**
FVOCI - quoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	-	-	**-**
Remeasurement	-		-	**-**
Closing balance				**-**
FVOCI - unquoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	-	-	**-**
Remeasurement	-		-	**-**
Closing balance				**-**

	COMPANY			
	IAS 39 carrying amount 31 December 2017 ₦'000	Reclassification ₦'000	Remeasurement ₦'000	IFRS 9 carrying amount 1 January 2018 ₦'000
FVTPL - unquoted equity securities				
Investment securities				
Opening balance	-	-	-	**-**
From available-for-sale (AFS)	-	1,572,923		**1,572,923**
Remeasurement	-			**-**
Closing balance				**1,572,923**
Total	2,461,548	-	-	**2,461,548**
FVTPL				
Trading assets	-	-	-	**-**
Closing balance	-	-	-	**-**
Total	-	**-**	-	**-**
Financial liabilities				
Amortised cost				
Deposits from banks	-	-	-	**-**
Deposits from customers	-	-	-	**-**
Borrowings	-	-	-	**-**
On-lending facilities	-	-	-	**-**
Debt securities issued	-	-	-	**-**
Other liabilities	1,332,702	-	-	**1,332,702**
Closing balance	1,332,702	1,332,702	-	**1,332,702**
Total amortised cost	1,332,702	1,332,702	-	**1,332,702**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(K)(ii). The application of these policies resulted in the classification set out in the table above and explained below.

(a) Certain debt securities are held by the Group in separate portfolios for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

(b) Certain unquoted equity investments held by the Group for strategic purposes have been designated under IFRS 9 as at FVOCI. Before the adoption of IFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measurable. IFRS 9 has removed this cost exception.

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The following table analyses the impact of transition to IFRS 9 on fair value and retained earnings. The impact relates to fair value reserve and retained earnings. There is no impact on other components of equity.

Impact of adopting IFRS 9 at 1 January 2018

	GROUP	COMPANY
	1 January 2018 ₦'000	1 January 2018 ₦'000
Fair value reserve		
Closing balance under IAS 39 (31 December 2017)	**2,547,807**	**-**
Reclassification of investment securities (Unquoted equity securities) measured at cost	**6,758,585**	**-**
Recognition of expected credit losses under IFRS 9 for financial assets FGN at FVOCI	**2,778**	**-**
Recognition of expected credit losses under IFRS 9 for financial assets Treasury bills at FVOCI	**11,522**	**-**
Adjustments on initial application of IFRS 9, net of tax - equity investments at FVOCI	**6,772,885**	
Opening balance under IFRS 9 (1 January 2018)	**9,320,692**	**-**
Retained earnings		
Closing balance under IAS 39 (31 December 2017)	**28,761,146**	**4,350,828**
Recognition of expected credit losses under IFRS 9 for loans and advances	**(24,430,695)**	**-**
Recognition of expected credit losses under IFRS 9 for financial guarantee contracts and loan commitment issued	**(458,415)**	**-**
Recognition of expected credit losses under IFRS 9 for state and corporate bonds (amortised cost)	**(227,705)**	**(101,708)**
Recognition of expected credit losses under IFRS 9 for financial assets (FGN Bonds amortised cost)	**(46,079)**	**-**
Recognition of expected credit losses under IFRS 9 for Placements (amortised cost)	**(10,042)**	**-**
Recognition of expected credit losses under IFRS 9 for financial assets (Treasury bills FVOCI)	**(11,522)**	**-**
Recognition of expected credit losses under IFRS 9 for financial assets (FGN Bonds FVOCI)	**(2,778)**	**-**
Recognition of expected credit losses under IFRS 9 for other financial assets	**37,405**	**(7,446)**
Adjustments on initial application of IFRS 9, net of tax – Loans and receivables	**(25,149,831)**	**(109,154)**
Recognition of effect of IFRS 9 transitional adjustment under regulatory risk reserve	**14,204,674**	**-**
Opening balance under IFRS 9 (1 January 2018)	**17,815,989**	**4,241,674**

47 Group Subsidiaries and Related Party Transactions

(a) Parent and ultimate controlling party

FCMB Group Plc is the ultimate parent company and its subsidiaries are as listed in note 47 (b) below.

(b) Subsidiaries

Transactions between FCMB Group 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 31 December 2018 are shown below.

Entity	Form of holding	Effective holding	Nominal share capital held ₦'000	Country of incorporation	Nature of business
(1) First City Monument Bank Limited	Direct	100.00%	115,422,326	Nigeria	Banking
(2) FCMB Capital Markets Limited	Direct	100.00%	240,000	Nigeria	Capital Market
(3) CSL Stockbrokers Limited (CSLS)	Direct	100.00%	3,053,777	Nigeria	Stockbroking
(4) CSL Trustees Limited (CSLT)	Direct	100.00%	220,000	Nigeria	Trusteeship
(5) FCMB Microfinance Bank Limited	Direct	100.00%	100,000	Nigeria	Micro-lending
(6) FCMB Pensions Limited	Direct	91.64%	7,748,392	Nigeria	Pension Fund Manager
(7) Credit Direct Limited (CDL)	Direct	100.00%	366,210	Nigeria	Micro-lending
(8) FCMB (UK) Limited (FCMB UK)	Indirect	100.00%	7,791,147	United Kingdom	Banking
(9) First City Asset Management Limited (FCAM)	Indirect	100.00%	50,000	Nigeria	Asset Management
(10) FCMB Financing SPV Plc	Indirect	100.00%	250	Nigeria	Capital Raising

(c) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which its banking subsidiaries operate. The carrying amounts of Group subsidiaries' assets and liabilities are ₦1,429.20 billion and ₦1,255.82 billion respectively.

The Group does not have any subsidiary that has material non-controlling interest.

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(d) Condensed financial information

(i) The condensed financial data of the consolidated entities as at 31 December 2018 were as follows:

	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Results of operations											
Interest and discount income	440,429	127,354,367	112,760	551,871	80,198	125,961	176,641	3,038,815	131,881,042	(218,094)	131,662,948
Interest expense	-	(58,891,668)	-	-	-	(4,309)	-	(411,151)	(59,307,128)	217,538	(59,089,590)
Net interest income	440,429	68,462,699	112,760	551,871	80,198	121,652	176,641	2,627,664	72,573,914	(556)	72,573,358
Other income	4,367,881	32,921,987	645,551	1,067,203	170,049	32,897	3,092,545	(74,293)	42,223,820	(3,017,325)	39,206,495
Operating income	4,808,310	101,384,686	758,311	1,619,074	250,247	154,549	3,269,186	2,553,371	114,797,734	(3,017,881)	111,779,853
Operating expenses	(1,070,263)	(73,184,261)	(526,124)	(1,004,539)	(106,759)	(105,819)	(1,810,093)	(1,486,441)	(79,294,299)	70,025	(79,224,274)
Provision expense/ recoveries	(62,355)	(13,954,432)	(129,035)	4,326	(6,836)	(6,245)	-	49,726	(14,104,851)	(8,431)	(14,113,282)
Profit before tax	3,675,692	14,245,993	103,152	618,861	136,652	42,485	1,459,093	1,116,656	21,398,584	(2,956,287)	18,442 297
Income tax expense	(123,300)	(1,890,914)	(11,749)	(52,740)	(30,390)	(8,954)	(432,893)	(919,050)	(3,469,990)	(779)	(3,470,769)
Profit after tax	3,552,392	12,355,079	91,403	566,121	106,262	33,531	1,026,200	197,606	17,928,594	(2,957,066)	14,971,528
Other comprehensive income	(1,481)	1,911,788	-	2,885	-	-	(25,458)	-	1,887,734	-	1,887,734
Total comprehensive income for the year	3,550,911	14,266,867	91,403	569,006	106,262	33,531	1,000,742	197,606	19,816,328	(2,957,066)	16,859,262

	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Financial position											
Assets											
Cash and cash equivalents	297,957	181,262,433	216,059	1,588,395	2,387,081	35,783	485,154	3,297,988	189,570,850	(4,423,301)	185,147,549
Restricted reserve deposits	-	146,497,087	-	-	-	-	-	-	146,497,087	-	146,497,087
Trading assets	-	47,426,813	72	42,228	-	-	-	-	47,469,113	-	47,469,113
Derivative assets held for risk management	-	10,538	-	-	-	-	-	-	10,538	-	10,538
Loans and advances to customers	-	616,005,670	95,668	97,944	15,561	366,056	54,022	16,400,041	633,034,962	-	633,034,962
Assets pledged as collateral	-	87,409,893	-	-	-	-	-	-	87,409,893	-	87,409,893
Investment securities	3,727,938	229,666,586	916,865	2,410,405	920,803	15,000	1,136,892	-	238,794,489	(2,872,557)	235,921,932
Investment in subsidiaries	126,405,374	-	-	-	-	-	-	-	126,405,374	(126,405,374)	-
Property and equipment	17,846	32,428,195	10,519	170,580	23,195	14,521	1,872,226	2,744,672	37,281,754	-	37,281,754
Intangible assets	-	9,666,480	-	38,619	-	-	44,833	225,735	9,975,667	5,345,115	15,320,782
Deferred tax assets	-	7,944,838	-	-	-	-	-	-	7,944,838	-	7,944,838
Other assets	2,342,951	33,160,234	306,868	415,341	66,089	8,098	858,895	437,824	37,596,300	(2,336,726)	35,259,574
	132,792,066	1,391,478,767	1,546,051	4,763,512	3,412,729	439,458	4,452,022	23,106,260	1,561,990,865	(130,692,843)	1,431,298,022

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	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Financed by:											
Trading liabilities	-	32,474,632	-	-	-	-	-	-	32,474,632	-	32,474,632
Derivative liabilities held for risk management	-	10,538	-	-	-	-	-	-	10,538	-	10,538
Deposits from banks	-	39,140,044	-	-	-	-	-	-	39,140,044	-	39,140,044
Deposits from customers	-	825,976,401	-	-	-	194,324	-	-	826,170,725	(4,423,302)	821,747,423
Borrowings	-	97,419,259	-	-	-	-	-	11,312,263	108,731,522	-	108,731,522
On-lending facilities	-	57,889,225	-	-	-	-	-	-	57,889,225	-	57,889,225
Debt securities issued	-	57,524,638	-	-	-	-	-	-	57,524,638	(2,873,466)	54,651,172
Retirement benefit obligations	-	471	-	-	-	-	72,177	7,559	80,207	-	80,207
Current income tax liabilities	178,455	2,551,305	32,516	42,022	26,056	7,262	433,773	1,766,982	5,038,371	-	5,038,371
Deferred tax liabilities	-	-	-	33,417	3,841	2,641	88,721	179,083	307,703	-	307,703
Provision	303,630	10,901,503	-	-	313	334	-	377,652	11,583,432	-	11,583,432
Other liabilities	1,203,898	108,873,665	252,494	1,532,908	2,899,384	61,997	1,221,053	2,506,915	118,552,314	(2,335,667)	116,216,647
Share capital	9,901,355	2,000,000	500,000	943,577	50,000	150,000	800,000	500,000	14,844,932	(4,943,577)	9,901,355
Share premium	115,392,414	100,846,691	-	1,057,250	170,000	-	404,142	-	217,870,497	(102,478,083)	115,392,414
Retained earnings/ (accumulated deficit)	5,813,795	14,775,957	761,041	1,152,997	263,135	6,135	972,703	4,695,160	28,440,923	521,221	28,962,144
Other reserves	(1,481)	41,094,438	-	1,341	-	16,765	459,453	1,760,646	43,331,162	(14,380,483)	28,950,679
Non-controlling Interest	-	-	-	-	-	-	-	-	-	220,514	220,514
	132,792,066	1,391,478,767	1,546,051	4,763,512	3,412,729	439,458	4,452,022	23,106,260	1,561,990,865	(130,692,843)	1,431,298,022
Acceptances and guarantees	-	234,930,713	-	-	-	-	-	-	234,930,713	-	234,930,713

(ii) The condensed financial data of the consolidated entities as at 31 December 2017 were as follows:

	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Results of operations											
Interest and discount income	886,565	131,290,349	165,237	348,863	94,974	34,429	27,758	-	132,848,175	(491,131)	132,357,044
Interest expense	-	(62,322,494)	-	-	-	(546)	-	-	(62,323,040)	491,131	(61,831,909)
Net interest income	**886,565**	**68,967,855**	**165,237**	**348,863**	**94,974**	**33,883**	**27,758**	**-**	**70,525,135**	**-**	**70,525,135**
Other income	1,642,821	29,271,172	385,293	1,176,656	204,803	9,373	250,842	-	32,940,960	(823,569)	32,117,391
Operating income	**2,529,386**	**98,239,027**	**550,530**	**1,525,519**	**299,777**	**43,256**	**278,600**	**-**	**103,466,095**	**(823,569)**	**102,642,526**
Operating expenses	(989,167)	(66,831,424)	(492,083)	(890,846)	(115,292)	(57,862)	(209,317)	-	(69,585,991)	49,288	(69,536,703)
Provision expense	-	(22,653,321)	(4,563)	(5,003)	-	(926)	(3,693)	-	(22,667,506)	-	(22,667,506)
Share of post tax result of associate	-	-	-	-	-	-	-	-	-	226,849	226,849
Profit/(loss) before tax	**1,540,219**	**8,754,282**	**53,884**	**629,670**	**184,485**	**(15,532)**	**65,590**	**-**	**11,212,598**	**(547,432)**	**10,665,166**
Income tax expense	(15,333)	(1,959,795)	-	(52,843)	(34,325)	-	10,108	-	(2,052,188)	-	(2,052,188)
Profit/(loss) after tax	**1,524,886**	**6,794,487**	**53,884**	**576,827**	**150,160**	**(15,532)**	**75,698**	**-**	**9,160,410**	**(547,432)**	**8,612,978**
Other comprehensive income	-	2,272,238	-	33,594	-	-	6,329	-	2,312,161	-	2,312,161
Total comprehensive income for the year	**1,524,886**	**9,066,725**	**53,884**	**610,421**	**150,160**	**(15,532)**	**82,027**	**-**	**11,472,571**	**(547,432)**	**10,925,139**

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	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Financial position											
Assets											
Cash and cash equivalents	146,366	102,226,384	453,484	1,666,067	1,504,443	5,713	452,544	-	106,455,001	(2,566,994)	103,888,007
Restricted reserve deposits	-	109,638,559	-	-	-	-	-	-	109,638,559	-	109,638,559
Trading assets	-	23,754,646	-	181,385	-	-	-	-	23,936,031	-	23,936,031
Derivative assets held for risk management	-	345,784	-	-	-	-	-	-	345,784	-	345,784
Loans and advances to customers	-	649,379,452	114,767	156,298	17,133	91,685	65,550	-	649,824,885	(28,159)	649,796,726
Assets pledged as collateral	-	61,330,157	-	-	-	-	-	-	61,330,157	-	61,330,157
Investment securities	5,109,140	146,572,023	676,667	1,756,609	873,973	45,000	837,958	-	155,871,370	(2,442,711)	153,428,659
Investment in subsidiaries	125,594,702	-	-	-	-	-	-	-	125,594,702	(125,594,702)	-
Property and equipment	38,022	31,488,040	19,786	20,673	3,384	7,693	1,824,575	-	33,402,173	-	33,402,173
Intangible assets	-	9,513,381	-	26,705	-	-	35,760	-	9,575,846	5,345,114	14,920,960
Deferred tax assets	-	8,233,563	-	-	-	-	-	-	8,233,563	-	8,233,563
Other assets	748,575	26,861,932	252,491	237,892	91,274	11,289	640,930	-	28,844,383	(1,240,063)	27,604,320
	131,636,805	1,169,343,921	1,517,195	4,045,629	2,490,207	161,380	3,857,317	-	1,313,052,454	(126,527,515)	1,186,524,939

	FCMB Group Plc ₦'000	FCMB Limited Group ₦'000	FCMB CM Limited ₦'000	CSL Stockbrokers Limited Group ₦'000	CSL Trustees Limited ₦'000	FCMB MFB Limited ₦'000	FCMB Pensions Limited ₦'000	Credit Direct Limited ₦'000	Total ₦'000	Consolidation Journal Entries ₦'000	Group ₦'000
Financed by:											
Trading liabilities	-	21,616,660	-	-	-	-	-	-	21,616,660	-	21,616,660
Derivative liabilities held for risk management	-	345,784	-	-	-	-	-	-	345,784	-	345,784
Deposits from banks	-	6,355,389	-	-	-	-	-	-	6,355,389	-	6,355,389
Deposits from customers	-	692,389,585	-	-	-	38,050	-	-	692,427,635	(2,566,995)	689,860,640
Borrowings	-	109,434,970	-	-	-	-	-	-	109,434,970	-	109,434,970
On-lending facilities	-	42,534,316	-	-	-	-	-	-	42,534,316	-	42,534,316
Debt securities issued	-	57,134,231	-	-	-	-	-	-	57,134,231	(2,442,711)	54,691,520
Retirement benefit obligations	-	17,582	-	-	-	-	52,782	-	70,364	-	70,364
Other long term benefits	-	-	-	-	-	-	-	-	-	-	-
Current income tax liabilities	59,915	3,294,289	59,072	54,109	34,567	-	358,211	-	3,860,163	-	3,860,163
Deferred tax liabilities	-	-	-	30,130	600	-	76,091	-	106,821	-	106,821
Provision	303,630	3,638,251	5,499	-	5,882	2,400	-	-	3,955,662	(50,945)	3,904,717
Other liabilities	1,628,663	61,623,204	237,649	1,192,795	1,926,053	31,385	294,677	-	66,934,426	(652,643)	66,281,783
Share capital	9,901,355	2,000,000	500,000	943,577	50,000	100,000	800,000	-	14,294,932	(4,393,577)	9,901,355
Share premium	115,392,414	100,846,691	-	1,733,250	170,000	-	404,142	-	218,546,497	(103,154,083)	115,392,414
Retained earnings/ (accumulated deficit)	4,350,828	29,720,200	714,975	38,053	303,105	(11,381)	1,470,979	-	36,586,759	(7,825,613)	28,761,146
Other reserves	-	38,392,769	-	53,715	-	926	400,435	-	38,847,845	(5,803,154)	33,044,691
Non-controlling Interest	-	-	-	-	-	-	-	-	-	362,206	362,206
	131,636,805	1,169,343,921	1,517,195	4,045,629	2,490,207	161,380	3,857,317	-	1,313,052,454	(126,527,515)	1,186,524,939
Acceptances and guarantees		164,901,240	-	-	-				164,901,240	-	164,901,240

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(e) Transactions with key management personnel

Key management personnel compensation for the year comprises:

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Short-term employee benefits	**470,013**	427,130	**167,987**	162,747
Contributions to defined contribution plans		22,829	**-**	15,153
	470,013	449,959	**167,987**	177,900
Loans and advances				
At start of the year	**18,093,550**	14,697,183	**-**	-
Granted during the year	**2,688,713**	2,897,684	**-**	-
Repayment during the year	**(16,086,247)**	498,683	**-**	-
At end of the year	**4,696,016**	18,093,550	**-**	-
Interest earned	**1,657,887**	2,210,516	**-**	-

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined contribution 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 personnel (31 December 2017: Nil). Mortgage loans amounting to ₦1.17 billion (31 December 2017: ₦770.43 million) are secured by the underlying assets. All personal loans are unsecured. The mortgage and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Loans and advances outstanding

Included in loans and advances is an amount of ₦4.70 billion (31 December 2017: ₦18.86 billion) representing credit facilities to companies in which certain Directors and key management personnel have interests. The balances as at 31 December 2018 and 31 December 2017 were as follows:

Name of company/ individual	Relationship	Name of Directors related to the companies	Facility type	2018 ₦'000	2017 ₦'000	Status	Security status
Dynamic Industries Limited	Directors-Shareholders	Alhaji Mustapha Damcida	Term loan	**833,983**	765,336	Performing	Perfected
Primrose Property Investment Ltd	Directors-Shareholders	Otunba M. O Balogun	Term loan	**110,563**	90,052	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Mr Mobolaji Balogun	Term loan	**-**	19,221	Performing	Perfected
First Concept Properties Ltd	Directors-Shareholders	Mr Babajide Balogun	Term loan	**-**	14,411,309	Performing	Perfected
FCMB Microfinance	Common Parent	-	Overdraft	**56,894**	209,651	Performing	Perfected
Traxi Continental Limited	Directors-Shareholders	Mr Ladi Balogun	Term loan	**2,521,256**	2,597,981	Performing	Perfected
Outstanding loans of key management personnel	Directors/ Principal officers		Term loan	**1,173,320**	770,430	Performing	Perfected
				4,696,016	18,863,980		
Other receivables:							
CSL Stockbrokers Limited	Directors-Shareholders			**-**	8,690		
				-	8,690		

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Deposits outstanding

Included in deposit is an amount of ₦7.02 billion (31 December 2017: ₦7.03 billion) representing deposits from companies in which certain Directors have interests. The balances as at 31 December 2018 and 31 December 2017 were as follows:

Name of company/Individual	Relationship	Type of deposit	2018 ₦'000	2017 ₦'000
ATSC International Limited	Shareholder	Current Account	**374**	3,632
Bluechip Holding Limited	Shareholder	Current Account	**2,899**	685
Bluechip Holding Limited	Shareholder	Time Deposit	**615,910**	-
Chapel Hill Advisory Partners	Shareholder	Current Account	**684**	1,062
Dynamic Industries Limited	Directors-Shareholders	Current Account	**199,825**	243,497
Dynamic Industries Limited	Directors-Shareholders	Time Deposit	**93,738**	1
FDC Consulting Limited	Directors-Shareholders	Current Account	**64,497**	146,429
Financial Derivatives Company	Directors-Shareholders	Current Account	**1,404,146**	1,479,266
Financial Derivatives Company	Directors-Shareholders	Time Deposit	**-**	5
Gulvaris Capital Partners Limited	Directors-Shareholders	Current Account	**9,386**	37,610
Helios Investment Partners	Directors-Shareholders	Current Account	**609**	578
IHS Towers Ng Limited	Directors-Shareholders	Current Account	**178,718**	354,895
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current Account	**5,749**	351
Lana Securities Limited	Shareholder	Current Account	**303**	233
Poly Products Nigeria Limited	Directors-Shareholders	Current Account	**2,865**	3,687
Primrose Development Company Limited	Shareholder	Current Account	**14,826**	12,366
Primrose Investments Limited	Shareholder	Current Account	**4,292**	118,877
Primrose Investments Limited	Shareholder	Time Deposit	**632,863**	650,028
Primrose Nigeria Limited	Shareholder	Current Account	**-**	75
Primrose Properties Investment Limited	Shareholder	Current Account	**43,457**	60,121
Primrose Properties Investment Limited	Shareholder	Time Deposit	**14,352**	-
S&B City Printers Limited	Directors-Shareholders	Current Account	**39,685**	139,936
S&B City Printers Limited	Directors-Shareholders	Time Deposit	**44,411**	248
First Concept Properties Limited	Directors-Shareholders	Current Account	**423,531**	264,302
First Concept Properties Limited	Directors-Shareholders	Time Deposit	**-**	681,970
Traxi Continental Limited	Directors-Shareholders	Current Account	**2,982,411**	2,814,675
Traxi Continental Limited	Directors-Shareholders	Time Deposit	**240,529**	14,312
			7,020,060	7,028,841

Excluded from the list above is the amount of ₦1.56 billion (2017: ₦6.10 billion) representing deposits from companies that are subsidiaries of the Group.

48 Employees and Directors

Employees

	GROUP		COMPANY	
	2018 Number	2017 Number	**2018 Number**	2017 Number
(a) The average number of persons employed during the year by category:				
Executive directors	**19**	20	**2**	2
Management	**541**	616	**8**	9
Non-management	**3,222**	2,893	**5**	4
	3,782	3,529	**15**	15

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(b) Compensation for the above persons (excluding executive directors):				
Wages and salaries	**20,820,320**	18,466,969	**225,553**	183,464
Contributions to defined contribution plans	**603,817**	511,685	**8,564**	4,576
Non-payroll staff cost	**4,503,754**	4,453,650	**102,064**	77,016
	25,927,891	23,432,304	**336,181**	265,056

	GROUP		COMPANY	
	2018 Number	2017 Number	**2018 Number**	2017 Number
(c) The number of employees of the Group, including executive directors, who received emoluments in the following ranges were:				
Less than ₦1,800,000.00	**887**	563	**-**	-
₦1,800,001–₦2,500,000	**415**	279	**-**	-
₦2,500,001–₦3,500,000	**785**	776	**-**	-
₦3,500,001–₦4,500,000	**415**	540	**-**	-
₦4,500,001–₦5,500,000	**351**	389	**1**	2
₦5,500,001 and above	**929**	982	**14**	13
	3,782	3,529	**15**	15

(d) Diversity in employment

i) A total of 1,505 women were in the employment of the Group during the year ended 31 December 2018 (31 December 2017: 1,363), which represents 40% of the total workforce (31 December 2017: 39%).

ii) A total of 12 women were in the top management position as at the year ended 31 December 2018 (31 December 2017: 11), which represents 21% of the total workforce in this position (31 December 2017: 20%). There was one woman on the Board of the Company for the year ended 31 December 2018 (31 December 2017: 1)

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

iii) The analysis by grade is as shown below:

	GROUP			COMPANY		
	2018			2018		
Grade level	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Assistant General Manager (AGM)	**25**	**6**	**31**	**2**	**-**	**2**
Deputy General Manager (DGM)	**16**	**3**	**19**	**1**	**-**	**1**
General Manager (GM)	**3**	**3**	**6**	**-**	**1**	**1**
Total	**44**	**12**	**56**	**3**	**1**	**4**
Executive Director (ED)	**9**	**2**	**11**	**1**	**-**	**1**
Group Chief Executive/Chief Executive Officer (GCE/CEO)	**8**	**-**	**8**	**1**	**-**	**1**
Non-Executive Director	**15**	**7**	**22**	**7**	**1**	**8**
Total	**32**	**9**	**41**	**9**	**1**	**10**

	GROUP			COMPANY		
	2017			2017		
Grade level	Male	Female	Total	Male	Female	Total
Assistant General Manager (AGM)	24	5	29	1	-	1
Deputy General Manager (DGM)	15	4	19	1	1	2
General Manager (GM)	4	2	6	-	-	-
Total	43	11	54	2	1	3
Executive Director (ED)	9	2	11	1	-	1
Group Chief Executive/Chief Executive Officer (GCE/CEO)	8	-	8	1	-	1
Non-Executive Director	19	5	24	9	1	10
Total	36	7	43	11	1	12

iv) The Group is committed to maintaining a positive work environment and to conducting business in a positive, professional manner and will ensure equal employment opportunity.

(e) Directors

The remuneration paid to the directors of the Group (excluding pension and certain allowances) was:

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Fees	**183,459**	152,975	**85,500**	78,375
Sitting allowances	**100,278**	53,300	**20,400**	22,100
Executive compensation	**470,013**	427,130	**167,987**	162,747
	753,750	633,405	**273,887**	263,222
Directors' other expenses	**317,713**	304,543	**12,609**	6,685
	1,071,463	937,948	**286,496**	269,907
The Directors' remuneration shown above includes:				
The Chairman	**10,500**	10,500	**10,500**	10,500
Highest paid director	**89,185**	95,858	**89,185**	95,858

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

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Below ₦1,000,000	**6**	9	**-**	2
₦1,000,001–₦5,000,000	**1**	1	**-**	-
₦5,000,001–₦10,000,000	**7**	1	**-**	-
₦10,000,001 and above	**27**	32	**10**	10
	41	43	**10**	12

49 Cash and Cash Equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks, treasury bills maturing within three months, operating account balances with other banks, amounts due from other banks. Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2018 ₦'000	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Cash	**42,543,752**	27,454,048	**-**	-
Current balances within Nigeria	**2,248,763**	1,860,535	**162,721**	146,366
Current balances outside Nigeria	**116,042,160**	43,934,323	**-**	-
Placements with local banks	**5,242,183**	10,617,721	**135,236**	-
Placements with foreign banks	**1,632,229**	9,319,904	**-**	-
Unrestricted balances with Central banks	**17,456,438**	10,701,476	**-**	-
	185,165,525	103,888,007	**297,957**	146,366

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

50 Compliance With Banking Regulations

During the year ended 31 December 2018, the Banking subsidiary contravened the following section 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 ₦'000
Violation of Section 68 (1) of BOFIA (as amended) for repeated failure to adhere to CBN circular and letters	Penalty imposed by CBN for failure to render returns on notification of dismissed/terminated staff (on grounds of fraud only)	2	6,000
CBN Circular FPR/DIR/GEN/CIR/06/017 on Guide to charges by Banks and Other Financial Institution in Nigeria 2017	Penalty imposed by CBN for over charged status inquiry by customers	1	2,000
Violation of National Office for Technology Acquisition and Promotion (Federal Ministry of Science and Technology) order	Penalty imposed by National Office for Technology and promotion for late submission of technical support agreement	1	100
Penalty by CAC for non display of RC Number in a branch	Penalty by CAC for non display of RC Number in Wuse Zone4 branch Abuja	1	483
Violation of Money Laundering (Prohibition) Act, 2011	Penalty for late rendition of STR on Charmondel Holding Ltd and for failure to discharged penalty imposed within stipulated time frame	1	22,500
Penalty by CAC for non display of Bank's 2017 Financials	Penalty for non display of the Bank's 2017 Financials by Kubwa and Agbara branch	1	886
Violation of Section1.3(w), 1.5(a) and 1.6(a) of the CBN Guidelines on Operations of Electronic payment Channels in Nigeria (April 2016)	Late resolution of customer complaints in respect to ATM dispense error	1	2,000
Violation of CBN Circular on filing of return on notification of fraud and forgeries/dismissed staff	Penalty for inappropriate returns on notification of fraud and forgeries/dismissed staff	1	2,000

During the year ended 31 December 2018, the Holding company (FCMB Group Plc), the stockbroking subsidiary (CSL Stockbrokers Limited) and the pension subsidiary (FCMB Pensions Limited) paid penalties as detailed below:

Company	Nature	Number of times	Penalties ₦'000
FCMB Group Plc	Penalty imposed by the Nigerian Stock Exchange for late submission of 2017 audited financial statements	1	100
CSL Stockbrokers Limited	Penalty imposed by Securities and Exchange Commission for late notification of resignation of a sponsored individual	1	300
FCMB Pensions Limited	Penalty imposed by National Pension Commission for incomplete rendition of RMAS returns for the quarter ended 31 December 2017	1	500

The penalties totalling ₦36.87 million were paid during the year (31 December 2017: ₦28.26 million).

51 Prior Period Restatement

(a) The Central Bank of Nigeria(CBN), pursuant to Section 9(c) of the AMCON(Amended) Act 2015, informed the banking subsidiary of its shortfall in contributions' to The Banking Sector Resolution Cost Sinking Fund for the years 2016 and 2017. The shortfalls arose as a result of the erroneous application of the resolution Trust Deed's definition of 'Total Assets' which was amended to include off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN.

The full shortfall of ₦1.51 billion (₦708.59 million for 2016 and ₦797.27 million for 2017) has been accrued in this financial statements.

	GROUP		
	As previously reported	**Adjustments**	**As restated**
Consolidated and separate statements of profit or loss and other comprehensive income 31 December 2017			
Other operating expenses (see note 18)	13,976,040	797,226	**14,773,266**
Profit for the year	9,410,204	(797,226)	**8,612,978**
Total comprehensive income for the year	11,722,365	(797,226)	**10,925,139**
Consolidated and separate statements of financial position 1 January 2017			
Total assets	1,172,778,078	-	**1,172,778,078**
Other liabilities	70,409,033	708,593	**71,117,626**
Total liabilities	993,905,084	708,593	**994,613,677**
Retained earnings	32,458,239	(708,593)	**31,749,646**
Equity	178,872,994	(708,593)	**178,164,401**
Total liabilities and equity	1,172,778,078	-	**1,172,778,078**
Consolidated and separate statements of financial position 31 December 2017			
Derivative assets held for risk management	-	345,784	**345,784**
Total assets	1,186,179,155	345,784	**1,186,524,939**
Other liabilities	63,458,211	1,505,819	**64,964,030**
Derivative liabilities held for risk management	-	345,784	**345,784**
Total liabilities	997,211,525	1,851,603	**999,063,128**
Retained earnings	30,266,964	(1,505,819)	**28,761,145**
Equity	188,967,630	(1,505,819)	**187,461,811**
Total liabilities and equity	1,186,179,155	345,784	**1,186,524,939**

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

(b) The Banking subsidiary's valuation of its derivatives and derivative trading process in respect of Net Position of Non-deliverable Forwards transaction between its customers one hand and Central Bank of Nigeria on the other hand.

The details the results from the valuation of the Bank's Non-deliverable forwards amount to recognition of derivative assets and liabilities of ₦345,784,367 respectively.

	GROUP		
	As previously reported	Adjustments	As restated
Derivative assets and liabilities held for risk management			
Instrument type			
Assets - net position of non-deliverable forwards transactions	-	345,784	**345,784**
Liabilities - net position of non-deliverable forwards transactions	-	345,784	**345,784**

52 Reconciliation Notes to Consolidated and Separate Statement of Cash Flows

		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(i) Fair value gain on debt instruments at fair value through profit or loss					
Gross trading income before fair value adjustments		**5,068,409**	2,348,599	**147,064**	594,366
Fair value gain on financial assets adjustments		**1,125,296**	50,317	**-**	-
Net trading income	*12*	**6,193,705**	2,398,916	**147,064**	594,366
(ii) Interest received					
Balance at end of the year (interest receivables, overdue interest and loan fees)		**57,362,018**	48,965,693	**-**	-
Accrued Interest income during the year	*8*	**131,662,948**	132,357,044	**440,429**	886,565
Amortised cost on financial assets adjustments during the year		**(2,074,486)**	(1,943,345)	**-**	-
Balance at start of the year (interest receivables, overdue interest and loan fees)		**(48,965,693)**	(31,949,072)	**-**	-

		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Interest received during the year		**137,984,787**	147,430,320	**440,429**	886,565
(iii) Interest paid					
Balance at end of the year (interest payables, interest prepaid and deferred FCY charges)		**5,540,677**	5,405,176	**-**	-
Accrued Interest expense during the year	9	**59,089,590**	61,831,909	**-**	-
Amortised cost on financial liabilities adjustments		**(13,514)**	195,997	**-**	-
Balance at start of the year (interest payables, interest prepaid and deferred FCY charges)		**(5,405,176)**	(4,432,468)	**-**	-
		59,211,577	63,000,614	**-**	-
(iv) VAT paid					
This relates to monthly remittances to the tax authorities with respect vatable services		**1,460,608**	916,195	**2,829**	1,727
(v) Acquisition of investment securities and proceeds from sale and redemption of investment securities					
Balance at start of the year	26	**153,428,659**	128,441,676	**5,109,140**	4,844,200
Amortised cost on financial assets adjustments		**(47,750,459)**	(39,459,341)	**1,224,718**	3,989
Fair value gain on financial assets adjustments		**(618,056)**	1,215,630	**-**	-
Add: Acquisition of investment securities during the year		**180,376,995**	122,332,657	**76,793**	318,858
Less: Proceeds from sale and redemption of investment securities		**(49,515,208)**	(59,101,963)	**(2,682,713)**	(57,907)
Balance at end of the year	26	**235,921,932**	153,428,659	**3,727,938**	5,109,140
(vi) Effect of exchange rate fluctuations on cash and cash equivalents held					
Balance at end of the year on net translated foreign balances at closing exchange rates		**77,998,411**	72,135,364	**4,722,705**	3,125,220
Balance at start of the year on net translated foreign balances at opening exchange rates		**(72,135,364)**	(70,653,357)	**(3,125,220)**	(2,346,235)
		5,863,047	1,482,007	**1,597,485**	778,985
(vii) Net increase/(decrease) in other liabilities					
Closing balance for the year	41	**116,216,647**	63,458,211	**1,203,898**	1,628,663
Total amounts remitted under retirement benefit obligations	39	**(1,077,028)**	(1,063,868)	**(15,415)**	(8,237)
Opening balance for the year	41	**(66,281,783)**	(70,409,033)	**(1,628,663)**	(804,757)
Net increase/(decrease) in other liabilities		**48,857,836**	(8,014,690)	**(440,180)**	815,669

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(viii) Net increase/(decrease) in provision					
Opening balance for the year	40	**(5,222,471)**	(2,343,010)	**(303,630)**	(416,864)
Provisions made during the year (see note 18(a))	40	**2,782,729**	-	**-**	-
Translation difference	40	**-**	-	**-**	-
Closing balance for the year	40	**11,583,432**	5,222,471	**303,630**	303,630
Net increase/(decrease) in provision		**9,143,690**	2,879,461	**-**	(113,234)
(ix) Proceeds from sale of property and equipment					
Gain/(loss) on sale of property and equipment	14	**63,456**	1,040,777	**46**	46
Cost eliminated on disposal during the year	30	**1,228,842**	1,599,941	**11,322**	4,235
Accumulated depreciation and impairment losses - eliminated on disposal	30	**(582,806)**	(266,634)	**(7,427)**	(3,561)
Proceeds from sale of property and equipment		**709,492**	2,374,084	**3,941**	720
(x) Net interest income					
Interest income	8	**131,662,948**	132,357,044	**440,429**	886,565
Interest expense	9	**(59,089,590)**	(61,831,909)	**-**	-
		72,573,358	70,525,135	**440,429**	886,565
(xi) Net decrease/(increase) restricted reserve deposits					
Opening balance for the year	22	**109,638,559**	139,460,914	**-**	-
Closing balance for the year	22	**(146,497,087)**	(109,638,559)	**-**	-
Net decrease/(increase) in restricted reserve deposits		**(36,858,528)**	29,822,355	**-**	-
(xii) Net decrease in derivative assets held held for risk management					
Opening balance for the year	24	**345,784**	1,018,912	**-**	-
Closing balance for the year	24	**(10,538)**	(1,018,912)	**-**	-
		335,246	-	**-**	-
(xiii) Net increase in non-pledged trading assets					
Opening balance for the year	23(a)	**23,936,031**	9,154,198	**-**	-
Fair value gain on financial assets adjustments		**(636,958)**	107,174	**-**	-
Closing balance for the year	23(a)	**(47,469,113)**	(23,936,031)	**-**	-
		(24,170,040)	(14,674,659)	**-**	-
(xiv) Net decrease/(increase) in loans and advances to customers					

		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
Opening balance for the year	25	**675,101,825**	659,937,237	**-**	-
Amortised cost on financial assets adjustments		**10,108,369**	3,544,974	**-**	-
Closing balance for the year	25	**(681,326,413)**	(649,796,726)	**-**	-
		3,883,781	13,685,485	**-**	-
(xv) Net decrease/(increase) in other assets					
Opening balance for the year	33	**27,604,320**	16,779,119	**748,575**	2,084,532
Non cash related adjustments		**17,480,957**	16,349,277	**-**	-
Closing balance for the year	33	**(35,259,574)**	(27,604,320)	**(2,342,951)**	(748,575)
		9,825,703	5,524,076	**(1,594,376)**	1,335,957
(xvi) Net increase in trading liabilities					
Closing balance for the year	23(b)	**32,474,632**	21,616,660	**-**	-
Opening balance for the year	23(b)	**(21,616,660)**	(6,255,933)	**-**	-
		10,857,972	15,360,727	**-**	-
(xvii) Net (decrease)/increase in deposits from banks					
Closing balance for the year	34	**39,140,044**	6,355,389	**-**	-
Opening balance for the year	34	**(6,355,389)**	(24,798,296)	**-**	-
		32,784,655	(18,442,907)	**-**	-
(xviii) Net increase/(decrease) in deposits from customers					
Closing balance for the year	35	**821,747,423**	689,860,640	**-**	-
Opening balance for the year	35	**(689,860,640)**	(657,609,807)	**-**	-
		131,886,783	32,250,833	**-**	-
(xix) Net (decrease)/increase in on-lending facilities					
Closing balance for the year	37	**57,889,225**	42,534,316	**-**	-
Amortised cost on financial liabilities adjustments		**(4,140,459)**	(1,742,554)	**-**	-
Opening balance for the year	37	**(42,534,316)**	(42,199,380)	**-**	-
		11,214,450	(1,407,618)	**-**	-
(xx) Net decrease in derivative liabilities held for risk management					
Closing balance for the year	24	**10,538**	-	**-**	-
Fair value gain on financial liabilities adjustments		**-**	-	**-**	-
Opening balance for the year	24	**(345,784)**	(770,201)	**-**	-
		(335,246)	(770,201)	**-**	-

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		GROUP		COMPANY	
	Note	**2018 ₦'000**	2017 ₦'000	**2018 ₦'000**	2017 ₦'000
(xxi) Net increase in debt securities issued					
Opening balance for the year	*38*	**54,691,520**	54,481,989	**-**	-
Additions during the year		**-**	-	**-**	-
Accrued coupon interest for the year		**509,554**	670,019	**-**	-
Coupon interest paid during the year		**(1,025,442)**	(772,112)	**-**	-
Amortised cost on financial liabilities adjustments		**475,540**	311,624	**-**	-
Closing balance for the year	*38*	**54,651,172**	54,691,520	**-**	-
(xxii) Dividend received					
Dividend accrued within the year	*14*	**537,576**	567,166	**3,517,840**	793,045
Dividend received within the year		**(537,576)**	(567,166)	**(1,184,756)**	(228,417)
Dividend receivable as at end of year		**-**	-	**2,333,084**	564,628
(xxiii) Investment in subsidiaries					
Opening balance for the year	*28*	**-**	-	**126,390,033**	118,936,103
Transfer from associate	*29*	**-**	-	**-**	418,577
Additional investment for the year		**-**	-	**810,672**	7,035,353
Closing balance for the year	*28*	**-**	-	**127,200,705**	126,390,033

53 Financial Reporting Council's Certification Requirement for Professionals Engaged in Financial Reporting Process

In line with Financial Reporting Council of Nigeria certification requirement for professionals engaged in the financial reporting process: external auditors, officers of reporting entities and other professional providing assurance to reporting entities, below is a list of professionals engaged in the financial reporting process relating to financial statements for the year ended 31 December 2018.

S/N	Name of professional	FRC number	Role
1	Pedabo Associates Ltd	FRC/2013/ICAN/00000000908	Tax Consultant
2	I.r. Akintoye & Co.	FRC/2014/ICAN/00000007015	Tax Consultant
3	Adegbonmire And Associates	FRC/2013/00000000001226	Property and Valuation Experts
4	Akujuru Associates	FRC/2014/00000004631	Property and Valuation Experts
5	Alagbe & Partners	FRC/2013/NIESV/00000004334	Property and Valuation Experts
6	Arigbede & Co.	FRC/2014/00000004634	Property and Valuation Experts
7	Austin Chinegwu & Co.	FRC/2015/NIESV/00000012501	Property and Valuation Experts
8	Bamigbola Consulting	FRC/2013/NIESV/00000000897	Property and Valuation Experts
9	Bayo Adeyemo & Associates	FRC/2013/NIESV/00000005193	Property and Valuation Experts
10	Bayo Oyedeji & Co.	FRC/2013/NIESV/00000003983	Property and Valuation Experts
11	Ben Eboreime & Co.	FRC/2013/NIESV/00000003232	Property and Valuation Experts
12	Biodun Olapade & Co.	FRC/2013/NIESV/00000004303	Property and Valuation Experts
13	Bola Olawuyi Consulting	FRC/2014/NIESV/00000007657	Property and Valuation Experts
14	Chike Moneme & Partners	FRC/2014/00000005796	Property and Valuation Experts
15	Chuma Ezealigo Associates	FRC/2013/NIESV/00000004822	Property and Valuation Experts
16	Dipo Fakorede & Co.	FRC/2013/NIESV/00000000324	Property and Valuation Experts
17	Diya Fatimilehin & Co.	FRC/2013/NIESV/00000000754; FRC/2013/NIESV/00000002773	Property and Valuation Experts
18	Gab Okonkwo & Co.	FRC/2013/NIESV/00000002220	Property and Valuation Experts
19	Imo Ekanem & Co.	FRC/2012/NIESV/00000000114	Property and Valuation Experts
20	J Okaro And Associates	FRC/2015/NIESV/00000002947	Property and Valuation Experts
21	Joe Nworah & Co.	FRC/2015/NIESV/00000010760	Property and Valuation Experts
22	John Zedomi & Associates	FRC/2013/NIESV/00000002415	Property and Valuation Experts
23	Joseph Adegbile And Co.	FRC/2013/NIESV/00000004005	Property and Valuation Experts
24	Knight Frank	FRC/2013/0000000000584	Property and Valuation Experts
25	Lansar Aghaji & Co.	FRC/2015/00000006074	Property and Valuation Experts
26	Lola Adeyemo & Co.	FRC/2015/NIESV/00000010805	Property and Valuation Experts
27	Mgbeoduru Sam & Co.	FRC/2013/NIESV/00000003326	Property and Valuation Experts
28	Nwokoma Nwankwo & Company	FRC/2012/0000000000200	Property and Valuation Experts
29	O.s. Boroni Associates	FRC/2013/NIESV/00000003393	Property and Valuation Experts
30	Odudu & Co.	FRC/2012/0000000000124; FRC/2012/NIESV/00000000198	Property and Valuation Experts
31	Okey Ogbonna & Co.	FRC/2013/NIESV/00000000964	Property and Valuation Experts
32	Paul Osaji & Co.	FRC/2013/00000001098	Property and Valuation Experts
33	Phil Nwachukwu & Associates	FRC/2014/NIESV/00000009853	Property and Valuation Experts
34	Rawlings Ehumadu And Co.	FRC/2013/NIESV/00000002351	Property and Valuation Experts
35	Sam Nwosu & Co.	FRC/2013/NIESV/00000002538	Property and Valuation Experts

Notes to the Consolidated and Separate Financial Statements

for the year ended 31 December 2018 continued

S/N	Name of professional	FRC number	Role
36	Unigwe & Co.	FRC/2012/0000000000130	Property and Valuation Experts
37	Vic Onwumere & Co.	FRC/2015/NIESV/00000010974	Property and Valuation Experts
38	Victor Okpeva & Co.	FRC/2013/NIESV/00000003029	Property and Valuation Experts
39	Yemi Olugbile & Co.	FRC/2013/00000000001227	Property and Valuation Experts
40	Yinka Kayode & Co.	FRC/2013/00000000001197	Property and Valuation Experts
41	A. C. Otegbulu & Partners	FRC/NIESV/00000001582	Property and Valuation Experts
42	Biodun Adegoke & Co	FRC/2015/NIESV/00000010747	Property and Valuation Experts
43	Bola Onabadejo & Co	FRC/2013/00000000001601; FRC/2015/NIESV/00000012433	Property and Valuation Experts
44	Chika Egwuatu & Partners	FRC/2013/NIESV/00000000862; FRC/2013/NIESV/00000000857	Property and Valuation Experts
45	Diya Fatimilehin & Co.	FRC/2013/NIESV/00000000754; FRC/2013/NIESV/00000002773	Property and Valuation Experts
46	Emeka Okoronkwo & Associates	FRC/2013/NIESV/00000002548	Property and Valuation Experts
47	Emma Ofoegbu And Partners	FRC/2014/NIESV/00000007527	Property and Valuation Experts
48	Gboyega Akerele & Partners	FRC/2012/00000000117	Property and Valuation Experts
49	Godwin Kalu & Co	FRC/2012/NIESV/00000000470	Property and Valuation Experts
50	J Ajayi Patunola & Co.	FRC/2013/0000000000679	Property and Valuation Experts
51	Jude Onuoha & Co	FRC/2012/NIESV/00000000477	Property and Valuation Experts
52	Lekan Dunmoye & Partners	FRC/2013/00000000001142	Property and Valuation Experts
53	Odudu & Co.	FRC/2012/0000000000124; FRC/2012/NIESV/00000000198	Property and Valuation Experts
54	Omobayo Adegoke And Partners	FRC/2014/00000005787	Property and Valuation Experts
55	Osas & Oseji Estate Surveyors & Valuers	FRC/2012/0000000000522	Property and Valuation Experts
56	Remi Olofa & Co.	FRC/2013/00000000001631	Property and Valuation Experts
57	Sola Badmus & Co	FRC/2012/NIESV/00000000256	Property and Valuation Experts
58	Tokun & Associates	FRC/2013/00000000001353	Property and Valuation Experts
59	Yayok Associates	FRN/2013/ NIESV/0000000000834	Property and Valuation Experts

54 Provision of Non-Audit Services

The details of non-audit services and the applicable fees paid during the year ended 31 December 2018 were;

	Description of non-audit services	Fee paid ₦'000
i	Nigeria Deposit Insurance Corporation (NDIC) certification for the year ended 31 December 2017	4,400
ii	Assistance with the Bank's digital strategy and transformation roadmaps.	72,026
iii	Re-validation of the Bank's 3-year Corporate and SBU Strategy	40,000
iv	Provision of risk appetite framework	8,085
v	Participation in the 2018 Banking Industry Remuneration Survey Exercise	2,000
vi	Annual subscription to KPMG Ethics Line	1,500
vii	Validation of Expected Credit Loss (ECL) model.	41,454
		169,465

Other National Disclosures

Value Added Statement

for the year ended 31 December 2018

	GROUP				COMPANY			
	2018 ₦'000	**%**	2017 Restated* ₦'000	%	**2018 ₦'000**	**%**	2017 ₦'000	%
Gross income	**177,248,909**		169,881,972		**4,808,316**		2,529,399	
Group's share of associate's profit	**-**		226,849		**-**		-	
Interest expense and charges								
– Local	**(50,477,733)**		(53,008,264)		**(6)**		(13)	
– Foreign	**(14,991,323)**		(14,231,182)		**-**		-	
	111,779,853		102,869,375		**4,808,310**		2,529,386	
Impairment losses	**(14,113,282)**		(22,667,506)		**(62,355)**		-	
Bought-in material and services								
– Local	**(38,952,376)**		(32,782,269)		**(715,724)**		(702,098)	
– Foreign	**(8,806,693)**		(8,062,418)		**-**		-	
Value added	**49,907,502**	**100**	39,357,182	100	**4,030,231**	**100**	1,827,288	100
Distribution								
Employees								
Wages, salaries, pensions, gratuity and other employee benefits	**25,927,891**	**52**	23,432,304	60	**336,181**	**8**	265,056	15
Government								
Taxation	**3,470,769**	**7**	2,052,188	5	**123,300**	**3**	15,333	1
The future								
Replacement of property and equipment/ intangible assets	**5,537,314**	**11**	5,259,712	13	**18,358**	**1**	22,013	1
Profit for the year (including statutory and regulatory risk reserves)	**14,887,820**	**30**	8,603,315	22	**3,552,392**	**88**	1,524,886	83
Non-controlling interest	**83,708**	**-**	9,663	-	**-**	**-**	-	-
Value added	**49,907,502**	**100**	39,357,182	100	**4,030,231**	**100**	1,827,288	100

This statement represents the distribution of the wealth created through the use of the Group's assets through its own and its employees' efforts.

*See Note 51

Five-Year Financial Summary – Group

	GROUP				
	31 December 2018 ₦'000	31 December 2017 Restated* ₦'000	31 December 2016 Restated* ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000
ASSETS EMPLOYED					
Cash and cash equivalents	**185,147,549**	103,888,007	108,104,632	180,921,698	126,293,809
Restricted reserve deposits	**146,497,087**	109,638,559	139,460,914	125,552,318	146,105,573
Trading assets	**47,469,113**	23,936,031	9,154,198	1,994,350	741,917
Derivative assets held for risk management	**10,538**	345,784	1,018,912	1,479,760	4,503,005
Loans and advances to customers	**633,034,962**	649,796,726	659,937,237	592,957,417	617,979,790
Assets pledged as collateral	**87,409,893**	61,330,157	59,107,132	51,777,589	53,812,420
Investment securities	**235,921,932**	153,428,659	128,441,676	135,310,147	148,286,830
Investment in associates	**-**	-	846,512	731,964	647,399
Property and equipment	**37,281,754**	33,402,173	32,283,226	29,970,738	28,391,807
Intangible assets	**15,320,782**	14,920,960	9,672,530	8,968,539	8,348,310
Deferred tax assets	**7,944,838**	8,233,563	7,971,990	8,166,241	8,166,241
Other assets	**35,259,574**	27,604,320	16,779,119	21,703,415	26,087,683
	1,431,298,022	1,186,524,939	1,172,778,078	1,159,534,176	1,169,364,784
FINANCED BY					
Share capital	**9,901,355**	9,901,355	9,901,355	9,901,355	9,901,355
Share premium	**115,392,414**	115,392,414	115,392,414	115,392,414	115,392,414
Retained earnings	**28,962,144**	28,761,146	31,749,646	17,181,437	26,238,677
Other reserves	**28,950,679**	33,044,691	21,120,986	19,916,081	8,832,985
Non-controlling Interest	**220,514**	362,206	-	-	-
Trading liabilities	**32,474,632**	21,616,660	6,255,933	-	-
Derivative liabilities held for risk management	**10,538**	345,784	770,201	1,317,271	4,194,185
Deposits from banks	**39,140,044**	6,355,389	24,798,296	5,461,038	4,796,752
Deposits from customers	**821,747,423**	689,860,640	657,609,807	700,216,706	733,796,796
Borrowings	**108,731,522**	109,434,970	132,094,368	113,700,194	99,540,346
On-lending facilities	**57,889,225**	42,534,316	42,199,380	33,846,116	14,913,521
Debt securities issued	**54,651,172**	54,691,520	54,481,989	49,309,394	26,174,186
Retirement benefit obligations	**80,207**	70,364	17,603	50,544	115,056
Current income tax liabilities	**5,038,371**	3,860,163	2,859,562	3,497,954	4,363,544
Deferred tax liabilities	**307,703**	106,821	65,902	68,438	41,487
Provisions	**11,583,432**	3,904,717	2,343,010	-	-
Other liabilities	**116,216,647**	66,281,783	71,117,626	89,675,234	121,063,480
	1,431,298,022	1,186,524,939	1,172,778,078	1,159,534,176	1,169,364,784
Acceptances and guarantees	**234,930,713**	167,211,168	159,383,506	141,031,528	211,926,443

	GROUP				
	31 December 2018 ₦'000	31 December 2017 Restated* ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000
PROFIT OR LOSS ACCOUNT					
Gross earnings	**177,248,909**	169,881,972	176,351,973	152,507,947	148,637,409
Profit before tax	**18,442,297**	10,665,166	16,251,397	7,768,664	23,942,893
Tax	**(3,470,769)**	(2,052,188)	(1,912,515)	(3,007,998)	(1,809,636)
Profit after tax	**14,971,528**	8,612,978	14,338,882	4,760,666	22,133,257
Transfer to reserves	**14,971,528**	8,612,978	14,338,882	4,760,666	22,133,257
Earnings per share – basic and diluted (Naira)	**0.75**	0.43	0.72	0.24	1.12

*See Note 51

Five-Year Financial Summary – Company

	COMPANY				
	31 December 2018 ₦'000	31 December 2017 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2014 ₦'000
ASSETS EMPLOYED					
Cash and cash equivalents	**297,957**	146,366	5,817,754	7,231,196	4,056,165
Investment securities	**3,727,938**	5,109,140	4,844,200	2,013,621	2,828,220
Investment in subsidiaries	**126,405,374**	125,594,702	118,140,772	118,246,361	118,756,103
Investment in associates	**-**	-	418,577	418,577	418,577
Property and equipment	**17,846**	38,022	59,468	41,263	56,337
Intangible assets	**-**	-	882	1,845	2,808
Other assets	**2,342,951**	748,575	2,084,532	1,425,398	5,452,080
	132,792,066	131,636,805	131,366,185	129,378,261	131,570,290
FINANCED BY					
Share capital	**9,901,355**	9,901,355	9,901,355	9,901,355	9,901,355
Share premium	**115,392,414**	115,392,414	115,392,414	115,392,414	115,392,414
Retained earnings	**5,813,795**	4,350,828	4,806,213	3,056,224	5,483,847
Other reserves	**(1,481)**	-	-	-	-
Current income tax liabilities	**178,455**	59,915	44,582	25,231	114,246
Provision	**303,630**	303,630	416,864	-	-
Other liabilities	**1,203,898**	1,628,663	804,757	1,003,037	678,428
	132,792,066	131,636,805	131,366,185	129,378,261	131,570,290
PROFIT OR LOSS ACCOUNT					
Gross earnings	**4,808,316**	2,529,399	4,654,135	4,200,904	6,672,890
Profit before tax	**3,675,692**	1,540,219	3,749,611	2,548,286	5,450,877
Tax	**(123,300)**	(15,333)	(19,351)	(25,231)	(53,969)
Profit after tax	**3,552,392**	1,524,886	3,730,260	2,523,055	5,396,908
Transfer to reserves	**3,552,392**	1,524,886	3,730,260	2,523,055	5,396,908
Earnings per share – basic and diluted (Naira)	**0.18**	0.08	0.19	0.13	0.27

Shareholder Information

Notice of Annual General Meeting

Notice is hereby given that the 6th Annual General Meeting of FCMB Group Plc (FCMB) will be held at the Shell Hall, MUSON Centre, Onikan, Lagos on Friday 26 April 2019 at 11.00 am to transact the following:

Ordinary Business

1. To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31 December 2018, the Auditor's Report thereon and the Audit Committee Report.
2. To declare a dividend.
3. To approve the retirement of Directors.
4. To re-elect Directors that are retiring.
5. To approve the remuneration of Directors.
6. To authorise the Directors to fix the remuneration of the Auditors.
7. To elect members of the Audit Committee.

Dated this 3rd day of April 2019

By Order of the Board

Mrs. Olufunmilayo Adedibu
Company Secretary
FRC/2014/NBA/00000005887

NOTES:

Proxies

Only a member (shareholder) of the Company entitled to attend and vote at the Annual General Meeting is allowed 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: CardinalStone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos, not later than 48 hours before the time fixed for the meeting.

Closure of Register

The Register of Members will be closed from 12 April 2019 to 18 April 2019 (both days inclusive).

Dividend

If the dividend recommended by the Directors is approved by members at the Annual General Meeting, the dividend will be credited on 29 April 2019 to mandated accounts of members so entitled whose names appear in the register of members at the close of business on 11 April 2019.

Statutory Audit Committee

In accordance with Section 359 (5) of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria 2004, any 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.

Rights of Securities Holders to Ask Questions

Securities holders have a right to ask questions not only at the meeting, but also in writing prior to the meeting. Any such questions must be submitted to the Company on or before 20 April 2019.

Proxy Form and Resolutions

FCMB GROUP PLC (RC 1079631)

6TH ANNUAL GENERAL MEETING to be held at the Shell Hall, MUSON Centre, Onikan, Lagos on **Friday 26 April 2019** at 11.00 am.

I/We ....

being a member/members of FCMB Group Plc hereby appoint

* ....

....

(PLEASE USE BLOCK CAPITALS)

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 FCMB Group Plc, which will be held at Shell Hall, MUSON Centre, Onikan, Lagos on Friday 26 April 2019 at 11.00 am or at any adjournment thereof.

Dated this ....

day of .... 2019.

Shareholder's signature

....

NOTES:

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, CardinalStone Registrars Limited, 358 Herbert Macaulay Way, Yaba, 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 authorised in that behalf.

	RESOLUTIONS	For	Against	Abstain
1	To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31 December 2018, the Auditor's Report thereon and the Audit Committee Report.			
2	To declare a dividend.			
3	To approve the retirement of Directors: i. Dr Jonathan Long; and ii. Mr Martin Dirks.			
4	To re-elect Directors that are retiring: i. Alhaji Mustapha Damcida ii. Mr Olusegun Odubogun iii. Mrs Olapeju Sofowora.			
5	To approve the remuneration of Directors.			
6	To authorise the Directors to fix the remuneration of the Auditors.			
7	To elect members of the Audit Committee.			

Before posting this form, tear off this part and retain it.

ADMISSION CARD

FCMB GROUP PLC
6th Annual General Meeting

PLEASE ADMIT ONLY THE SHAREHOLDER NAMED ON THIS CARD OR HIS DULY APPOINTED PROXY TO THE 6TH ANNUAL GENERAL MEETING BEING HELD AT THE SHELL HALL, MUSON CENTRE, ONIKAN, LAGOS ON FRIDAY 26 APRIL 2019 AT 11.00 AM.

THIS CARD IS TO BE SIGNED AT THE VENUE IN THE PRESENCE OF THE REGISTRARS.

NAME OF SHAREHOLDER/PROXY

....

SIGNATURE ....

ADDRESS ....

....

....

....

....

Mandate for E-Dividend Payment

PLEASE RETURN TO: CardinalStone Registrars, 358 Herbert Macaulay Way, Yaba, Lagos, Nigeria P.O. Box 9117, Marina, Lagos, Nigeria

It is our pleasure to inform you that the Securities and Exchange Commission (SEC) has directed that dividend(s) due to a shareholder should be paid by **DIRECT CREDIT** into the shareholder's mandated bank account. Consequently, we hereby request that you provide the following information to enable us to process the direct payment into your bank account of your dividend (when declared).

(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 Shareholders) ____________

Postal Address ____________

____

City/Town ____________ State ____________

Email Address ____________

Mobile (GSM) Phone ____________

Bank Name ____________

Account Name ____________

Branch Address ____________

____

Bank Account Number ____________

Bank Sort Code ____________

I/We hereby request that all dividend due to me/our holding(s) in FCMB be paid by direct credit to my/our bank account given above.

Shareholder's Signature or Thumbprint

Company Seal/Incorporation Number
(for Corporate Shareholders) ____________

Shareholder's Signature or Thumbprint

Authorised Signature & Stamp of Bankers

Electronic Delivery Mandate Form

Dear Sir/Madam,

To enable you to receive your shareholder communications promptly, FCMB has introduced the electronic delivery of its Annual Report and Accounts, proxy forms and other statutory documents to shareholders.

With this service, instead of receiving a hard copy of our annual reports and other corporate documents, you can elect to receive a soft copy of the Annual Report, proxy form, etc., either as a link to a downloadable version of the report that will be sent to your email address or on a compact disc (CD), which will be posted to you.

Please complete this form to register your preference and return the completed form to:

The Registrar,
CardinalStone Registrars Limited,
358 Herbert Macaulay Way,
Yaba, Lagos

or any of the Registrar's offices nationwide.

Mrs. Olufunmilayo Adedibu
Company Secretary

I ______________________________
of ______________________________
____

HEREBY AGREE TO THE ELECTRONIC DELIVERY OF FCMB GROUP PLC'S ANNUAL REPORTS, PROXY FORMS, PROSPECTUSES, NEWSLETTERS AND STATUTORY DOCUMENTS TO ME THROUGH:

Please tick only one option

☐ An electronic copy via compact disc (CD) sent to my postal address, or

☐ I will download from the web address forwarded to my email address stated below

☐ Continue receiving the report in hard copy to my postal address

My email address:
____

How often would you like to receive them?
☐ Annually ☐ Semi-annually

Description of Service

By enrolling in the electronic delivery service, you have agreed to receive all future announcements/ shareholder communications, as stated below, by email. These communications can be made available to you either semi-annually or annually.

Annual reports, proxy forms, prospectuses and newsletters are examples of the shareholder communications that can be made available to you electronically. Enrolment to our electronic delivery service will be effective for all your holdings in FCMB Group Plc on an ongoing basis, unless you change or cancel your enrolment.

This initiative is in line with our determination to help protect and sustain our planet's environment and the consolidated SEC Rule 128 (6) of September 2011 which states that "A Registrar of a public company may dispatch Annual Reports and Notices of Meetings to shareholders by electronic means".

Name (surname first)

....

....

Signature

....

Date ....

+234(0) 1 279 8800

www.fcmbgroup.com

Branches & Account Opening Information

List of Branches

- FCMB Branch
- Standalone FCMB Pension Managers Outlet
- FCMB Pension Managers Outlet in an FCMB Branch
- FCMB Pension Managers Outlet in a UBA building

	Branch Address
Abia	
1	90 Asa Road, Aba, Abia
2	10 Brass Road Branch, Aba, Abia
3	161 Faulks Road, Aba, Abia
4	5 Library Avenue, Umuahia, Abia
5	10 Akanu Ibiam Road, Umuahia, Abia
Abuja	
6	Plot 112, Aminu Kano Crescent, opposite Shaif Plaza, Wuse 2, Abuja
7	1 Yola Street, Area 7, Garki, Abuja
8	6 Ogbomosho Street, Area 8, Garki, Abuja
9	Plot 750, Aminu Kano Way, Wuse, Abuja
10	1 Council Secretariat Avenue, Bwari, Abuja
11	1st Avenue, Crest Plaza, Gwarimpa, Abuja
12	Federal Secretariat Complex, Phase 3, Abuja
13	Plot 252, Herbert Macauly Way, Central Business District, Abuja
14	30 Gana Street, Maitama, Abuja
15	Plot 1,640, Ladoke Akintola Boulevard, Garki II, Abuja
16	Izon Wari House, 1,038 Shehu Shagari Way, Bayelsa State Guest House, Maitama, Abuja
17	Plot 136B, Gado Nasko Road, Kubwa, Abuja
18	Plot 33A, Sauka Extension, Kuje Town Centre, Abuja
19	White House Basement, National Assembly Complex, Three Arms Zone, Abuja
20	Plot 108, Adetokunbo Ademola Cadastral Zone A08, Wuse 2 District, Abuja
21	Plot 532, IBB Way Zone 4, Wuse, Abuja
22	75 Yakubu Gowon Crescent, Asokoro, Abuja
23	203A Phase One Specialist Hospital Road, Gwagwalada, Abuja
24	Mallam Shehu Plaza, Plot 35, IT Igbani Street, off Obafemi Awolowo Way, Jabi, Abuja
25	4 Mediterranean Street, Imani Estate, Maitama, Abuja
26	Plot 207 Zakara Maimalari Street, Cadastral Zone AO, Central Business District
27	14 PortHarcourt crescent, off Gimbiya street, Area 11, Garki, Abuja

	Branch Address
Adamawa	
28	22 Atiku Abubakar Way, Jimeta, Yola, Adamawa
Akwa Ibom	
29	Grace Bill by Marina Junction, Eket, Akwa Ibom
30	5 Harley Drive, Ikot Ekpene, Akwa Ibom
31	143 Abak Road, Uyo, Akwa Ibom
32	105 Oron Road, Uyo, Akwa Ibom
Anambra	
33	84 Nnamdi Azikiwe Avenue, Awka, Anambra
34	38 Zik Avenue, Awka, Anambra State
35	10 Awka Road, Ekwulobia, Anambra
36	15 Oraifite Road, Nnewi, Anambra
37	Zone 19, New Machine Parts Market, Nnewi, Anambra
38	Electrical Market, Obosi, Onitsha, Anambra
39	4 Hospital Road, along Ekwulobia-Oko Road, Ekwulobia, Anambra
40	40 Ugah Street, Bridgehead, Onitsha, Anambra
41	9A New Market Road, Onitsha, Anambra
42	53 New Market Road, Onitsha, Anambra
Bauchi	
43	4 Jamaare Road, Azare, Bauchi
44	Isa Yuguda House, 19/23 Jos Road, Bauchi
45	FCMB, Commercial Road, by state library, Bauchi
46	Former Women Development Center, GRA, Bauchi, Bauchi
Bayelsa	
47	181 Mbiama Road, Yenagoa, Bayelsa
48	76 Mbiama/Yenagoa Road, by Chief Obele Street Junction, Ovom-Yenagoa, Bayelsa
Benue	
49	20B New Bridge Road, Makurdi, Benue
Borno	
50	3 Baga Road, before the railway crossing, Maiduguri, Borno
Cross River	
51	14 Calabar Road, Calabar, Cross River
52	7 Calabar Road, Ikom, Cross River
53	New Secretariat Complex, Murtala Mohammed Highway, Calabar, Cross River

	Branch Address
Delta	
54	370 Nnebisi Road, Asaba, Delta
55	461 Nnebisi Road, Asaba, Delta
56	68 Effurun/Sapele Road, Warri, Delta
57	30 Ughelli/Warri Road, Ughelli, Delta
58	52 Airport Road, Warri, Delta
59	37 Okumagba Avenue, by Okere Roundabout, Warri, Delta
60	16, Anwai Road, Asaba,
Ebonyi	
61	36B Sam Egwu Way, Abakaliki, Ebonyi
Edo	
62	112 Mission Road, Benin City, Edo
63	183 Uselu-Ugbowo Road, Benin City, Edo
64	62 Jattu Road, Auchi (UBA Building)
65	84 Akpakpava Road, Benin City
Ekiti	
66	New Secretariat Road, Ado Ekiti, Ekiti
67	67 Unad Road, Adebayo Street, Ado Ekiti
Enugu	
68	71 Enugu Road, Agbani Town, Enugu
69	12A Market Road, Enugu, Enugu
70	41 Garden Avenue, Enugu, Enugu
71	7B University Road, Nsukka, Enugu
72	4 Presidential Avenue, Nkpokiti Junction, Enugu, Enugu
Gombe	
73	Ashaka Cement Factory Complex, Ashaka, Gombe
74	11 Biu Link Road, Opposite Central Market, Gombe
75	Adamu Fura house, BIU Road, adjacent to Eco Bank, Gombe
Imo	
76	5B Mbaise Road, Owerri, Imo
77	5 LN Obioha Road, Orlu, Imo
78	81 Wetheral Road, Owerri, Imo
79	40 Wetheral Road, Owerri, Imo
Jigawa	
80	12A–13A Kiyawa Road, Dutse, Jigawa

	Branch Address
Kaduna	
81	1A Ahmadu Bello Way, Kaduna
82	40 Ali Akilu Road, Kaduna
83	Beside Kachia Police Station, Kachia, Kaduna
84	1/2A Kachia Road, Kaduna
85	26/27 Constitution Road, Kaduna
86	26 Kachia Road, Sabon Tasha, Kaduna
87	6 Yakubu Gowon Way, Kaduna
88	Block F3, Kaduna-Gusau Road, Zaria, Kaduna
89	3 Ali Akilu Road, Abdulahi Yaro House, Kaduna North
Kano	
90	40 Murtala Mohammed Way, Kano
91	17/18 Bello Road, Kano
92	7 Bompai Road, Kano
93	58E Ibrahim Taiwo Road, Fegge, Kano
94	145 Muritala Mohammed Way, Kano
95	9c Muritala Mohammed Road, Kano
Katsina	
96	132 IBB Way, Kano/Katsina Road, by Yantomaki Road, Katsina
Kebbi	
97	Plot 20, Emir Haruna Road, Birnin Kebbi, Kebbi
98	4 Emir Haruna Road, Beside Nitel Office, Birnin Kebbi
Kogi	
99	Along Idah-Ajaokuta Road, opposite General Post Office, Anyigba, Kogi
100	16 Aliyu Obaje Road, Okene/Kabba Road, opposite Stella Obasanjo Library, Lokoja, Kogi
101	Suit 5 Grand Quest Plaza, Lokoja
Kwara	
102	120 Abdulazeez Atta Road, Surulere, Ilorin, Kwara
103	79B Ibrahim Taiwo Road, Ilorin, Kwara
104	33 Murtala Mohammed Way, Ilorin, Kwara
Lagos	
105	33 Adeniran Ogunsanya Street, Surulere, Lagos
106	38 Adeola Hopewell Street, Victoria Island, Lagos
107	11B Adeola Odeku Street, Victoria Island, Lagos
108	Plot 719A, Adetokunbo Ademola Street, Victoria Island, Lagos

List of Branches

Continued

FCMB Branch

Standalone FCMB Pension Managers Outlet

FCMB Pension Managers Outlet in an FCMB Branch

FCMB Pension Managers Outlet in a UBA building

	Branch Address
109	Old Abeokuta Express Road, Oko-Oba, Agege, Lagos
110	23/25 Murtala Mohammed International Airport Road, Ikeja, Lagos
111	KM 23, Berger Bus Stop, Lekki-Epe Expressway, Ajah, Lagos
112	Primateck Plaza, Shasha Roundabout, Akowonjo, Lagos
113	Obosi Plaza, A-line, Alaba International Market, Alaba, Lagos
114	S Line, Old Garage, Alaba Electrical Section, Alaba International Market, Alaba, Lagos
115	36 Allen Avenue, Ikeja, Lagos
116	Plot 123, Amuwo Odofin Road, Festac Link Bridge, Amuwo-Odofin, Lagos
117	28 Creek Road, Apapa, Lagos
118	16 Warehouse Road, Apapa, Lagos
119	Olusegun Obasanjo Hall, Aspamda, Trade Fair Complex, Badagry Expressway, Lagos
120	68 Awolowo Road, Ikoyi, Lagos
121	Banuso House, 88/89 Broad Street, Lagos
122	1 Davies Street, UNTL Building off Marina Street, Lagos Island, Lagos
123	Plot 1,572, 4th Avenue, Festac Town, Lagos
124	42 Diya Street, Ifako Gbagada, Lagos
125	Primrose Tower, 17A Tinubu Street, Lagos
126	Leventis Building, 2–4 Iddo Road, Iddo, Lagos
127	218 Egbeda-Idimu Road, Idimu, Lagos
128	Daddy Doherty House, 34 Idumagbo Avenue, Lagos
129	22 Idoluwo Street, Idumota, Lagos
130	48 Isaac John Street, Ikeja G.R.A., Lagos
131	MMA Zulu Terminal, Domestic Airport, Ikeja, Lagos
132	7 Lagos Road, Ikorodu, Lagos
133	25B Ilupeju Bypass, off Coker Junction, Ilupeju, Lagos
134	Shop 529–531, Iponri Shopping Complex, Iponri, Surulere, Lagos
135	2 Joseph Street, off Marina Street, Lagos Island, Lagos
136	545/547 Ketu, Ikorodu Road, Lagos
137	13 Alfred Rewane Road, Ikoyi, Lagos

	Branch Address
138	122/124 Ladipo Street, beside AP Filling Station, Ladipo, Mushin, Lagos
139	Plot B, Block E12E, Admiralty Way, Lekki, Lagos
140	Km 18, Lekki-Epe Expressway, before Chevron Roundabout, Lekki, Lagos
141	63/64 Igbokushu Village, opposite Jakande Estate, Lekki, Lagos
142	12 Macarthy Street, Onikan, Lagos
143	44 Marina Street, Lagos Island, Lagos
144	91 Ladipo Street, Matori, Lagos
145	18/20 Mobolaji Bank Anthony Way, Ikeja, Lagos
146	M1 Point Motorways Complex, Ikeja, Lagos
147	253 Agege Motor Road, Mushin, Lagos
148	29 Oba Akran Avenue, Ikeja, Lagos
149	23 Ogba Ijaiye Road, opposite WAEC Office, Ogba, Lagos
150	Plot 111 Ogudu GRA, Ojota Road, Ogudu, Lagos
151	148A Olojo Drive, Ojo, Lagos
152	11 Ijaiye Street, Oke Arin, Lagos
153	117 Okota Road, Okota, Isolo, Lagos
154	178 Ikorodu Road, Onipanu, Lagos
155	The Hive Mall, Plot 16, T.F. Kuboye Road, off New Market Road, Oniru
156	80 Kudirat Abiola Way, Oregun, Ikeja, Lagos
157	Block 11, Suite 3–8, Agric, Market, Odun Ade Bus Stop, Orile Coker, Lagos
158	12 Oroyinyin Street, Idumota, Lagos Island, Lagos
159	33 Osolo Way, Ajao Estate, Lagos
160	Slok House, 10 Randle Road, Apapa, Lagos
161	Founders Place, 2 Sanusi Fafunwa Street, Victoria Island, Lagos
162	Above Plaza, BBA Trade Fair Complex, Lagos
163	Eleganza Plaza, 1 Wharf Road, Apapa, Lagos
164	43 Ojuelegba Road, Surulere, Lagos
165	757 Lagos-Abeokuta Expressway, Salolo Alagbole, Lagos
166	90 Awolowo Road, Ikoyi
Nasarawa	
167	43 Sani Abacha Way (Jos Road), Lafia, Nasarawa
168	75 Abdu Zanga Way, Tsohon Tasha, Keffi, Nasarawa

	Branch Address
169	Plot 35779, Mararaba Gurku, Karu, Nassarawa
Niger	
170	3 Paiko Road, opposite CBN, Minna, Niger
171	18 Suleiman Barau Road, Suleja, Niger
172	83 Broadcasting Road, Minna
Ogun	
173	21 Lalubu Street, Oke-Ilewo Abeokuta, Ogun
174	1 Ilaro Street, Agbara Industrial Estate, Agbara, Ogun
175	Permanent Site, Olabisi Onabanjo University, Ago-Iwoye, Ogun
176	54 Ojodu-Akute Road, Alagbole Bus Stop, Akute, Ogun
177	168 Folagbade Street, Ijebu-Ode, Ogun
178	52 Ejirin Road, Impepe, Ijebu-Ode, Ogun
179	57 Idi-Iroko Road, Sango Ota, Ogun
180	Km 48, Lagos-Ibadan Expressway, Redeem Camp, Ogun
181	141 Akarigbo Street, Sagamu, Ogun
Ondo	
182	5 Bishop Fagun Road, Alagbaka, Akure, Ondo
183	1 Olukayode House, Oshinle, Akure, Ondo
184	Plot 1E, 5B GRA Igbokoda, Ilaje, Ondo
185	1 Brigadier Ademulekun Road, Ondo Town, Ondo
186	5 Bishop Fagbo,Ado-Owo, Alagbaka, Akure
Osun	
187	F16 Ereguru Street, Ilesha, Osun
188	Km 3, Gbongan/Ibadan Road, Osogbo, Osun
189	B11 Treasure Plaza, Beside Wema Bank, Igbona Market, Osogbo
Oyo	
190	57 Agbeni Market Road, Agbeni, Ibadan, Oyo
191	30 Oyo Road, opposite UI Post Office, Ibadan, Oyo
192	Plot 3, University of Ibadan/Secretariat Road, Bodija Extension, Bodija, Ibadan
193	10 Moshood Abiola Way, Challenge, Ibadan, Oyo
194	23/25 Lebanon Street, Dugbe, Ibadan, Oyo
195	55 Iwo Road, Ibadan, Oyo
196	1C Sabo Garage, Ojoo/Ibadan Express Road, Ojoo, Ibadan, Oyo

	Branch Address
197	University College Hospital, opposite Total Filling Station, Ibadan, Oyo
Plateau	
198	4 Beach Road, opposite Plateau State Board of Internal Revenue Office, Jos, Plateau
199	British American Tobacco Junction, Bukuru Bypass, Jos, Plateau
200	7 Murtala Mohammed Way, Jos, Plateau
Rivers	
201	9 Port Harcourt-Aba Expressway, Port Harcourt, Rivers
202	46A Abuloma Road, Port Harcourt, Rivers
203	81 Aggrey Road, Port Harcourt, Rivers
204	7B Azikwe Road, Port Harcourt, Rivers
205	26 Zaakpon/Poly Road, Bori, Port Harcourt, Rivers
206	85 Aba Road, by Garrison Junction, Port Harcourt, Rivers
207	19 Ikwerre Road, Mile 1, Diobu, Port Harcourt, Rivers
208	457 Ikwerre Road, Port Harcourt, Rivers
209	80 Olu Obasanjo Road, Port Harcourt, Rivers
210	290 Old Aba Road, Oyigbo, Rivers
211	282A GRA Bus Stop, Aba Road, Port Harcourt, Rivers
212	642 Ikwerre Road, Rumuokoro, Port Harcourt, Rivers
213	2/3 Rumuokoro Street, Rumuomasi, Port Harcourt, Rivers
214	117 Trans Amadi Industrial Layout, Port Harcourt
215	Plot 466/467, Trans Amadi Industrial L/Out, Port Harcourt, Rivers State
216	26 Aba Road, UAC Building, Port Harcourt
Sokoto	
217	27 Sani Abacha Way (Old Kano Road), Sokoto
Taraba	
218	73 Hammaruwa Way, Jalingo, Taraba
Yobe	
219	29/32 Bukar Abba Ibrahim Way, Damaturu, Yobe
Zamfara	
220	Plot 103, Sani Abacha Way, Gusau, Zamfara

Personal Account Application Form

Affix Passport Photograph Here

This form should be completed in CAPITAL LETTERS.

Category of Account: (Please tick as appropriate)

Joint Account ☐ Fixed Investment Account ☐ Savings Account ☐

Account Type: (Please tick as appropriate)

Current Account ☐ Fixed Deposit Account ☐ Savings Account ☐

Domiciliary Account £ ☐ € ☐ $ ☐ Others ☐

BRANCH ______ ACCOUNT NO. (For official use only) ______

BANK VERIFICATION ID NO. ______

1. PERSONAL INFORMATION

Title ______ First Name ______

Surname ______ Other Names ______

Marital Status (Please tick) Single ☐ Married ☐ Other (Please specify) ______ Gender: Male ☐ Female ☐

Date of Birth (DD/MM/YYYY) __/__/____ Country of Birth ______

Mother's Maiden Name ______

Nationality ______ 2nd Nationality ______

Country of Residence ______

Permit Issue Date (DD/MM/YYYY) __/__/____ Permit Expiry Date (DD/MM/YYYY) __/__/____

L.G.A. ______ State of Origin ______

Tax Identification No. (TIN) ______ Resident Permit No. ______

Purpose of Account ______ Religion (Optional) ______

2. CHILD'S DETAILS

Full Name ______ Other Names ______

Surname ______ Date of Birth (DD/MM/YYYY) __/__/____ Gender: Male ☐ Female ☐

3A. CONTACT DETAILS

House Number ______ Street Name ______

Nearest Bus Stop/Landmark ______

City/Town ______ L.G.A. ______

State ______

Mailing Address ______

______

Phone Number (1) + ______ Phone Number (2) + ______

Country Code Country Code

Email Address ______

Personal Account Application Form

Continued

3B. FOREIGN ADDRESS (IF ANY)

House Number ☐ Street Name ☐

City/Town ☐ Postcode ☐

State ☐ Country ☐

Type of Visa ☐ Phone Number + ☐

Country Code Country Code

4. VALID MEANS OF IDENTIFICATION

National ID Card ☐ National Driver's Licence ☐ International Passport ☐ INEC Voters Card ☐

Others (Please specify) ☐

ID No. ☐ ID Issue Date (DD/MM/YYYY) ☐/☐/☐

ID Expiry Date (DD/MM/YYYY) ☐/☐/☐

Country of Issuance ☐

5. ACCOUNT SERVICE(S) REQUIRED (Please tick applicable option below)

Card Preferences: Verve Card ☐ MasterCard ☐ Visa Card ☐ Others (Please specify) ☐

Electronic Banking Preferences: FCMBOnline ☐ FCMBMobile ☐ ATM ☐ POS ☐

Other Electronic Channels (Fees may apply) (Specify) ☐

Transaction Alert Preferences: Email Alert (Free) ☐ SMS Alert (Fee applies) ☐

Statement Preferences: Email ☐ Collection at Branch ☐

Statement Frequency: Monthly ☐ Quarterly ☐ Bi-Annually ☐ Annually ☐

Cheque Book Requisition: (Fee applies) Open Cheque ☐ Crossed Cheque ☐ 25 Leaves ☐ 50 Leaves ☐ 100 Leaves ☐

Cheque Confirmation: Would you like to pre-confirm your cheques? Yes ☐ No ☐

Cheque Confirmation Threshold: If yes, please specify the threshold ☐

6. EMPLOYMENT DETAILS

Employed ☐ Self-Employed ☐ Unemployed ☐ Retired ☐ Student ☐ Other (Please specify) ☐

Date of Employment (If employed) (DD/MM/YYYY) ☐/☐/☐

Annual Salary/Expected Annual Income: (a) Less than ₦50,000 ☐ (b) ₦51,000 – ₦250,000 ☐

(c) ₦251,000 – ₦500,000 ☐ (d) ₦501,000 – Less than ₦1 million ☐ (e) ₦1 million – Less than ₦5 million ☐

(f) ₦5 million – Less than ₦10 million ☐ (g) ₦10 million – Less than ₦20 million ☐ (h) Above ₦20 million ☐

Employer's Name ☐

House Number ☐ Street Name ☐

Nearest Bus Stop/Landmark ☐

City/Town ☐ L.G.A. ☐

State ☐

Type of Business/Occupation ☐

Office Phone No. 1 + ☐ Office Phone No. 2 + ☐

Country Code Country Code

7. DETAILS OF NEXT OF KIN

First Name ______ Other Names ______

Surname ______

Date of Birth (DD/MM/YYYY) __/__/____ Gender: Male ☐ Female ☐ Title (Specify) ______

Relationship ______

Phone Number (1) + ______ Phone Number (2) + ______

Country Code Country Code

Email Address ______

House Number ______ Street Name ______

Nearest Bus Stop/Landmark ______

City/Town ______

State ______

8. ADDITIONAL DETAILS

I Name of Beneficial Owner(s) (if any) ______

II Spouse's Name (if applicable) ______

III Spouse's Date of Birth (DD/MM/YYYY) __/__/____

Spouse's Occupation ______

IV Source of Funds to the Account 1. ______

2. ______

V Expected Annual Income from Other Sources ______

VI Name of Associated Business(es) (if any) 1. ______

2. ______

3. ______

VII Type of Business ______

VIII Business Address ______

IX How did you hear about us? TV ☐ Radio ☐ Press ☐ Online ☐ Word of Mouth ☐

Other (please specify) ______

9. ACCOUNT(S) HELD WITH OTHER BANKS

S/N	NAME AND ADDRESS OF BANK/BRANCH	ACCOUNT NAME	ACCOUNT NUMBER	STATUS ACTIVE/DORMANT
1.				
2.				
3.				
4.				

Personal Account Application Form

Continued

10. TERMS AND CONDITIONS

I/We hereby certify that the information given on this form is correct and that I/We have read, understood and agree with the Account opening terms and conditions governing the selected account(s)

Principal Account Holder's Signature

Mandate/Special Instructions
(Minimum Confirmation Amount/Signature Mandate)

JOINT ACCOUNT HOLDER (PLEASE COMPLETE ALL SECTIONS IN CAPITAL LETTERS)

Name(s) ______________________________

Contact Address ______________________________

____

Mobile ______________ Date of Birth ______________

Email Address ______________________________

Gender: Male ☐ Female ☐

Joint Account Holder's Signature

Please Affix your Passport Photograph Here

Joint Account Holder

11. DECLARATION:

I hereby apply for the opening of account(s) with First City Monument Bank Limited. I understand that the information given herein and the documents supplied are the basis for opening such account(s) and I therefore warrant that such information is correct.

I further undertake to indemnify the bank of any loss suffered as a result of any false information or error in the information provided to the Bank.

1. Name ______________________ Signature ______________________ Date ______________

1. Name ______________________ Signature ______________________ Date ______________

12. JURAT (this should be adopted where the applicant is not literate or is blind and the form is read to him/her by a third party)

I agree to abide by the content of the agreement and acknowledge that it has been truly and audibly read over and explained to me by an interpreter.

Mark of Customer/ Thumbprint

Magistrate/ Commissioner for Oaths

Date ☐☐/☐☐/☐☐☐☐

Name of Interpreter

Address of Interpreter

Phone Number

Language of Interpretation

FCMB Group Plc

First City Plaza, 44 Marina, Lagos, Nigeria

Tel: +234 (0) 1 279 8800

www.fcmbgroupplc.com

Printed by: S & B City Printers Limited, Ayoola House,

244 Murtala Mohammed Way, Yaba, Lagos, Nigeria

Tel: +234 (0) 1 773 2480

Mobile: +234 (0) 802 941 8755

Enquiries: info@sandbcityprinters.com

www.sandbcityprinters.com