FCMB Group Plc
Annual Report
31 December 2017

FCMB GROUP PLC
ANNUAL REPORT - 31 DECEMBER 2017

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RC NO. 352393

12 February 2018

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF FCMB GROUP PLC ("FCMB GROUP") FOR THE YEAR-ENDED DECEMBER 31, 2017.

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 December 31, 2017 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)** 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, and 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 and SEC 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; and
7. Transparency and Disclosure.

Our review of the corporate governance standards and processes affirm that the Board has substantially complied with the provisions of the CBN Code, SEC Code as well as other relevant corporate governance best practices. The Peer Assessment and Chairman's Leadership Assessment undertaken indicate that individual Directors performed satisfactorily against the parameters used for the appraisal and remain committed to enhancing the Company's growth.

Whilst commending the Board for its efforts thus far towards ensuring compliance with the Code we have recommended the need to ensure compliance with the following:

- The Board should take urgent steps to ensure compliance with the CBN's Policy on Gender Diversity which stipulates a 30% female membership of the Board;
- The Board to treat the continuing training and development of Directors as a priority.

Other recommendations are contained in our detailed Report.

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 Company has undertaken to create an institutional framework conducive for 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 12 Directors made up of ten 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 C20 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

Following the approval of the Central Bank of Nigeria, Mr Ladi Balogun became the Group Chief Executive effective 14 March 2017, while Mr Peter Obaseki became the Chief Operating Officer.

The CBN has approved the appointments of Mr Oladipupo Jadesimi and Mrs Olapeju Sofowora as Non-Executive Directors on the Board of the Group effective 27 December 2017. Below are the profiles of the two newly appointed Directors whose appointments are being presented for shareholders' approval:

1. Mr Oladipupo Jadesimi
Mr Jadesimi was born on 12 July 1942. He has an Oxford MA (Honours) in Law and was a jurisprudence scholar at the University of Oxford from 1963 to 1966. He was a senior with Coopers & Lybrand, England from 1966 to 1970, and a Chartered Accountant with Coopers & Lybrand, Lagos (now Price Waterhouse Coopers) between 1970 and 1971, before moving to Nigerian Acceptances (Later NAL Plc) as General Manager, Corporate Finance and Investment Banking, a role he occupied from 1971 to 1972, with responsibility for most of the initial IPOs that were listed on the nascent Nigerian Stock Exchange.

Over the years, Mr Jadesimi has run several businesses in the energy, finance and real estate sectors. He is the Founder and Chairman of Ladol Group, the largest indigenous Free Zone Industrial Park, which hosts a variety of high-value industrial free zone enterprises. He also currently serves as the Chairman of the Board of Directors of Niger Delta Exploration and Production Plc, one of the largest indigenous integrated oil and gas producing companies.

2. Mrs Olapeju Sofowora
Mrs Sofowora was born on 5 August 1964. She 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 Treaurers Dealership Certificate jointly issued by the Chartered Institute of Bankers of Nigeria (CIBN) and Money Market Association (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.

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 concerning 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;
- 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 also 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.
- The Board ensures 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 2017

	3 Mar 2017	27 Apr 2017	27 Jul 2017	26 Oct 2017	8 Dec 2017
Dr Jonathan A D Long	✓	-	-	-	-
Mr Ladi Balogun	✓	✓	✓	✓	✓
Mr Peter Obaseki	✓	✓	✓	✓	✓
Mr Bismarck Rewane	✓	✓	✓	✓	✓
Alhaji Mustapha Damcida	✓	-	✓	✓	✓
Mr Olusegun Odubogun	✓	✓	✓	✓	✓
Mr Olutola O Mobolurin	✓	✓	✓	✓	✓
Mr Martin Dirks	-	✓	✓	-	✓
Professor Oluwatoyin Ashiru	✓	✓	✓	✓	✓
Dr (Engr) Gregory O Ero	-	✓	✓	✓	✓
Mr Oladipupo Jadesimi	-	-	-	-	-
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 Bank and the regulatory and competitive environment in which it 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

Pursuant to section 259 (1) and (3) of the Companies and Allied Matters Act, Cap C20 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:

1. Mr Olutola Mobolurin
Mr Mobolurin holds a BSC in Accounting and Finance from the State University of New York and an MBA from York University, Toronto. He is a Fellow of the Chartered Institute of Stockbrokers. He has over 30 years of varied exposure and experience in the financial services industry. He began his career as an investment executive at Plateau Investments Company in 1977 before joining City Securities Limited in 1978. He joined Continental Merchant Bank Limited in 1979, rising to Head of Corporate Finance before leaving in 1988. He subsequently worked with Capital Bancorp Ltd as Managing Director from 1988 to 2006. He joined Crusader (Nigeria) Plc as Vice Chairman and Group Chief Executive Officer in 2007 and remained there until his retirement in 2014.

2. Prof. Oluwatoyin Ashiru
Professor Ashiru is a graduate of the University of Sussex, Brighton, UK, where he obtained a BSc in Materials Science and Engineering. He concluded his PhD in Industrial Metallurgy at the University of Birmingham, UK.

He is an accomplished materials and metallurgical engineer with over 30 years of comprehensive professional experience in academia, entrepreneurship, management engineering, technologies invention and consulting for the enhancement of productivity in major industries worldwide. He is currently the Managing Director and CEO of Tricontinental Oil Services Ltd.

He holds USA, British, European, Brazilian and other international patents for products and systems he has invented. He is a recipient of several international merit awards with listings in Who's Who in the *Dictionary of International Biography*.

3. Dr (Engr) Gregory O Ero
Dr Ero is a graduate of the University of Ibadan with a BSc (Hons) in Chemistry. He obtained an MSc and DIC in Petroleum Engineering from Imperial College, London, and a DMS from Templeton College, University of Oxford, then furthered his studies at the Graduate School of Business, University of Columbia, New York, and the Institute of Management Development, Lausanne, Switzerland.

He began his career as a petroleum engineer in the Lagos office of the Federal Ministry of Petroleum and Energy and thereafter, was posted to Warri as Head, Federal Ministry of Petroleum Resources. He spent much of his career in public service where he served in many capacities spanning three decades. He also served on the boards of many federal government parastatals including the Economic and Finance Committee of the Federal Government and Petroleum Training Institute, Warri among others.

Dr Ero is a Fellow of many professional bodies and is presently the Chairman/CEO of Arkleen Oil & Gas Limited and Chairman, Cardinal Drilling Company Limited, among others.

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.

Risk, Audit and Finance Committee (RAF)

Its functions include the overseeing of 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 is made up of four Non-Executive Directors (one of whom is an Independent Director). The Group Chief Executive and the Chief Operating Officer are required to be in attendance at all meetings of the Committee.

Committee Composition: Mr Bismarck Rewane (Chairman), Mr Olusegun Odubogun, Dr (Engr) Gregory O Ero, and Mr Martin Dirks.

Board Risk, Audit and Finance Committee Meetings Held in 2017

	24 Apr 2017	24 Jul 2017	23 Oct 2017	6 Dec 2017
Mr Bismarck Rewane	✓	✓	✓	-
Mr Olusegun Odubogun	✓	✓	✓	✓
Dr (Engr) Gregory O Ero	✓	-	✓	✓

Mr Martin Dirks	✓	✓	-	✓

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 is made up of only Non-Executive Directors. The Group Chief Executive and the Chief Operating Officer shall be in attendance when required.

Committee Composition: Mr Olutola O Mobolurin (Chairman), Alhaji Mustapha Damcida and Professor Oluwatoyin Ashiru.

Board Governance and Remuneration Committee Meetings Held in 2017

	24 Apr 2017	24 Jul 2017	23 Oct 2017	7 Dec 2017
Mr Olutola O Mobolurin	✓	✓	✓	✓
Alhaji Mustapha Damcida	✓	✓	-	✓
Professor Oluwatoyin Ashiru	✓	✓	✓	✓

Statutory Audit Committee (SAC)

Section 359 (3) of the Companies and Allied Matters Act Cap C20 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 Statutory Audit Committee 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 to the Board 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 Statutory Audit Committee consists of an equal number of Directors and representatives of the shareholders (subject to a maximum of six members). Such members of the Audit Committee are notentitled to remuneration and are subject to re-election annually.
- The members nominate any member of the Committee as the Chairman of the Audit Committee from time to time.
- Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary of the Company 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.

Statutory Audit Committee Meetings Held in 2017

	2 Mar 2017	25 Apr 2017	25 Jul 2017	24 Oct 2017
Evangelist Akinola Soares	✓	✓	✓	✓
Alhaji S B Daranijo	✓	✓	✓	✓
Alhaji B A Batula	✓	✓	N/A	N/A
Mr Akeem Batula*	N/A	N/A	✓	✓
Mr Bismarck Rewane	✓	-	✓	✓
Mr Olutola O Mobolurin	✓	✓	✓	✓
Mr Olusegun Odubogun	✓	✓	✓	✓

*At the 4th Annual General Meeting held on 29 April 2017 Mr Akeem Batula was elected by the Shareholders to represent them on the Statutory Audit Committee which led to the exit of Alhaji B A Batula from the Committee.

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 of the Company, comprises all departmental heads. 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.

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 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 2018 shall be fixed at N200,000,000.00 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 C20 LFN 2004, which requires that a Director of a public company who is 70 years or more should be disclosed to the members at the general meeting, the Directors hereby make the following disclosure:

Mr Oladipupo Jadesimi – will be 76 years on 12 July 2018.

Dr (Engr) Gregory Ero – 70 years as at 1 July 2017.

Dr Jonathan A D Long – 70 years as at 17 August 2017.

Mrs Funmi 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 2017 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 2018

Ladi Balogun
Group Chief Executive
FRC/2013/IODN/00000001460
08 March 2018

BOARD OF DIRECTORS, OFFICERS AND PROFESSIONAL ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

1	Dr Jonathan A D Long (Chairman)	
2	Mr Ladipupo O. Balogun (Group Chief Executive)*	(Appointed 14 March 2017)
3	Mr Peter Obaseki (Chief Operating Officer)**	(Appointed 14 March 2017)
4	Mr Bismarck Rewane (Non-Executive Independent Director)	
5	Mr Olusegun Odubogun (Non-Executive Independent Director)	
6	Alhaji Mustapha Damcida (Non-Executive Director)	
7	Mr Olutola O. Mobolurin (Non-Executive Director)	
8	Mr Martin Dirks (Non-Executive Director)	
9	Professor Oluwatoyin Ashiru (Non Executive Director)	
10	Dr (Engr) Gregory O. Ero (Non-Executive Director)	
11	Mr. Jadesimi Ladi (Non Executive Director)	(Appointed 27 December 2017)
12	Mrs. Olapeju Eniola Sofowora (Nee Olashore) (Non Executive Director)	(Appointed 27 December 2017)

* Ladi Balogun who was formerly a Non Executive Director was appointed the Group Chief Executive effective 14 March 2017
** Peter Obaseki was appointed the Chief Operating Officer effective 14 March 2017

Company Secretary
Mrs. Olufunmilayo Adedibu

Registered office
FCMB Group Plc
First City Plaza
44, Marina
Lagos

Auditors
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole street
Victoria Island
Lagos

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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, CSL Stockbrokers Limited (including its subsidiary First City Asset Management Ltd) and First City Monument Bank Limited (and its subsidiaries - Credit Direct Limited, FCMB (UK) Limited and FCMB Financing SPV Plc) and 88.22% of Legacy Pension Managers 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 2017 was N169.88 billion and N9.41 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	
In thousands of naira	**2017**	2016	**2017**	2016
Gross earnings	**169,881,972**	176,351,973	**2,529,399**	4,654,135
Profit before minimum tax and income tax	**11,462,392**	16,251,397	**1,540,219**	3,749,611
Minimum tax	**(996,366)**	(988,364)	**-**	-
Income tax expense	**(1,055,822)**	(924,151)	**(15,333)**	(19,351)
Profit after tax	**9,410,204**	14,338,882	**1,524,886**	3,730,260
Appropriations:				
Transfer to statutory reserve	**1,134,000**	1,739,228	**-**	-
Transfer to retained earnings	**8,276,204**	12,599,654	**1,524,886**	3,730,260
	9,410,204	14,338,882	**1,524,886**	3,730,260
Basic and diluted earnings per share (Naira)	**0.48**	0.72	**0.08**	0.19
Dividend per share (Naira)	**0.10**	0.10	**0.10**	0.10
Total non-performing loans and advances	**33,221,362**	25,474,529	**-**	-
Total non-performing loans to total gross loans and advances (%)	**4.92%**	3.74%	**-**	-

Proposed dividend

The Board of Directors recommended a cash dividend of 10 kobo per issued and paid up ordinary share for the year ended 31 December 2017 (2016:10k). 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 C20, Laws of the Federation of Nigeria 2004 and listing requirements of the Nigerian Stock Exchange are as noted below:

	Shareholding as at 31-12-2017 Number of 50k Ordinary Shares Held		Shareholding as at 31-12-2016 Number of 50k Ordinary Shares Held	
	Direct holdings	Indirect holdings	Direct holdings	Indirect holdings
Dr Jonathan A D Long (Chairman)	11,149,220	-	11,149,220	-
Mr Ladipupo 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	-
Alhaji Mustapha Damcida (Non-Executive Director)	-	-	-	-
Mr Olutola O. Mobolurin (Non-Executive Director)	2,120,000	-	2,120,000	-
Mr Martin Dirks (Non-Executive Director)	3,400,000	-	-	-
Professor Oluwatoyin Ashiru (Non Executive Director)	2,055,187	-	2,055,187	-
Dr (Engr) Gregory O. Ero (Non-Executive Director)	-	-	-	-
Mr. Jadesimi Ladi (Non Executive Director)	190,463,000	-	-	-
Mrs. Olapeju Eniola Sofowora (Nee Olashore) (Non Executive Director)	-	-	-	-

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

e. Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, none of the Directors/major Shareholders had direct or indirect interest in contracts or proposed contracts with the Company 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 2017 is as stated below:

Share Range	No. Of Shareholders	% Of Shareholders	No. Of Holdings	% Of Shareholdings
1–10,000	487,724	93.85	389,101,409	1.96
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**	**19,802,710,781**	**100**

31 DECEMBER 2016

Share Range	No. Of Shareholders	% Of Shareholders	No. Of Holdings	% Of Shareholdings
1–10,000	489,470	93.85	390,938,500	1.97
10,001–50,000	24,156	4.63	485,980,785	2.45
50,001–100,000	3,498	0.67	243,123,112	1.23
100,001–500,000	3,314	0.64	654,001,577	3.30
500,001–1,000,000	430	0.08	308,237,942	1.56
1,000,001–5,000,000	480	0.09	959,624,991	4.85
5,000,001–10,000,000	67	0.01	485,975,316	2.45
10,000,001–50,000,000	84	0.02	1,800,441,662	9.09
50,000,001–100,000,000	11	0.00	858,963,513	4.34
100,000,001–500,000,000	26	0.00	6,799,259,925	34.33
500,000,001–1,000,000,000	5	0.00	3,765,582,716	19.02
1,000,000,001–19,802,710,781	2	0.00	3,050,580,742	15.40
TOTAL	**521,543**	**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 2017

Share Holder 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	19,802,710,781	100

31 DECEMBER 2016

Share Holder Category	No. Of Shareholders	% Of Shareholders	No. Of Holdings	% Of Shareholdings
Domestic shareholders	521,191	99.93	13,565,253,641	68.50
Foreign shareholders	352	0.07	6,237,457,140	31.50
Total	521,543	100.00	19,802,710,781	100.00

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

h. ***Substantial interest in Shares***

The Company's authorised share capital is N15 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 2017:

	31 December 2017		31 December 2016	
Shareholder	**Number of shares**	**% Holding**	Number of shares	% Holding
1. Capital IRG Trustees Limited	**1,673,206,314**	**8.45**	1,638,212,546	8.27
2. Stanbic Nominees Nig. Limited - Custody	**3,356,472,108**	**16.95**	4,168,423,333	21.05
3. Asset Management Corporation of Nigeria (AMCON)	**1,331,374,142**	**6.72**	1,332,846,113	6.73

i. Donations and Charitable Gifts

The Group made contributions to charitable and non-political organisations amounting to N395,360,073 (31 December 2016: N169,018,480) during the year.

BENEFICIARY	**AMOUNT (NAIRA)**
Nigerian Police Force	180,000,000
Lagos State Security Trust Fund	50,000,000
Kinabuti Fashion Initiative	25,000,000
Financial Institution Training Center	20,000,000
Women in Management and Business	20,000,000
Kinetic Sports Management Nigeria Limited	20,000,000
Lagos State Polytechnic	12,954,626
A2 Production Limited	12,000,000
Oyo State Officials Wives Association	9,000,000
Kaduna State Centenary	5,000,000
Central Bank of Nigeria - Financial Literacy	3,879,289
Akarigbo Coronation Ceremony	2,500,000
CFA Society of Nigeria	2,500,000
Keffi Polo Ranch	2,500,000
Havard Business School Association of Nigeria	2,000,000
Nigerian Stock Exchange	2,000,000
Bethesda Child Support Foundation	2,000,000
Kwara State Polytechnic	2,000,000
Nigeria Institute of Social and Economic Research	2,000,000
Nigerian Economic Summit Group	2,000,000
Nigeria British Chambers of Commerce	1,500,000
Women in Successful Career	1,500,000
Youth Empowerment Foundation	1,365,579
Committee of Chief Compliance Officers of Banks In Nigeria	1,000,000
Jakadiya Picture Company	1,000,000
Our Lady of the Sea Catholic Church	1,000,000
Foundation for Global Compact	919,233
Lagos State Government	760,000
Akwa Ibom State Government	753,000
Indian Cultural Association	600,000
Elderberry Integrated Resouces	500,000
Youth Development Consulting	500,000
Kwara State Muslim Pilgrims Welfare Board	500,000
National Branding Conference	500,000
Nigeria Bankers Clearing House	350,000
Nuptialities and Events Management	300,000
Kwara State University	300,000
Crime Network News of Nigeria	251,400
Nigerian Red Cross	250,000
Redeemed Christain Church of God	250,000
NECA's Network of Entrepreneurial Women	250,000
Capital Market Correspondents Association of Nigeria	200,000
This Day Newspaper	200,000
Vanguard Media Ltd	200,000
Africa Cinematography	200,000
Agile Communications Limited	200,000
Pro Wheels Charity	200,000
Ahmadu Bello University	189,445
Finance Correspondence Association of Nigeria	100,000
Gam Royalty Communication Limited	100,000
Sokoto Bankers Committee	100,000
Atinuke Cancer Foundation	100,000
Cube Soft Limited	100,000
Labour Writers Association of Nigeria	50,000
Others	1,737,500
Total	**395,360,073**

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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 2016:4)

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 women employed during the financial year ended 31 December 2017 and the comparative year vis-a-vis total workforce is as follows:

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

	31 DECEMBER 2016				
	Number			%	
	Male	Female	Total	Male	Female
Employees	2,125	1,360	3,485	61	39

Gender analysis of Top Management of the Group is as follows:

	31 DECEMBER 2017				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	**24**	**5**	**29**	**44**	**9**
Deputy General Manager (DGM)	**15**	**4**	**19**	**28**	**7**
General Manager (GM)	**4**	**2**	**6**	**6**	**4**
TOTAL	**43**	**11**	**54**	**80**	**20**

	31 DECEMBER 2016				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	21	6	27	35	10
Deputy General Manager (DGM)	19	5	24	32	8
General Manager (GM)	5	4	9	8	7
TOTAL	45	15	60	75	25

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

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

	31 DECEMBER 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**	**12**
TOTAL	**36**	**7**	**43**	**84**	**16**

	31 DECEMBER 2016				
	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	5	1	6	16	3
Group Managing Director/Chief Executive Officer (GMD / CEO)	6	-	6	19	-
Non - Executive Directors	17	3	20	53	9
TOTAL	28	4	32	88	12

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	31 DECEMBER 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**	**75**	**8**
TOTAL	**11**	**1**	**12**	**92**	**8**

	31 DECEMBER 2016				
	Number			%	
	Male	Female	Total	Male	Female
Managing Director	1	-	1	10	-
Executive Director (ED)	-	-	-	-	-
Non - Executive Directors	9	-	9	90	-
TOTAL	10	-	10	100	-

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 111 at the beginning of the year and received additional 39,404 (31 December 2016: 35,966) during the year ended 31 December 2016, of which 39,238 (31 December 2016: 35,923) complaints were resolved (inclusive of pending complaints brought forward) and 266 (31 December 2016: 111) complaints remained unresolved and pending with the Banking subsidiary as at the end of the reporting year. The total amount resolved was N3.57billion (31 December 2016: N4.79billion) while the total disputed amount in cases which remained unresolved stood at N203.49million (2016: N107.87million). 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 (N'000)		AMOUNT REFUNDED (N'000)	
DESCRIPTION	**31 DEC 2017**	**31 DEC 2016**	**31 DEC 2017**	**31 DEC 2016**	**31 DEC 2017**	**31 DEC 2016**
Pending complaints B/F	**111**	85	**-**	-	**-**	-
Received complaints	**39,404**	35,966	**4,964,218**	4,939,776	**-**	-
Total complaints	**39,515**	**36,051**	**4,964,218**	4,939,776	**-**	**-**
Resolved complaints	**39,238**	35,923	**3,570,200**	**4,791,338**	**656,532**	**4,508,835**
Unresolved complaints escalated to CBN for intervention	**11**	17	**203,486**	107,870	**-**	**2,600**
Unresolved complaints pending with the banking subsidiary C/F	**266**	111	**1,335**	-	**-**	-

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 company. 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
Nigeria
FRC/2014/NBA/00000005887
8 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors accept responsibility for the preparation of the annual 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 C20, 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 regulations.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Dr Jonathan A.D. Long
Chairman
FRC/2013/IODN/00000001433
8 March 2018

Ladi Balogun
Group Chief Executive
FRC/2013/IODN/00000001460
8 March 2018

Audit Committee Report

For the financial year ended 31 December 2017 to the members of FCMB Group Plc.

In compliance with Section 359 (6) of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004, the Code of Corporate Governance of the Central Bank of Nigeria 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 2017 and, hereby, state as follows:

- The scope and planning of the audit were adequate in our opinion;
- The account and reporting policies of the Group conformed with the statutory requirements and agreed ethical practices;
- The internal control system was constantly and effectively monitored;
- The whistle blowing channel run by an external and independent third party, was found adequate;
- The external auditor's management controls report received satisfactory response from Management; and
- The gross value of related party loans as at 31 December 2017 was ₦18.09 billion (31 December 2016:₦14.70 billion). All related party loans are performing.

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

1. Evangelist Akinola Soares
   Chairman/Shareholders' representative

2. Alhaji S B Daranijo
   Shareholders' representative

3. Mr. Hakeem Batula
   Shareholders' representative

4. Mr. Bismarck Rewane
   Non-Executive Director

5. Mr. Olusegun Odubogun
   Non-Executive Director

6. 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 2018

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

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INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as at 31 December 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 120.

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 2017, 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, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters described below apply to the audit of the consolidated and separate financial statements.

Impairment of loans and advances granted to customers

The impairment of loans and advances granted to customers is an area of significance for our audit due to the level of judgment and uncertainty involved in both the timing of recognition and estimation of the key parameters for the estimation of the recoverability of the loan balances. The allowance for impairment recognized, represents management's best estimate of the losses incurred within the loan portfolio, determined on an individual basis for loans and advances above a specific threshold and on a collective basis for a portfolio of loans with similar or homogeneous characteristics.

Individually significant loans are assessed for specific impairment. The specific impairment allowance on these significant loans is determined based on the magnitude of the outstanding exposure, and the current level of past due obligations on the loans. Specific impairment allowance levels are determined by comparing the carrying amount of the loans to the present value of estimated future cash flows (including the fair value of pledged collaterals) discounted using the effective interest rate of the loan. Impairment assessment for all other loans, including individually significant loans which were assessed to be unimpaired, is performed collectively, with the key assumptions being: the probability of a loan becoming past due and subsequently defaulting and the rate of recovery on loans that are past due and in default.

Procedures
Our audit procedures included but were not limited to the following:

- We evaluated and tested the key controls over the impairment determination process such as the credit committee reviews of loans and advances and management's monitoring of the performance of loans and advances, including timely identification of impairment triggers.

- For Individually significant loans that were assessed for specific impairment, we tested the completeness of the loans identified by the Group as high risk by considering risk factors such as magnitude of the outstanding exposure, the current level of past due obligations and our knowledge of the credit risk in the specific industries and sectors. For the balances deemed to be specifically impaired, we re-performed the calculations of impairment and compared the key data inputs to relevant sources for example, we compared the collateral values used to the respective valuation reports for reasonableness, compared discount rates to the effective interest rate of the loan and compared projected cash flows to historical inflows in customers' accounts.

- We identified and evaluated the appropriateness of any changes to management's collective impairment assessment methodology during the year, including whether there was any indication of management bias in developing the collective impairment assessment.

- In relation to the loans that were collectively assessed for impairment, we tested the Group's impairment model for reasonableness. We re-performed the calculation using the Group's impairment model, in order to assess the accuracy of the collective impairment charge recorded. The assumptions inherent in the Group's collective impairment model were assessed against our understanding of the Group. We assessed the methodology used by the Group to estimate the likelihood of default for loans and advances with different profiles and recalculated these default rates based on our cumulative knowledge of the Group's actual historic experience and current circumstances. We also evaluated the historical accuracy and reliability of the Group's collective impairment estimates by determining whether these estimates have been consistent with subsequent actual losses and write-offs identified on individual assets.

- We assessed the disclosures in relation to impairment of loans and advances in the consolidated and separate financial statements with reference to the requirements of the prevailing accounting standards.

The Group's notes on impairment of loans and advances and related disclosures on credit risk are shown in notes 25 (c) and 4 (b) respectively.

Recoverability of deferred tax assets

At the reporting date the Group had significant recognised and unrecognised deferred tax assets arising from unused tax losses, unutilised capital allowances and collective impairment allowance on loans and advances. The Group's determination of the recoverability of deferred tax assets involves significant judgment and high estimation uncertainty as the Group supports the recoverability of the deferred tax assets mainly with estimates of future taxable profits.

Procedures

Our procedures included the following:

- We assessed the components that gave rise to the deferred tax asset to determine whether they were valid and in line with the requirements of the accounting standards and tax laws.

- 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 reflects 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 and note on deferred tax is shown in note 2j(ii) and note 32 respectively.

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, Management Certification of Financial Statements 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, Managing Director's report, 2017 awards won, Operating Companies performance highlights, Sustainability report, Board evaluation report, Notice of Annual General Meeting and list of branches which would be obtained after the date of the auditor's 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 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, 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 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.
- 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 period 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.

KPMG

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 B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

i. The Group paid penalties in respect of contravention of the Central Bank of Nigeria guidelines during the year ended 31 December 2017. Details of penalties paid are disclosed in note 49 to the financial statements.

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

Ayodele H Othihiwa, FCA
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
22 March 2018
Lagos, Nigeria

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
In thousands of Naira	**Note**	**2017**	**2016**	**2017**	**2016**
Gross earnings		**169,881,972**	176,351,973	**2,529,399**	4,654,135
Interest and discount income	8	**132,357,044**	125,109,035	**886,565**	475,474
Interest expense	9	**(61,831,909)**	(55,575,527)	**-**	-
Net interest income		**70,525,135**	69,533,508	**886,565**	475,474
Fee and commission income	11	**21,629,896**	17,683,439	**-**	-
Fee and commission expense	11	**(5,407,537)**	(3,502,052)	**(13)**	(66)
Net fee and commission income		**16,222,359**	14,181,387	**(13)**	(66)
Net trading income	12	**2,398,916**	5,687,047	**594,366**	-
Net income from financial instruments measured at fair value through profit or loss	13	**111,891**	21,635	**-**	-
Other income	14	**13,384,225**	27,850,817	**1,048,468**	4,178,661
Other operating income		**15,895,032**	33,559,499	**1,642,834**	4,178,661
Net impairment loss on financial assets	10	**(22,667,506)**	(35,522,071)	**-**	(105,589)
Personnel expenses	15	**(23,432,304)**	(24,804,401)	**(265,056)**	(218,167)
Depreciation and amortisation expenses	16	**(5,259,712)**	(4,474,071)	**(22,013)**	(24,362)
General and administrative expenses	17	**(26,071,421)**	(25,654,064)	**(423,579)**	(361,969)
Other operating expenses	18	**(13,976,040)**	(10,841,139)	**(278,519)**	(194,372)
Results from operating activities		**11,235,543**	15,978,648	**1,540,219**	3,749,611
Share of post tax result of associate	29(a)	**226,849**	272,749	**-**	-
Profit before minimum tax and income tax		**11,462,392**	16,251,397	**1,540,219**	3,749,611
Minimum tax	20	**(996,366)**	(988,364)	**-**	-
Income tax expense	20	**(1,055,822)**	(924,151)	**(15,333)**	(19,351)
Profit for the year		**9,410,204**	14,338,882	**1,524,886**	3,730,260
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**1,056,631**	4,219,475	**-**	-
Net change in fair value of available-for-sale financial assets	26(h)	**1,255,530**	(96,379)	**-**	-
		2,312,161	4,123,096	**-**	-
Other comprehensive income for the year, net of tax		**2,312,161**	4,123,096	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,722,365**	18,461,978	**1,524,886**	3,730,260
Profit attributable to:					
Equity holders of the Company		**9,401,286**	14,338,882	**1,524,886**	3,730,260
Non-controlling interests		**8,918**	-	**-**	-
		9,410,204	14,338,882	**1,524,886**	3,730,260
Total comprehensive income attributable to:					
Equity holders of the Company		**11,712,702**	18,461,978	**1,524,886**	3,730,260
Non-controlling interests		**9,663**	-	**-**	-
		11,722,365	18,461,978	**1,524,886**	3,730,260
Basic and diluted earnings per share (Naira)	19	**0.48**	0.72	**0.08**	0.19

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 2017

		GROUP		COMPANY	
In thousands of Naira	**Note**	**2017**	**2016**	**2017**	**2016**
ASSETS					
Cash and cash equivalents	21	**103,888,007**	108,104,632	**146,366**	5,817,754
Restricted reserve deposits	22	**109,638,559**	139,460,914	**-**	-
Trading assets	23(a)	**23,936,031**	9,154,198	**-**	-
Derivative assets held for risk management	24	**-**	1,018,912	**-**	-
Loans and advances to customers	25	**649,796,726**	659,937,237	**-**	-
Assets pledged as collateral	27	**61,330,157**	59,107,132	**-**	-
Investment securities	26	**153,428,659**	128,441,676	**5,109,140**	4,844,200
Investment in subsidiaries	28	**-**	-	**125,594,702**	118,140,772
Investment in associates	29	**-**	846,512	**-**	418,577
Property and equipment	30	**33,402,173**	32,283,226	**38,022**	59,468
Intangible assets	31	**14,920,960**	9,672,530	**-**	882
Deferred tax assets	32	**8,233,563**	7,971,990	**-**	-
Other assets	33	**27,604,320**	16,779,119	**748,575**	2,084,532
Total assets		**1,186,179,155**	1,172,778,078	**131,636,805**	131,366,185
LIABILITIES					
Trading liabilities	23(b)	**21,616,660**	6,255,933	**-**	-
Derivative liabilities held for risk management	24	**-**	770,201	**-**	-
Deposits from banks	34	**6,355,389**	24,798,296	**-**	-
Deposits from customers	35	**689,860,640**	657,609,807	**-**	-
Borrowings	36	**109,434,970**	132,094,368	**-**	-
On-lending facilities	37	**42,534,316**	42,199,380	**-**	-
Debt securities issued	38	**54,691,520**	54,481,989	**-**	-
Retirement benefit obligations	39	**70,364**	17,603	**-**	-
Current income tax liabilities	20(v)	**3,860,163**	2,859,562	**59,915**	44,582
Deferred tax liabilities	32	**106,821**	65,902	**-**	-
Provisions	40	**5,222,471**	2,343,010	**303,630**	416,864
Other liabilities	41	**63,458,211**	70,409,033	**1,628,663**	804,757
Total liabilities		**997,211,525**	993,905,084	**1,992,208**	1,266,203
EQUITY					
Share capital	42(b)	**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
Retained earnings	43	**30,266,964**	32,458,239	**4,350,828**	4,806,213
Other reserves	43	**33,044,691**	21,120,986	**-**	-
Total Equity attributable to owners of the Company		**188,605,424**	178,872,994	**129,644,597**	130,099,982
Non-controlling Interests		**362,206**	-	**-**	-
		188,967,630	178,872,994	**129,644,597**	130,099,982
Total liabilities and equity		**1,186,179,155**	1,172,778,078	**131,636,805**	131,366,185

The financial statements and the accompanying notes and significant accounting policies were approved by the Board of Directors on 8 March 2018 and signed on its behalf by:

Dr Jonathan A D Long	Ladi Balogun	Kayode Adewuyi
Chairman	**Group Chief Executive**	**Chief Financial Officer**
FRC/2013/IODN/00000001433	FRC/2013/IODN/00000001460	FRC/2014/ICAN/00000006884

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP
In thousands of Naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Translation reserve	Available for sale reserve	Regulatory risk reserve	Non-controlling Interest	Total equity
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**
Balance on recognition of subsidiary	-	-	-	-	-		-	-	352,542	352,542
Profit for the year	-	-	9,401,286	-	-	-	-	-	8,918	9,410,204
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	-	-	9,401,286	-	-	1,056,631	1,254,784	-	9,663	11,722,365
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**	**30,266,964**	**8,887,811**	**-**	**6,852,261**	**2,547,807**	**14,756,812**	**362,206**	**188,967,630**
Balance at 1 January 2016	**9,901,355**	**115,392,414**	**17,181,437**	**6,014,583**	**-**	**1,576,155**	**1,389,402**	**10,935,941**	**-**	**162,391,287**
Profit for the year	-	-	14,338,882	-	-	-	-	-	-	**14,338,882**
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	-	-	4,219,475	-	-	-	**4,219,475**
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(96,379)	-	-	**(96,379)**
Total comprehensive income for the year	**-**	**-**	**14,338,882**	**-**	**-**	**4,219,475**	**(96,379)**	**-**	**-**	**18,461,978**
Transfer between reserves										
Transfer to statutory reserve	-	-	(1,739,228)	1,739,228	-	-	-	-	-	-
Transfer from regulatory risk reserve	-	-	4,657,419	-	-	-	-	(4,657,419)	-	-
Transactions with owners recorded directly in equity										
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	-	**(1,980,271)**
Balance at 31 December 2016	**9,901,355**	**115,392,414**	**32,458,239**	**7,753,811**	**-**	**5,795,630**	**1,293,023**	**6,278,522**	**-**	**178,872,994**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY
In thousand of Naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Translation reserve	Available for sale reserve	Regulatory risk reserve	Non-controlling Interest	Total equity
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**
Transfer between reserves										
Dividend paid	-	-	(1,980,271)		-	-	-	-	-	**(1,980,271)**
Balance at 31 December 2017	**9,901,355**	**115,392,414**	**4,350,828**	**-**	**-**	**-**	**-**	**-**	**-**	**129,644,597**
Balance at 1 January 2016	**9,901,355**	**115,392,414**	**3,056,224**	**-**	**-**	**-**	**-**	**-**	**-**	**128,349,993**
Profit for the year	-	-	3,730,260	-	-	-	-	-	-	**3,730,260**
Total comprehensive income for the year	**-**	**-**	**3,730,260**	**-**	**-**	**-**	**-**	**-**	**-**	**3,730,260**
Transactions with owners recorded directly in equity										
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	-	**(1,980,271)**
Balance at 31 December 2016	**9,901,355**	**115,392,414**	**4,806,213**	**-**	**-**	**-**	**-**	**-**	**-**	**130,099,982**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
In thousands of Naira	**Note**	**2017**	**2016**	**2017**	**2016**
Cash flows from operating activities					
Profit for the year		**9,410,204**	14,338,882	**1,524,886**	3,730,260
Adjustments for:					
Net impairment loss on financial assets	10	**22,667,506**	35,522,071	**-**	105,589
Fair value (gain)/loss on financial assets held for trading	51(i)	**(50,317)**	54,622	**-**	-
Net income from other financial instruments at fair value through profit or loss	13	**(111,891)**	(21,635)	**-**	-
Depreciation and amortisation	16	**5,259,712**	4,474,071	**22,013**	24,362
(Gain)/loss on disposal of property and equipment	14	**(1,040,777)**	1,408,352	**(46)**	(570)
(Gain)/Loss on disposal of investment securities	14	**(19,357)**	769,929	**-**	(42,387)
Share of profit of associates	29(a)	**(226,849)**	(272,749)	**-**	-
Loss on previously held equity interest in associate company	14	**106,569**	-	**-**	-
Unrealised foreign exchange gains	14	**(8,722,791)**	(29,310,033)	**(208,384)**	(1,883,509)
Net interest income	51(x)	**(70,525,135)**	(69,533,508)	**(886,565)**	(475,474)
Dividend income	14	**(567,166)**	(448,538)	**(793,045)**	(2,252,195)
Tax expense	20	**2,052,188**	1,912,515	**15,333**	19,351
		(41,768,104)	(41,106,021)	**(325,808)**	(774,574)
Changes in operating assets and liabilities					
Net decrease/ (increase) in restricted reserve deposits	51(xi)	**29,822,355**	(13,908,596)	**-**	-
Net decrease derivative assets held for risk management	51(xii)	**-**	971,983	**-**	-
Net increase trading assets	51(xiii)	**(14,674,659)**	(6,997,345)	**-**	-
Net decrease/(increase) loans and advances to customers	51(xiv)	**13,685,485**	(64,883,315)	**-**	-
Net decrease/(increase) in other assets	51(xv)	**5,524,076**	4,924,296	**1,335,957**	(659,134)
Net decrease/(increase) in trading liabilities	51(xvi)	**15,360,727**	(6,255,933)	**-**	-
Net (decrease) / increase in deposits from banks	51(xvii)	**(18,442,907)**	19,337,258	**-**	-
Net increase/(decrease) in deposits from customers	51(xviii)	**32,250,833**	(42,606,899)	**-**	-
Net (decrease)/increase in on-lending facilities	51(xix)	**(1,407,618)**	7,758,788	**-**	-
Net decrease in derivative liabilities held for risk management	51(xx)	**(770,201)**	(1,073,123)	**-**	-
Net increase /(decrease) in provision	51(viii)	**2,879,461**	(535,973)	**(113,234)**	(10,453)
Net (decrease)/increase in other liabilities	51(vii)	**(8,014,690)**	(16,685,977)	**815,669**	218,622
		14,444,758	(161,060,857)	**1,712,584**	(1,225,539)
Interest received	51(ii)	**147,430,320**	137,414,576	**886,565**	475,474
Interest paid	51(iii)	**(63,000,614)**	(55,753,584)	**-**	-
Dividends received	51(xxii)	**567,166**	448,538	**228,417**	2,252,195
VAT paid	51(iv)	**(916,195)**	(884,172)	**(1,727)**	-
Income taxes paid	20(v)	**(410,944)**	(1,935,705)	**-**	-
Net cash generated from /(used in) operating activities		**98,114,491**	(81,771,204)	**2,825,839**	1,502,130
Cash flows from investing activities					
Investment in subsidiaries		**-**	-	**(7,035,353)**	-
Purchase of property and equipment	30	**(6,663,504)**	(3,868,517)	**(357)**	(68,305)
Purchase of intangible assets	31(a)	**(329,067)**	(302,185)	**-**	-
Purchase of intangible assets - Work-in-progress	31(a)	**(1,091,969)**	(927,242)	**-**	-
Proceeds from sale of property and equipment	51(ix)	**2,374,084**	247,912	**720**	27,271
Acquisition of investment securities	51(v)	**(122,338,995)**	(79,557,022)	**(318,858)**	(2,442,000)
Proceeds from sale and redemption of investment securities	51(v)	**59,101,963**	77,322,034	**57,907**	42,387
Net cash used in investing activities		**(68,947,488)**	(7,085,020)	**(7,295,941)**	(2,440,647)
Cash flows from financing activities					
Dividend paid		**(1,980,271)**	(1,980,271)	**(1,980,271)**	(1,980,271)
Proceeds from long term borrowing	36(c)	**10,298,880**	33,996,484	**-**	-
Repayment of long term borrowing	36(c)	**(43,184,244)**	(68,348,938)	**-**	-
Proceeds from debt securities issued	51(xxi)	**-**	5,104,000	**-**	-
Net cash used in financing activities		**(34,865,635)**	(31,228,725)	**(1,980,271)**	(1,980,271)
Net decrease in cash and cash equivalents		**(5,698,632)**	(120,084,950)	**(6,450,373)**	(2,918,788)
Cash and cash equivalents at start of year	48	**108,104,632**	180,921,698	**5,817,754**	7,231,196
Effect of exchange rate fluctuations on cash and cash equivalents held	51(vi)	**1,482,007**	47,267,884	**778,985**	1,505,347
Cash and cash equivalents at end of year	48	**103,888,007**	108,104,632	**146,366**	5,817,754

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 six 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%) and Legacy Pension Managers Limited (88.22%).

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 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

2 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 preparation

(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 C20, 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 2018

(ii) Basis of measurement

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

- Non-derivative financial instruments, at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value through other comprehensive income (OCI). However, when the fair value of the avaliable-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.
- Financial assets and liabilities held for trading are measured at fair value
- Derivative financial instruments are measured at fair value

(iii) 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.

(iv) 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 recognized 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) 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.

(vi) 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.

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 amortized 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.

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

(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 on financial instruments are recognised in the statement of 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.

- 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 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.

(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 capitalized 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 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

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

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

(ii) Classification

Financial assets

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

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

see Notes 2(m), (o), and (p)

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

(iii) De-recognition

Financial assets

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

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

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

‘Fair value’ is the 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 available, the Group measures 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 maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at 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 at 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 that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in statement of 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 an 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 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 a particular risk exposure. Those portfolio level adjustments 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.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over -the-counter market, unlisted debt securities and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non -market observable inputs (level 3 valuations) is disclosed in the Note to the accounts.

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

The fair value of 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) Identification and measurement of impairment

Asset

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

Objective evidence that financial assets are impaired can include;

(a) a breach of contract, such as a default or delinquency in interest or principal payments;
(b) significant financial difficulty of the issuer or obligor;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national economic conditions that correlate with defaults on the assets in the portfolio.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity categories) are classified in 'Net gains / (losses) from financial instruments at fair value'.

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

Assets classified as available for sale

The Group assesses at reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. In general, the Group considers a decline of 20% to be "significant" and a period of nine months to be "prolonged". If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss – is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of profit or loss, the impairment loss is reversed through the statement of profit or loss. Assets classified as available for sale are assessed for impairment in the same manner as assets carried at amortised cost.

(l) Cash and cash equivalents and restricted deposits

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. Restricted reserve deposits are restricted mandatory reserve deposits held with the Central Bank of Nigeria, which are not available for use in the Banking subsidiary's and Group's day-to-day operations. They are calculated as a fixed percentage of the Banking subsidiary's deposit liabilities.
For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks.

(m) Financial assets and liabilities at fair value through profit or loss

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

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

(i) Trading assets and liabilities

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

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

(ii) Designation at fair value through profit or loss

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

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

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

(iii) Reclassification of financial assets and liabilities

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

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

(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. Initial measurement of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are designated as available for sale or held to maturity. Where the assets pledged as collateral are designated as available for sale, subsequent measurement is at fair value through equity. Assets pledged as collateral designated as held to maturity are measured at amortised cost.

(o) Loans and advances

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

Loan and receivables from customers and others include:

- those classified as loan and receivables
- finance lease receivables
- other receivables (other assets).

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

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

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

(p) Investment securities

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

(i) Held-to-maturity

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

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

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

(ii) Fair value through profit or loss

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

(iii) Available-for-sale

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

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

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

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

(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 the statement of profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with fair values changes recognised in statement of 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 recognized 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 recognized net within other income in the statement of profit or loss.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the consolidated statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (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 the statement of profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the statement of 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.

Items classified as work in progress are not depreciated till the asset is available for use.

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

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

(iv) De-recognition

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

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

(t) Impairment of non-financial assets
The Group's non-financial assets with carrying amounts other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, 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 facilties 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 specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the terms of the debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

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

(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 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) New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) Adoption of IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments (IFRS 9), which addresses impairment, classification, measurement and hedge accounting. IFRS 9 is effective for the Group for the financial year beginning 1 January 2018.

Guidance relating to the adoption of IFRS 9 has been provided by the Central Bank of Nigeria (CBN) in its Guidance Note to Banks and Discount Houses on the Implementation of IFRS 9 Financial Instruments in Nigeria (CBN Guideline). The CBN Guideline was considered in the determination of the allowance for credit losses. Based on 31 December 2017 data and current implementation status, we estimate the adoption of IFRS 9 will lead to an additional impairment approximately range between N11.66billion and N14.84billion before tax driven by the impairment requirements of IFRS 9. The above assessment is preliminary because not all transition work has been finalized. The actual impact of adoption of IFRS 9 on 1 January 2018 may change because:

* IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;

* the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

* although parallel runs were carried out in the last quarter of 2017, the new systems and associated controls in place have not been operational for a more extended period;

* the Group is refining and finalizing its models for expected credit loss (ECL) calculations.

IFRS 9 implementation strategy

The Group's IFRS 9 implementation process is governed by a steering committee whose members include representatives from risk, finance, operations and IT functions. The steering committee meets monthly to challenge key assumptions, approve decisions and monitor the progress of the implementation work across the Group, including evaluation of whether the project has sufficient resources. Also the services of an independent consultant was engaged to help evaluate, assess and monitor the implementation.

The Group has completed the preliminary impact assessment and most of the accounting analysis and has worked on the design and build of models, systems, processes and controls. An application, VBox was deployed managed by Manticore to help in the implementation.

Classification and Measurement of Financial Assets and Liabilities

Debt Instruments

The new standard requires that the Group classify debt instruments based on its business model for managing the assets and the contractual cash flow characteristics of those assets.The Business model refers to how an entity manages its financial assets to generate cash flows. Debt instruments will be measured at fair value through profit and loss unless certain conditions are met that permit measurement at fair value through other comprehensive income (FVOCI) or amortized cost. Debt instruments that have contractual cash flows representing only payments of principal and interest will be eligible for classification as FVOCI or amortized cost. Gains and losses recorded in other comprehensive income for debt instruments will be recognized in profit or loss only on disposal.

Equity Instruments

Equity instruments would be measured at fair value through profit or loss unless we irrevocably elect to measure them at fair value through other comprehensive income (FVOCI). Future unrealized gains and losses on fair value through profit or loss equity instruments will be recorded in income.

Based on the Group preliminary high-level assessment of possible changes to the classification and measurement of financial assets held as at 31 December 2017, the Group's current expectation is that:

* Trading assets are classified as held-for-trading and measured at FVTPL under IAS 39 would in general also be measured at FVTPL under IFRS 9;

* Loans and advances to banks and customers that are classified as loans and receivables and measured at amortized cost under IAS 39 would in general also be measured at amortized cost under IFRS 9;

* Debt securities that are classified as held-to-maturity investment securities and measured at amortized cost under IAS 39 would in general also be measured at amortized cost under IFRS 9;

* Debt securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on the particular circumstances.

* Quoted equity securities classified as available-for-sale and measured at FVOCI under IAS 39 would generally be measured at FVTPL under IFRS 9.

* Unquoted equity securities at cost under available-for-sale investments under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on the particular circumstances.

Impairment of Financial Assets, Loan Commitments and Financial Guarantee Contracts

IFRS 9 introduces a new expected credit loss (ECL) impairment framework for all financial assets and certain off-balance sheet loan commitments and guarantees. The new ECL framework will result in an allowance for expected credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This differs from the current approach where the allowance recorded on performing loans is designed to capture only losses that have been incurred, whether or not they have been specifically identified.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at fair value through profit or loss:

* financial assets that are debt instruments;

* loans and receivables; and

* loan commitments and financial guarantee contracts issued

Under IFRS 9, no impairment loss is recognized on equity investments.
Under IFRS 9, the Group will recognize loss allowances at an amount equal to lifetime ECL, except in the following cases, where the amount recognized will be 12-month ECL:

* debt investment securities 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.

The assessment of whether credit risk on financial asset has increased significantly will be on critical judgements in implementing the impairment model of IFRS 9. Loss allowance for lease receivables will always be measured at an amount equal to lifetime ECL. 12-months ECL are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECLs are a possibility-weighted estimate of credit losses and will be measured as follows:

* Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

* Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

* Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

* Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

IFRS 9 Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SIR) since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity. This Stage 1 approach is different from the incurred loss approach, which estimates a collective allowance to recognize losses that have been incurred but not reported on performing loans. We always will see less impairment than before based on the PD curve over 12 months, always starting with 0%

Stage 2 – When a financial asset experiences a SIR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Impairments are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1. We see slight increase in impairment based on the Life Time consideration.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses. The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the areas of assessing whether the credit risk of an instrument has increased significantly since initial recognition and incorporating forward-looking information into the measurement of ECLs. The calculation is similar to what it was before.

In the result the increase comes from stage 2, but is partially offset by the decrease in stage 1.

Definition of default

Under IFRS 9, the Group will consider 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 realizing collaterals (if any is held); or

* the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past dues once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

Significant increase in credit risk (SIC)

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group’s historical experience, expert credit assessment and forward-looking information.

The Group will primarily 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 on initial recognition of the exposure.

Inputs into measurement of ECL

The key inputs into the measurement of ECL are likely to be the term structures of the following variables:

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

In general, the Group expects to drive these parameters from internally developed statistical models and other historical data. They will be adjusted to reflect for forward-looking information as described above.

Probability of default (PD) estimates are estimates at a certain date, which the Group expects to calculate based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are expected to be 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 ratings classes, then this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Group plans to estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. It expects the LGD models to consider the structure, collateral, seniority of claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Group expects to calibrate LGD estimates for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD) represents the expected exposure in the event of a default. The Group expects to derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts. For some financial assets, the Group expects to determine EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure 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 repayments of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group will measure 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 will be 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.

Forward-looking information (FLI)
The Group will incorporate 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 consideration of a variety of external actual and forecast information, the Group intends to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process would involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities, supranational organizations and selected private-sector and academic forecasters.

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

The Group is in the process of identifying and documenting key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, estimating relationships between macro-economic variables and credit risk and credit losses.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. The new model no longer specifies quantitative measures for effectiveness testing and does not permit hedge de-designation. The Group does not apply hedge accounting and therefore does not expect any changes to the financial statements in respect of the new requirements on hedge accounting.

Disclosures
IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

Transition impact
The Group will record an adjustment to its 1 January 2018 retained earnings to reflect the application of the new requirements at the adoption date and will not restate comparative periods. The Group estimates the IFRS 9 transition amount will result to an additional impairment between N11.66billion and N14.84billion and Tier 1 capital ratio between 100 to 120 basis points as at 1 January 2018. The estimated impact relates primarily to the implementation of the ECL requirements. The Group will continue to review, revise, refine and revalidate the impairment models and related process controls.

Impacts on Governance and Controls
The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments to determine the ECL. As part of the implementation, the Bank is in the process of sanitizing the existing internal controls and implementing new controls where required in areas that are impacted by IFRS 9, including controls over the development and probability weighting of macroeconomic scenarios, credit risk data and systems, and the determination of a significant increase in credit risk.

Impacts on Capital Planning
IFRS 9 will impact the reported capital as a result of the adjustment recorded in shareholders' equity on adoption of the standard; this impact is not expected to be significant.

(ii) IFRS 15, Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Group has completed an initial review of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. This focused on a review of fee and commission income. The Group earns fee and commission income (other than fees included in the calculation of the effective interest rate) on provision of the following services; retail banking, corporate banking, and financial guarantees issued.

The Group will adopt the standard and its amendments in the financial year beginning on 1 January, 2018 and plans to use the modified retrospective approach. Under this approach, the Group will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balances of retained earnings as of 1 January, 2018, without restating comparative periods. Additional disclosures will be required in order to explain any significant changes between reported results and results had the previous revenue standard been applied.

The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including interest income, trading revenue and securities gains which are covered under IFRS 9 Financial Instruments. The implementation of the standard is being led by the Financial control department in coordination with the business segments. The areas of focus for the Group's assessment of impact are fees and commissions. The Group has been working to identify and review the customer contracts within the scope of the new standard. While the assessment is not complete, the timing of the Group's revenue recognition of fees and commissions within the scope of this standard is not expected to materially change. The Group is also evaluating the additional disclosures that may be relevant and required.

(iii) IFRS 16, Leases

This standard 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 eliminates the classification of leases as required by IAS 17 and introduces a single lease accounting model. Applying that model, a lessee is required to recognise:

* assets and liabilities for leases with a term of more than 12 months, unless the underlying assets is of low value;
* depreciation of lease assets separately from interest on lease liabilities in profit or loss

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases or finance leases, and to account for these two types of leases differently.
IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a lease, SIC – 15 Operating Leases – incentives and SIC – 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group is currently in the process of assessing the impact that the initial application would have on its business.

Transition

The Group currently plans to apply IFRS 16 initially on 1 January 2019

As a lessee, the Group can either apply the standard using a:

* Respective approach; or
* modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group has not yet determined which transition approach to approach. As a lessor, the Group is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease.

The Group has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

(iv)) IFRIC 22: Foreign currency transactions and advance consideration

The amendments clarifies the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Group initially recognises the prepayment or deferred income arising from the advance consideration.
For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when the Group:

For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when the Group:

• pays or receives consideration in a foreign currency; and
• recognises a non-monetary asset or liability – e.g. non-refundable advance consideration – before recognising the related item.

The Group will adopt the amendments for the year ending 31 December 2018.

(v) IFRIC 23: Uncertainty over income tax treatments
These amendments provide clarity on the accounting for income tax treatments that have yet to be accepted by the tax authorities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The amendments clarifies that the key test for determining the amounts to be recognised in the financial statements is whether it is probable that the tax authority will accept the chosen tax treatment; this could result in an increase in the tax liability or a recognition of an asset depending on the current practice of the Group.

The Group will adopt the amendments for the year ending 31 December 2019

Notes to the consolidated and separate financial statements

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 mechanism to identify and explore growth opportunities and manage inherent risks in operating and business environments, 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, reputional 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 outcome 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 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 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 institutionalize 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”.

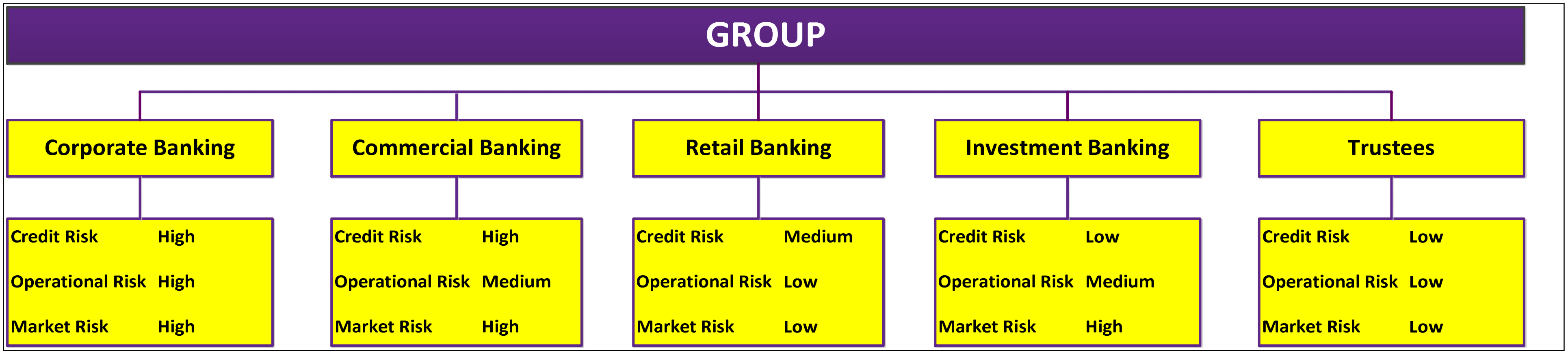
The following are the guiding principles that FCMB tries to entrench in its Risk Management process:

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; 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 Units and Risk Exposures



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 there were liquidity strains in the industry as most depositors moved their funds to the high yield government instruments.

Corporate Banking, having the largest exposure to credit risk takes most of the capital allocation, followed by Commercial Banking, Retail Banking, Investment Banking (treasury, brokerage, advisory, asset management businesses, etc.) and Trustees. Despite the presence of counterparty risks, credit risk is low for treasury functions. Market risk remained high in the period due to the increase in interest rate, resulting from the monetary policies of the Central Bank of Nigeria (CBN). The Trustee business has the least capital allocation due to low portfolio risk. The Group continues to identify and proactively manage its various risk exposures at 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 to be implemented by the Executive Management Committee.The Executive Management Committee coordinates the activities of the sub-committees 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 & 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 and has responsibility for oversight; and advises the Board on, inter alia, the Group's risk appetite, tolerance and strategy, systems of risk management, internal control and compliance. 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 & 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>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Treasurer</td><td>Treasurer</td><td>Head of Operations & 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">Asset & Liability 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 & Finance Committee</td><td>Board of Directors</td></tr>
<tr><td colspan="9">Board of Directors</td></tr>
</table>

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

(i) Risk Taking: The Board of Directors, supported by Executive Management, establish 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 & Finance Committee has oversight reponsibility 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. The Board Risk, Audit & Finance Commitee 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 Defense Mechanism is described below:

FIRST LINE OF DEFENCE

(a) Board Level

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

II. The Board Risk, Audit & Finance Committee (BRAFC) and, as neccessary, 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.

(b) Executive Management Level
I. The Risk Management Committee (RMC) is a management committee, which reports to the Board Risk, Audit & 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 commitee also reviews and manages portfolio risk in order for the credit portfolio to remains healthy and in compliance with the Board approved appetite and all regulatory requirements.

III. The Asset/ 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 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 & 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
The Risk Management Division 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 Advisory** – 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 minimize 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).

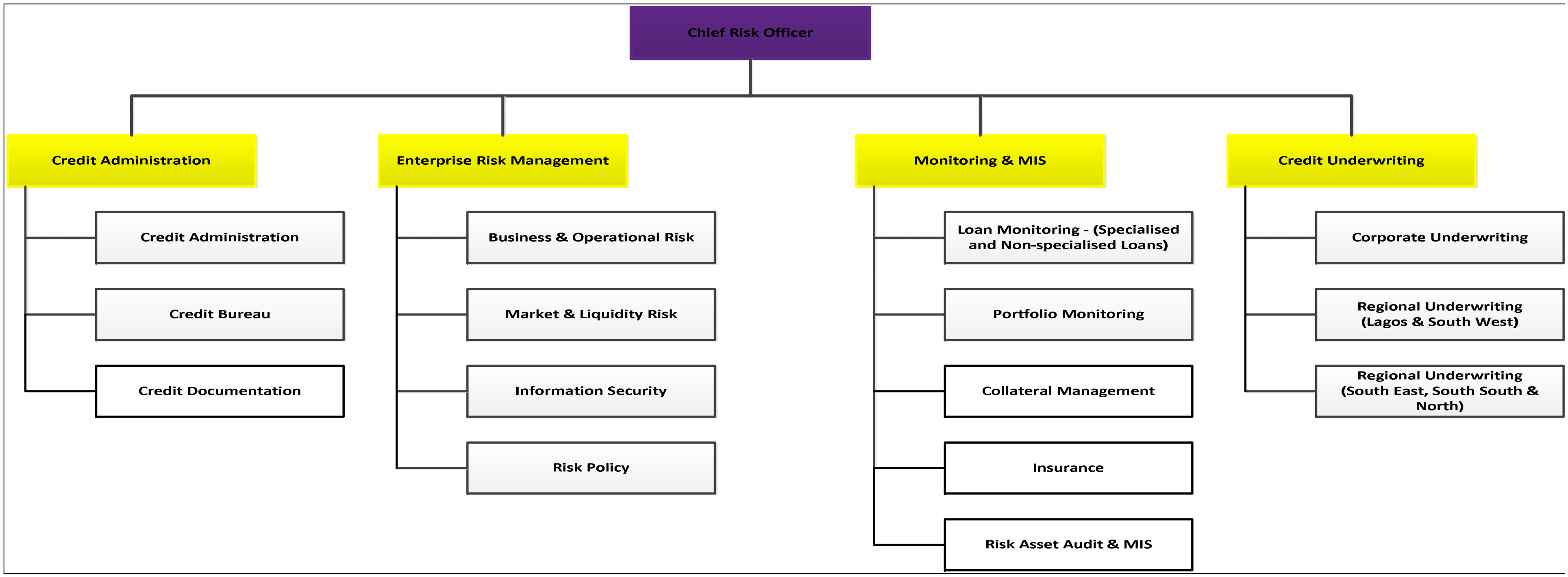
(ii) Risk Acceptance: The Group will acknowledge the risk. However, it will not take any measures to halt the likelihood of such a situation occurring or to minimize the risk associated with it. The Group shall adopt this approach where certain risks remain outstanding after avoidance, transfer or mitigation 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
- 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
(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.

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. The Risk Management Division recommends appropriate risk management polices 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:
a) Ensure 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) Make recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports;
j) Provide and promote risk awareness and education on risk.

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



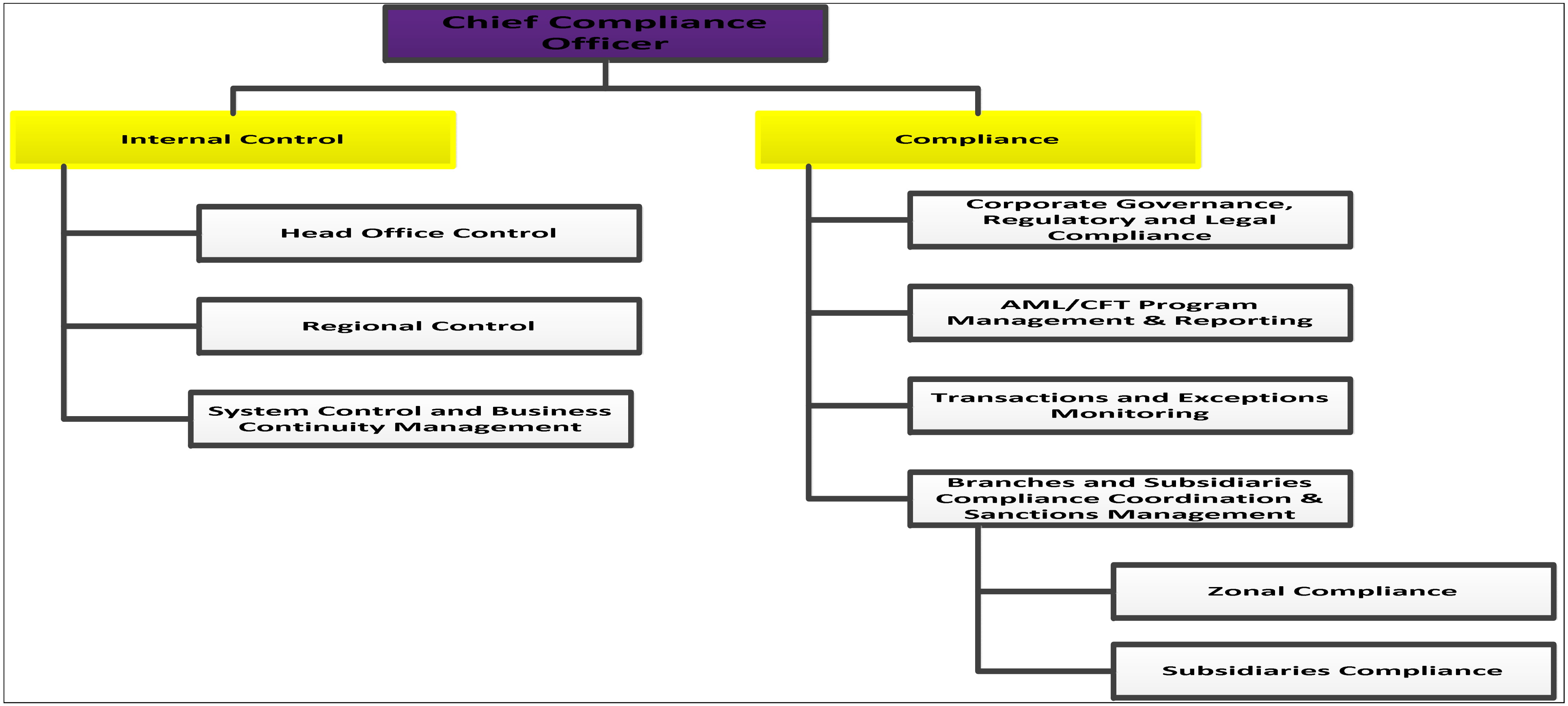
The Group also has a robust Collection and Recovery team, which reports to the Business, with dotted reporting line to Risk Management. The department compliments the post-disbursement monitoring responsibilities through effective enforcement of credit covenants and approval terms.

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

Notes to the consolidated and separate financial statements

- 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 that 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 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 & 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 & Finance Committee (BRAFC) also serves as part of the independent assurance group, 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/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).framework and central to the annual planning process. This appetite guides all risk exposures of the bank - management risks (strategic and reputational risks), 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 Enterprise Risk Management 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 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.
- Deviation from PBT and 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 and Key Control Indicators.
- Interest Rate Risk (IRR) Trading Limits.
- Various metrics/statements for reputational, regulatory and complaince 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
• Serves as a benchmark for monitoring and reporting of abnormal events or exposures.

In FCMB Group, all Risk Appetite metrics are tracked and reported monthly to the Risk Management Committee (RMC), in order to aid the committee's oversight responsibilities. The Risk Management Division monitors the risk metrics on a more regular basis to make certain that risk expsoures 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 the Group's 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 billateral 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 asseessing 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)
- **Security/Collateral arrangements**: Seniority of debt, Ability to cancel debt at the point of default and Loss Given Default (LGD) computation for each security/collateral type supporting the exposure

The above components help the Group to establish the following:

- Obligor Risk Rating (ORR), mapped to an estimated probability default (PD). The PD validation is done internally to ensure the rating continues to be predictive of default and differentiates borrowers based on their ability to service their obligations. This will be further reinforced with a rating validation/back testing.
- Facility Risk Rating (FRR) for each transaction is mapped to Basel II Loss Given Defaults (LGDs) grades
- Both the ORR and FRR produce the Expected Loss % (EL) which is the product of the PD and LGD.i.e. EL =f(PD, LDG) . The EL represents the risk premium which is useful for transaction pricing under the Risk-Based pricing .

The use of internal ratings system is strategic for the Group. The internal ratings system will utimately be used for capital computation under the Internal Ratings Based Approach - Foundation IRB and Advanced IRB and the allocation of capital/computation of economic profit across business lines based on Basel II principles.

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 & 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 the various risk committees such as the Management Credit Committee (MCC) and the Board Credit Committee (BCC). These limits are also guided by statutory impositions such as the single obligor limit and other concentrations' limits set by the Central Bank of Nigeria (CBN).The Group’s single obligor limit is benchmarked to the regulatory cap of 20% of 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 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 Risk Acceptance Criteria (RAC), which reflects the Group's risk appeite 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/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 & 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 & 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.

- **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.

Notes to the consolidated and separate financial statements

In line with the Group's three line defense 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 Risk Management 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 function provides independent assurance for the entire credit process of the Group.

Exposure to Credit Risk

		GROUP		COMPANY	
		LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO CUSTOMERS	
In thousands of Naira	**Note**	**31 DEC 2017**	**31 DEC 2016**	**31 DEC 2017**	**31 DEC 2016**
Maximum exposure to credit risk					
Carrying Amount	25(a)	**649,796,726**	659,937,237	**-**	-
Amount committed / guaranteed	45(b)	**164,901,240**	159,383,506	**-**	-
		814,697,966	819,320,743	**-**	-
Individually Impaired (At amortised cost)					
Investment Grade		**-**	-	**-**	-
Permissible Grade		**2,173,580**	526,744	**-**	-
Speculative Grade		**19,523,079**	11,968,301	**-**	-
Lower Speculative Grade		**-**	-	**-**	-
Gross Amount		**21,696,659**	12,495,045	**-**	-
Collectively Impaired (At amortised cost)					
Investment Grade		**-**	-	**-**	-
Permissible Grade		**273,466**	191,632	**-**	-
Speculative Grade		**11,251,237**	12,787,852	**-**	-
Lower Speculative Grade		**-**	-	**-**	-
Gross Amount		**11,524,703**	12,979,484	**-**	-
Past due but not impaired (At amortised cost)					
Investment Grade		**-**	-	**-**	-
Permissible Grade		**6,364,388**	5,726,176	**-**	-
Speculative Grade		**3,105,576**	55,759,937	**-**	-
Lower Speculative Grade		**-**	-	**-**	-
Carrying amount		**9,469,964**	61,486,113	**-**	-
Past due but not impaired comprises					
1-29 days		**9,225,968**	49,548,159	**-**	-
30-59 days		**243,996**	11,429,876	**-**	-
60-89 days		**-**	508,078	**-**	-
Carrying amount		**9,469,964**	61,486,113	**-**	-
Neither past due nor impaired (At amortised cost)					
Investment Grade		**23,978,804**	35,643,254	**-**	-
Permissible Grade		**106,644,588**	96,190,033	**-**	-
Speculative Grade		**501,787,107**	461,689,132	**-**	-
Lower Speculative Grade		**-**	-	**-**	-
Gross Amount		**632,410,499**	593,522,419	**-**	-
Total Gross amount (At amortised cost)		**675,101,825**	680,483,061	**-**	-
Impairment allowance:					
Specific	25(c)(i)	**(15,303,954)**	(6,524,600)	**-**	-
Collective	25(c)(ii)	**(10,001,146)**	(14,021,224)	**-**	-
Carrying amount		**649,796,726**	659,937,237	**-**	-

Notes to the consolidated and separate financial statements

Credit risk exposure relating to off-balance sheet

In addition to the above, the Banking subsidiary had entered into lending commitments and financial guarantee contracts of N164.90billion (31 December 2016: N159.38billion) with counterparties as set below;

Financial guarantees	**164,901,240**	159,383,506	**-**	-
	164,901,240	159,383,506	**-**	-

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

GROUP

31 DECEMBER 2017

	Loans and advances to customers		Investment securities	
In thousands of Naira	**Gross**	**Net**	**Gross**	**Net**
Investment Grade	**-**	**-**	**-**	**-**
Permissible Grade	**2,173,580**	**167,980**	**-**	**-**
Speculative Grade	**19,523,079**	**6,224,726**	**-**	**-**
Lower Speculative Grade	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**22,804**	**22,804**
	21,696,659	**6,392,706**	**22,804**	**22,804**

31 DECEMBER 2016

	Loans and advances to customers		Investment securities	
In thousands of Naira	**Gross**	**Net**	**Gross**	**Net**
Investment Grade	-	-	-	-
Permissible Grade	526,744	340,820	-	-
Speculative Grade	11,968,301	5,629,625	-	-
Lower Speculative Grade	-	-	-	-
Unrated	-	-	989,313	31,899
	12,495,045	5,970,445	989,313	31,899

Credit risk exposure relating to other financial assets

Set out below is the analysis of the other amounts that were neither past due nor impaired by risk grade;

GROUP

31 DECEMBER 2017

In thousands of Naira	**Cash and cash equivalents**	**Restricted reserve deposits**	**Non-pledged trading assets**	**Derivative assets held for risk management**	**Assets pledged as collateral**	**Investment securities**	**Other financial assets**
Investment Grade	48,773,245	109,638,559	23,936,031	-	61,330,157	133,715,142	-
Permissible Grade	55,114,762	-	-	-	-	13,412,064	-
Speculative Grade	-	-	-	-	-	-	-
Lower Speculative Grade	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	6,301,453	22,344,109
	103,888,007	**109,638,559**	**23,936,031**	**-**	**61,330,157**	**153,428,659**	**22,344,109**

31 DECEMBER 2016

In thousands of Naira	Cash and cash equivalents	Restricted reserve deposits	Non-pledged trading assets	Derivative assets held for risk management	Assets pledged as collateral	Investment securities	Other financial assets
Investment Grade	40,424,497	139,460,914	9,154,198	-	59,107,132	98,615,005	-
Permissible Grade	67,680,135	-	-	-	-	23,508,935	-
Speculative Grade	-	-	-	1,018,912	-	-	-
Lower Speculative Grade	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	6,317,736	11,470,338
	108,104,632	139,460,914	9,154,198	1,018,912	59,107,132	128,441,676	11,470,338

COMPANY

31 DECEMBER 2017

In thousands of Naira	Cash and cash equivalents	Restricted reserve deposits	Non-pledged trading assets	Derivative assets held for risk management	Assets pledged as collateral	Investment securities	Other financial assets
Permissible Grade	146,366	-	-	-	-	2,647,592	-
Unrated	-	-	-	-	-	2,461,548	744,575
	146,366	**-**	**-**	**-**	**-**	**5,109,140**	**744,575**

31 DECEMBER 2016

In thousands of Naira	Cash and cash equivalents	Restricted reserve deposits	Non-pledged trading assets	Derivative assets held for risk management	Assets pledged as collateral	Investment securities	Other financial assets
Investment Grade	5,615,574	-	-	-	-	-	-
Permissible Grade	202,180	-	-	-	-	2,701,510	-
Unrated	-	-	-	-	-	2,142,690	2,080,271
	5,817,754	**-**	**-**	**-**	**-**	**4,844,200**	**2,080,271**

Past due but not impaired loans

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

Loans with Renegotiated Terms and the Forbearance Policy

The Group may renegotiate loans when there is a material change in the customer's financial position, operating dynamics, industry and environment or anything that gives reasonable doubt that the debt may not be repaid or serviced as and when due. This is usually done through concessions with agreed 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 authorize 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

Notes to the consolidated and separate financial statements

- 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
- The fully provisioned facility is appropriately disclosed in the audited financial statement of the Group.

A gross loan amount of N20.65billion, which were impaired were written off during year ended 31 December 2017 (31 December 2016: N30.69billion).

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	
		31 DEC 2017	31 DEC 2016
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	91
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 2017 and 31 December 2016

Details of collateral held and the value of collateral as at 31 December 2017 are as follows:

		GROUP		COMPANY	
In thousands of Naira	Note	**Total exposure**	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate		**113,768,273**	**194,733,746**	-	-
Secured by shares of quoted 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**	-	-

Details of collateral held and their carrying amounts as at 31 December 2016 are as follows:

		GROUP		COMPANY	
In thousands of Naira	Note	**Total exposure**	**Value of collateral**	**Total exposure**	**Value of collateral**
Secured against real estate		80,635,724	113,079,296	-	-
Secured by shares of quoted companies		1,702,798	3,746,191	-	-
Cash Collateral, lien over fixed and floating assets		380,513,407	481,236,434	-	-
Otherwise secured		64,026,625	-	-	-
Unsecured		153,604,507	-	-	-
		680,483,061	598,061,921	-	-

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) also 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 and forms the basis of the treatment provision for the purpose of capital computation and allocation to the business groups.

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

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 is presented below:

Notes to the consolidated and separate financial statements

	31 DECEMBER 2017		31 DECEMBER 2016	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets held for risk management	-	-	1,246,480	1,018,912
Derivative liabilities held for risk management	-	-	1,246,480	770,201

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

Concentration by sector

In thousands of Naira

GROUP

	LOANS AND ADVANCES TO CUSTOMERS				GROSS LENDING COMMITMENTS AND FINANCIAL GUARANTEES	
	31 DECEMBER 2017		31 DECEMBER 2016		31 DECEMBER 2017	31 DECEMBER 2016
	GROSS LOAN	NON-PERFORMING LOAN (NPL)	GROSS LOAN	NON-PERFORMING LOAN (NPL)		
Administrative and Support Services	**4,611,571**	**-**	3,137,491	51,937	**5,476,633**	792,815
Agriculture	**13,780,364**	**1,440,997**	26,149,656	989,725	**11,229,829**	6,421,100
Commerce	**46,978,899**	**6,464,159**	58,599,844	5,938,287	**18,526,906**	22,651,529
Construction	**2,817,958**	**295,821**	2,904,358	32,865	**30,510,317**	52,632,454
Education	**8,973,805**	**2,239,667**	8,978,510	1,971,377	**28,208**	-
Finance and Insurance	**30,524,545**	**262**	30,751,224	151,637	**6,605,865**	3,755,806
General - Others	**2,128,948**	**231,966**	2,675,289	102,943	**-**	30,000
Government	**4,170,667**	**28,807**	6,735,198	22,008	**-**	-
Hospitality	**8,568,021**	**127,418**	8,250,533	230,474	**8,694,160**	5,141,978
Individual	**113,299,749**	**8,160,149**	124,459,406	12,912,736	**-**	-
Information and Communication	**21,194,219**	**4,669,959**	27,085,160	67,780	**1,276,606**	983,784
Manufacturing	**43,656,271**	**1,381,166**	51,923,524	202,827	**49,605,749**	41,794,084
Mining	**299,515**	**299,515**	433,860	389,351	**437,000**	-
Oil and Gas - Downstream	**50,021,678**	**1,293,686**	27,444,424	256,212	**10,175,442**	6,679,938
Oil and Gas - Upstream	**146,952,668**	**-**	144,123,419	-	**9,275,480**	5,196,336
Oil and Gas - Services	**21,114,602**	**5,134,874**	18,177,488	229,132	**-**	384,064
Power & Energy	**56,750,232**	**-**	43,951,586	32,999	**1,276,373**	567,476
Professional services	**52,335**	**42,917**	4,028,384	1,407,778	**458,112**	86,954
Real Estate	**92,917,577**	**894,944**	83,767,143	403,073	**10,744,165**	11,807,237
Transportation	**6,288,201**	**515,055**	6,906,564	81,388	**580,395**	457,951
	675,101,825	**33,221,362**	680,483,061	25,474,529	**164,901,240**	159,383,506

Concentration by location
Concentration by location for loans and advance, 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.

Notes to the consolidated and separate financial statements

In thousands of Naira

GROUP

	LOANS AND ADVANCES TO CUSTOMERS				GROSS LENDING COMMITMENTS AND FINANCIAL GUARANTEES	
	31 DECEMBER 2017		31 DECEMBER 2016		31 DECEMBER 2017	31 DECEMBER 2016
	GROSS LOAN	NON-PERFORMING LOAN (NPL)	GROSS LOAN	NON-PERFORMING LOAN (NPL)		
North East	5,842,385	271,070	6,028,792	296,157	**137,018**	-
North Central	36,979,877	5,933,680	40,219,136	5,684,222	**14,298,023**	16,775,394
North West	20,399,097	1,189,227	21,845,063	1,026,315	**493,056**	386,251
South East	14,929,170	1,278,994	14,124,424	1,206,198	**5,724,460**	755,053
South South	19,436,888	2,336,946	22,932,850	1,884,537	**11,486,051**	17,343,208
South West	559,731,846	22,211,445	557,949,742	15,377,100	**132,762,632**	124,123,600
Europe	17,782,562	-	17,383,054	-	**-**	-
	675,101,825	**33,221,362**	680,483,061	25,474,529	**164,901,240**	159,383,506

Trading Assets

The Group's trading book comprises only debt securities and bills issued by the Federal Government of Nigeria. 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 is 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. 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 2017

In thousands of Naira

SECURITY TYPE	ISSUER RATING	0 - 30 days	31 - 90 days	91 -180 days	181 - 365 days	above 365 days	Total
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**

31 DECEMBER 2016

In thousands of Naira

SECURITY TYPE	ISSUER RATING	0 - 30 days	31 - 90 days	91 -180 days	181 - 365 days	above 365 days	Total
FGN BONDS	BB-	990,508	-	-	-	-	990,508
NIGERIAN TREASURY BILLS	BB-	8,053,007	-	-	-	-	8,053,007
EQUITY INVESTMENTS	BB-	110,683	-	-	-	-	110,683
		9,154,198	**-**	**-**	**-**	**-**	**9,154,198**

Notes to the consolidated and separate financial statements

Cash and cash equivalents

The Group held cash and cash equivalents of N103.88billion as at 31 December 2017 (31 December 2016: N108.10billion). 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 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 & 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 to mention a few
- Establishment of the Group's liquidity risk appetite which is the amount of risk FCMB is willing to accept in pursuit of value using relevant liquidity risk ratios and assets and liability funding gaps
- Establishment of methodologies for measuring and reporting on the group's liquidity risk profile against set appetite and sensitizing 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
- Manitaining a diversified funding base consisting of customer deposit (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) 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 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 & 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:

PERIOD	31 DEC 2017	31 DEC 2016
At 31 December	**36.63%**	31.21%
Average for the year	**34.89%**	36.30%
Maximum for the year	**38.94%**	43.19%
Minimum for the year	**31.30%**	30.08%

Liquidity ratio which is a measure of liquidity risk is calculated as a ratio of naira liquid assets to local currency deposits and its 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.

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Notes to the consolidated and separate financial statements

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

GROUP

31 DECEMBER 2017

In thousands of Naira	Note	Carrying amount	Gross nominal inflow / (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total
Non Derivative Assets										
Cash and cash equivalent	21	103,888,007	103,888,007	103,888,007	-	-	-	-	-	103,888,007
Restricted reserve deposit	22	109,638,559	109,638,559	109,638,559	-	-	-	-	-	109,638,559
Non-pledged trading assets	23(a)	23,936,031	23,936,031	23,936,031	-	-	-	-	-	23,936,031
Loans and advances to customers	25	649,796,726	636,209,504	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	61,330,157	63,780,737	-	10,350,000	8,668,915	7,050,000	14,401,800	23,310,022	63,780,737
Investment securities	26	153,428,659	106,075,016	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)	12,545,060	28,894,337	18,876,941	-	-	183,009	9,834,387	-	28,894,337
		1,114,563,199	1,072,422,191	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	6,355,389	-	-	-	-	-	6,355,389
Deposits from customers	35	689,860,640	686,662,952	537,083,264	18,539,525	62,857,608	58,503,393	6,408,055	3,271,107	686,662,952
Borrowings	36	109,434,970	104,905,180	1,652,729	-	-	23,485,589	79,766,862	-	104,905,180
On-lending facilities	37	42,534,316	47,791,762	9,296,374	-	150,099	1,707,557	17,533,585	19,104,147	47,791,762
Debt securities issued	38	54,691,520	86,187,442	-	4,153,376	-	4,172,329	71,407,486	6,454,251	86,187,442
Other financial liabilities	41(a)	61,148,432	61,148,432	8,470,348	-	36,636,447	16,041,637	-	-	61,148,432
		964,025,267	993,051,157	562,858,104	22,692,901	99,644,154	103,910,505	175,115,988	28,829,505	993,051,157

31 DECEMBER 2016

In thousands of Naira	Note	Carrying amount	Gross nominal inflow / (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total
Non Derivative Assets										
Cash and cash equivalent	21	108,104,632	108,104,632	108,104,632	-	-	-	-	-	108,104,632
Restricted reserve deposit	22	139,460,914	139,460,914	139,460,914	-	-	-	-	-	139,460,914
Non-pledged trading assets	23(a)	9,154,198	9,824,129	9,824,129	-	-	-	-	-	9,824,129
Loans and advances to customers	25	659,937,237	680,483,061	93,264,963	36,750,065	64,791,421	24,371,570	379,168,446	82,136,596	680,483,061
Asset Pledged as Collateral	27	59,107,132	54,488,704	3,934,482	-	-	7,800,000	15,901,800	26,852,422	54,488,704
Investment securities	26	128,441,676	155,690,773	6,931,175	4,000,000	17,090,000	49,593,186	16,865,610	61,210,802	155,690,773
Other financial assets (net)	33(a)	11,470,338	26,799,187	16,781,791	-	-	183,009	9,834,387	-	26,799,187
		1,116,522,639	1,174,851,400	378,302,086	40,750,065	81,881,421	81,947,765	421,770,243	170,199,820	1,174,851,400
Derivative Assets										
Derivative assets held for risk management	24	1,018,912	-	-	-	-	-	-	-	-
- Inflows		-	1,413,552	-	-	98,564	473,773	841,215	-	1,413,552
- Outflows		-	-	-	-	-	-	-	-	
		1,018,912	1,413,552	-	-	98,564	473,773	841,215	-	1,413,552
Non Derivative Liabilities										
Deposits from banks	34	24,798,296	47,024,776	47,024,776	-	-	-	-	-	47,024,776
Deposits from customers	35	657,609,807	675,342,320	542,643,289	114,375,137	14,144,480	4,115,576	63,838	-	675,342,320
Borrowings	36	132,094,368	170,430,435	70,554,583	-	-	25,669,713	67,630,881	6,575,258	170,430,435
On-lending facilities	37	42,199,380	37,400,257	4,101,639	-	-	3,062,378	30,236,240	-	37,400,257
Debt securities issued	38	54,481,989	50,003,774	966,566	-	-	-	23,135,208	25,902,000	50,003,774
Other financial liabilities	41(a)	69,056,110	69,056,110	27,378,026	-	30,636,447	11,041,637	-	-	69,056,110
		980,239,950	1,049,257,672	692,668,879	114,375,137	44,780,927	43,889,304	121,066,167	32,477,258	1,049,257,672
Derivative Liabilities										
Derivative liability Held for risk management	24	770,201	-	-	-	-	-	-	-	-
- Inflows		-	-	-	-	-	-	-	-	-
- Outflows		-	1,156,484	-	-	86,406	402,608	667,470	-	1,156,484
		770,201	1,156,484	-	-	86,406	402,608	667,470	-	1,156,484

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.
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 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 banks and holds unencumbered assets eligible for use as collateral with central banks.

iii **Liquidity reserves**

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

In thousands of Naira	Note	31 DECEMBER 2017		31 DECEMBER 2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Balances with central banks	21	10,701,476	10,701,476	5,869,717	5,869,717
Cash and balances with other banks	21	93,186,531	93,186,531	102,234,915	102,234,915
Unencumbered debt securities issued by Central Bank of Nigeria		155,556,988	132,465,638	107,769,203	91,052,889
Total liquidity reserve		**259,444,995**	**236,353,645**	**215,873,835**	**199,157,521**

Included in the unencumbered debt securities issued by central banks are; Federal Government of Nigeria (FGN) Bonds N66.63billion (31 December 2016: N57.10billion), Treasury Bills N92.55billion (31 December 2016: N50.56billion) under note 23(a), 26(a) and (b).

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 2017

In thousands of Naira	Note	Encumbered		Unencumbered		
		Pledged as Collateral	Other*	Available as Collateral	Other**	Total
Cash and Cash Equivalents	21	-	-	103,888,007	-	103,888,007
Restricted reserve deposits	22	-	109,638,559	-	-	109,638,559
Derivative assets held for risk management	24	-	-	-	-	-
Trading Assets	23(a)	-	-	-	23,936,031	23,936,031
Loans and Advances	25	-	-	-	649,796,726	649,796,726

Notes to the consolidated and separate financial statements

	Note	Encumbered: Pledged as Collateral	Encumbered: Other*	Unencumbered: Available as Collateral	Unencumbered: Other**	Total
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**

31 DECEMBER 2016

In thousands of Naira	**Note**	**Encumbered**		**Unencumbered**		
		Pledged as Collateral	**Other***	**Available as Collateral**	**Other****	**Total**
Cash and Cash Equivalents	21	-	-	108,104,632	-	108,104,632
Restricted reserve deposits	22	-	139,460,914	-	-	139,460,914
Derivative assets held for risk management	24	-	-	-	1,018,912	1,018,912
Trading Assets	23(a)	-	-	-	9,154,198	9,154,198
Loans and Advances	25	-	-	-	659,937,237	659,937,237
Assets pledged as collateral	27	59,107,132	-	-	-	59,107,132
Investment Securities	26	-	-	128,441,676	-	128,441,676
Other assets (net)	33	-	-		11,470,338	11,470,338
Total Assets		**59,107,132**	**139,460,914**	**236,546,308**	**681,580,685**	**1,116,695,039**

*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.

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 2017 and 31 December 2016 is 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/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 optimizing the return on risk.

Management of Market Risk

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

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

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 & Liquidity 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 & Liquidity Risk Department within Risk Management is responsible for limit tracking and reporting to the Chief Risk Officer 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 2017 are provided below:

Notes to the consolidated and separate financial statements

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:

31 DECEMBER 2017

In thousands of Naira	Note	GROUP			COMPANY		
		Carrying Amount	Trading portfolios	Non-trading portfolios	Carrying Amount	Trading portfolios	Non-trading portfolios
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)	**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)	**61,148,432**	-	**61,148,432**	**1,332,702**	-	**1,332,702**

31 DECEMBER 2016

In thousands of Naira	Note	GROUP			COMPANY		
		Carrying Amount	Trading portfolios	Non-trading portfolios	Carrying Amount	Trading portfolios	Non-trading portfolios
Assets subject to market risk:							
Cash and cash equivalents	21	108,104,632	-	108,104,632	5,817,754	-	5,817,754
Restricted reserve deposits	22	139,460,914	-	139,460,914	-	-	-
Trading assets	23(a)	9,154,198	9,154,198	-	-	-	-
Derivative assets held for risk management	24	1,018,912	-	1,018,912	-	-	-
Loans and advances to customers	25	659,937,237	-	659,937,237	-	-	-
Assets pledged as collateral	27	59,107,132	-	59,107,132	-	-	-
Investment securities	26	128,441,676	-	128,441,676	4,844,200	-	4,844,200
Other financial assets (net)	33(a)	11,470,338	-	11,470,338	2,080,271	-	2,080,271
Liabilities subject to market risk:							
Trading liabilities	23(b)	6,255,933	6,255,933	-	-	-	-
Derivative liabilities held for risk management	24	770,201	-	770,201	-	-	-
Deposits from banks	34	24,798,296	-	24,798,296	-		-
Deposits from customers	35	657,609,807	-	657,609,807	-	-	-
Borrowings	36	132,094,368	-	132,094,368	-	-	-
On-lending facilities	37	42,199,380	-	42,199,380	-	-	-
Debt securities issued	38	54,481,989	-	54,481,989	-	-	-
Other financial liabilities	41(a)	69,056,110	-	69,056,110	642,807	-	642,807

Notes to the consolidated and separate financial statements

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 group.

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

GROUP

In thousands of Naira	Note	31 DECEMBER 2017 Carrying Amount	Rate sensitive	Non rate sensitive	31 DECEMBER 2016 Carrying Amount	Rate sensitive	Non rate sensitive
Assets							
Cash and cash equivalents	21	**103,888,007**	**19,937,625**	**83,950,382**	108,104,632	16,938,622	91,166,010
Restricted reserve deposits	22	**109,638,559**	**-**	**109,638,559**	139,460,914	-	139,460,914
Non-pledged trading assets	23(a)	**23,936,031**	**23,936,031**	**-**	9,154,198	9,154,198	-
Derivative assets held for risk management	24	**-**	**-**	**-**	1,018,912	34,682	984,230
Loans and advances to customers (gross)	25	**675,101,825**	**675,101,825**	**-**	680,483,061	680,483,061	-
Assets pledged as collateral	27	**61,330,157**	**61,330,157**	**-**	59,107,132	59,107,132	-
Investment securities	26	**153,428,659**	**145,033,021**	**8,395,638**	128,441,676	122,123,940	6,317,736
Other financial assets (gross)	33(a)	**2,837,614**	**-**	**2,837,614**	2,563,317	-	2,563,317
		1,130,160,852	**925,338,659**	**204,822,193**	1,128,333,842	887,841,635	240,492,207
Liabilities							
Trading liabilities	23(b)	**21,616,660**	**21,616,660**	**-**	6,255,933	6,255,933	-
Derivative liabilities held for risk management	24	**-**	**-**	**-**	770,201	36,715	733,486
Deposits from banks	34	**6,355,389**	**6,355,389**	**-**	24,798,296	24,798,296	-
Deposits from customers	35	**689,860,640**	**530,242,010**	**159,618,630**	657,609,807	479,097,868	178,511,939
Borrowings	36	**109,434,970**	**109,434,970**	**-**	132,094,368	132,094,368	-
On-lending facilities	37	**42,534,316**	**42,534,316**	**-**	42,199,380	42,199,380	-
Debt securities issued	38	**54,691,520**	**54,691,520**	**-**	54,481,989	54,481,989	-
Other financial liabilities	41(a)	**61,148,432**	**-**	**61,148,432**	69,056,110	-	69,056,110
		985,641,927	**764,874,865**	**220,767,062**	987,266,084	738,964,549	248,301,535
Total interest repricing gap		**144,518,925**	**160,463,794**	**(15,944,869)**	141,067,758	148,877,086	(7,809,328)

GROUP

In thousands of Naira	Note	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total
31 DECEMBER 2017								
Assets subject to market risk:								
Cash and cash equivalents	21	**19,937,625**	**-**	**-**	**-**	**-**	**-**	**19,937,625**
Non-pledged trading assets	23(a)	**181,385**	**500,000**	**11,090,000**	**10,264,646**	**100,000**	**1,800,000**	**23,936,031**
Loans and advances to customers (gross)	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**
		91,301,857	**83,856,276**	**56,620,782**	**83,484,434**	**455,719,120**	**154,356,190**	**925,338,659**
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**

Notes to the consolidated and separate financial statements

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**	**-**	**6,613,130.00**	**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		**(374,061,577)**	**10,380,185**	**35,479,328**	**53,202,325**	**326,112,779**	**109,350,754**	**160,463,794**

31 DECEMBER 2016

In thousands of Naira	Note	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total
Assets subject to market risk:								
Cash and cash equivalents	21	16,938,622	-	-	-	-	-	16,938,622
Non-pledged trading assets	23(a)	9,154,198	-	-	-	-	-	9,154,198
Derivative assets held for risk management	24	-	-	-	34,682		-	34,682
Loans and advances to customers	25	186,180,910	100,630,380	33,921,364	34,478,531	283,352,178	41,919,698	680,483,061
Assets pledged as collateral	27	7,329,543	-	7,934,482	7,673,500	23,133,198	13,036,409	59,107,132
Investment securities	26	4,863,501	11,345,434	9,110,754	17,688,354	50,309,080	28,806,817	122,123,940
		224,466,774	111,975,814	50,966,600	59,875,067	356,794,456	83,762,924	887,841,635
Liabilities subject to market risk:								
Trading liabilities	23(b)	6,255,933	-	-	-	-	-	6,255,933
Derivative liabilities held for risk management	24	-	-	-	36,715	-	-	36,715
Deposits from banks	34	24,091,009	707,287	-	-	-	-	24,798,296
Deposits from customers	35	305,123,981	13,171,236	120,181,846	40,615,725	5,080	-	479,097,868
Borrowings	36	18,394,174	-	-	39,477,030	67,647,906	6,575,258	132,094,368
On-lending facilities	37	8,353,264	-	-	3,609,876	30,236,240	-	42,199,380
Debt securities issued	38	7,614,595	-	-	184,337	-	46,683,057	54,481,989
		369,832,956	13,878,523	120,181,846	83,923,683	97,889,226	53,258,315	738,964,549
Total interest repricing gap		(145,366,182)	98,097,291	(69,215,246)	(24,048,616)	258,905,230	30,504,609	148,877,086

Sensitivity of projected net interest income

The management of interest rate risk against interest rate gap is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point and 100 basis point (bp) parallel fall or rise. The financial assets and liabilities sensitive to interest rate risk are loans and advances, cash and cash equivalents (placements),non-pledged trading assets (treasury bills & FGN Bonds), derivative assets and liabilities (interest rate swaps), 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:

Notes to the consolidated and separate financial statements

GROUP

31 DECEMBER 2017

In thousands of Naira	Note	Gross amount	Weighted average interest rate	Interest due at current weighted average rate	50bps	(50bps)	100bps	(100bps)
Assets subject to rate sensitive		925,338,659	14%	132,357,044	136,983,737	127,730,351	141,610,431	123,103,657
Liabilities subject to rate sensitive		764,874,865	8%	(61,831,909)	(65,656,283)	(58,007,535)	(69,480,658)	(54,183,160)
				70,525,135	71,327,454	69,722,816	72,129,773	68,920,497
Impact on net interest income					802,319	(802,319)	1,604,638	(1,604,638)

31 DECEMBER 2016

In thousands of Naira	Note	Gross amount	Weighted average interest rate	Interest due at current weighted average rate	50bps	(50bps)	100bps	(100bps)
Assets subject to rate sensitive		887,841,635	14%	125,109,035	129,548,243	120,669,827	133,987,451	116,230,619
Liabilities subject to rate sensitive		738,964,549	8%	(55,575,527)	(59,270,350)	(51,880,704)	(62,965,172)	(48,185,882)
				69,533,508	70,277,893	68,789,123	71,022,279	68,044,737
Impact on net interest income					744,385	(744,385)	1,488,771	(1,488,771)

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 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. Currently, the Group manages and monitors the risk in the trading book using limit measurements, mark-to-market accounting and earnings at risk. There is a plan underway to implement value at risk and some other market risk measurement.

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 year ended;

GROUP

31 DECEMBER 2017

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
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**

Notes to the consolidated and separate financial statements

	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
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**
Provisions	40	**1,910,871**	**3,311,600**	**-**	**-**	**-**	**5,222,471**
Other liabilities	41	**21,386,488**	**39,641,916**	**616,127**	**1,813,628**	**52**	**63,458,211**
Total Liabilities		**663,428,871**	**319,421,155**	**3,283,008**	**7,041,080**	**63**	**993,174,177**
Net on-balance sheet financial position		**17,626,522**	**105,885,994**	**5,084,499**	**7,615,599**	**235,668**	**136,448,282**
Off-balance sheet financial position	45(b)	**(113,533,539)**	**264,719,810**	**3,328,621**	**10,386,348**	**-**	**164,901,240**

31 DECEMBER 2016

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
Assets							
Cash and cash equivalents	21	36,981,475	65,772,563	1,550,136	3,797,457	3,001	108,104,632
Restricted reserve deposit	22	139,460,914	-	-	-	-	139,460,914
Non-pledged trading assets	23(a)	9,154,198	-	-	-	-	9,154,198
Derivative assets held for risk management	24	-	1,018,912	-	-	-	1,018,912
Loans and advances (net)	25	319,881,072	339,642,699	755	412,711	-	659,937,237
Investment securities	26	123,273,678	5,167,998	-	-	-	128,441,676
Asset pledged as collateral	33	59,107,132	-	-	-	-	59,107,132
Other assets	31	5,496,442	5,932,878	27,175	13,843	-	11,470,338
Total assets		**693,354,911**	**417,535,050**	**1,578,066**	**4,224,011**	**3,001**	**1,116,695,039**
Liabilities							
Trading liabilities	23(b)	6,255,933	-	-	-	-	6,255,933
Deposits from customers	35	500,144,925	147,517,276	2,130,552	7,817,044	10	657,609,807
Deposits from banks	34	-	24,798,296	-	-	-	24,798,296
Borrowings	36	13,168,768	118,925,600	-	-	-	132,094,368
On-lending facilities	37	42,199,380	-	-	-	-	42,199,380
Debt securities issued	38	54,481,989	-	-	-	-	54,481,989
Derivative liability held for risk management	24	-	770,201	-	-	-	770,201
Provisions	40	2,343,010	-	-	-	-	2,343,010
Other liabilities	41	21,445,773	42,762,884	449,528	2,054,863	52	66,713,100
Total Liabilities		**640,039,778**	**334,774,257**	**2,580,080**	**9,871,907**	**62**	**987,266,084**
Net on-balance sheet financial position		**53,315,133**	**82,760,793**	**(1,002,014)**	**(5,647,896)**	**2,939**	**129,428,955**
Off-balance sheet financial position	45(b)	**20,493,617**	**132,813,540**	**172,260**	**5,904,089**	**-**	**159,383,506**

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 2017 was 64.26% (31 December 2016: 77.74%) which is below the limit of 125%. This is due to the recent flexible exchange rate introduced by the Central Bank of Nigeria.

Notes to the consolidated and separate financial statements

Exposure to currency risks – Non-trading portfolios

At 31 December 2017, 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 N10.59 billion (31 December 2016: N8.25billion) 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 N10.59billion (31 December 2016: N8.25billion) 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.

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 2017. it includes the Group's USD financial instruments at carrying amounts.

	31 DECEMBER 2017			31 DECEMBER 2016		
In thousands of Naira	Carrying amount	10% decrease in the value of Naira against USD	10% increase in the value of Naira against USD	Carrying amount	10% decrease in the value of Naira against USD	10% increase in the value of Naira against USD
Financial assets						
Cash and cash equivalents	**44,722,499**	**4,472,250**	**(4,472,250)**	65,772,563	6,577,256	(6,577,256)
Derivative assets held for risk management	**-**	**-**	**-**	1,018,912	101,891	(101,891)
Loans and advances to customers	**359,402,270**	**35,940,227**	**(35,940,227)**	339,642,699	33,964,270	(33,964,270)
Investment securities	**19,173,189**	**1,917,319**	**(1,917,319)**	5,167,998	516,800	(516,800)
Other assets	**2,009,191**	**200,919**	**(200,919)**	5,932,878	593,288	(593,288)
Impact on financial assets	**425,307,149**	**42,530,715**	**(42,530,715)**	417,535,050	41,753,505	(41,753,505)
Financial liabilities						
Deposits from banks	**6,355,389**	**635,539**	**(635,539)**	24,798,296	2,479,830	(2,479,830)
Deposits from customers	**167,290,410**	**16,729,041**	**(16,729,041)**	147,517,276	14,751,728	(14,751,728)
Borrowings	**102,821,840**	**10,282,184**	**(10,282,184)**	118,925,600	11,892,560	(11,892,560)
Derivative liabilities held for risk management	**-**	**-**	**-**	770,201	77,020	(77,020)
Provision	**3,311,600**	**331,160**	**(331,160)**	-	-	-
Other liabilities	**39,641,916**	**3,964,192**	**(3,964,192)**	42,762,884	4,276,288	(4,276,288)
Impact on financial liabilities	**319,421,155**	**31,942,116**	**(31,942,116)**	334,774,257	33,477,426	(33,477,426)
Total increase / (decresese)	**105,885,994**	**10,588,599**	**(10,588,599)**	82,760,793	8,276,079	(8,276,079)

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 mainly 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 2017. it includes the Group's GBP financial instruments at carrying amounts.

	31 DECEMBER 2017			31 DECEMBER 2016		
In thousands of Naira	Carrying amount	10% decrease in the value of Naira against GBP	10% increase in the value of Naira against GBP	Carrying amount	10% decrease in the value of Naira against GBP	10% increase in the value of Naira against GBP
Financial assets						
Cash and cash equivalents	**6,585,295**	**658,530**	**(658,530)**	1,550,136	155,014	(155,014)
Loans and advances to customers	**40,751**	**4,075**	**(4,075)**	755	76	(76)
Other assets	**1,741,461**	**174,146**	**(174,146)**	27,175	2,718	(2,718)
Impact on financial assets	**8,367,507**	**836,751**	**(836,751)**	1,578,066	157,808	(157,808)
Financial liabilities						
Deposits from customers	**2,666,881**	**266,688**	**(266,688)**	2,130,552	213,055	(213,055)
Other liabilities	**616,127**	**61,613**	**(61,613)**	449,528	44,953	(44,953)
Impact on financial liabilities	**3,283,008**	**328,301**	**(328,301)**	2,580,080	258,008	(258,008)
Total increase / (decresese)	**5,084,499**	**508,450**	**(508,450)**	(1,002,014)	(100,200)	100,200

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 mainly 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 2017. it includes the Group's EUR financial instruments at carrying amounts.

	31 DECEMBER 2017			31 DECEMBER 2016		
In thousands of Naira	Carrying amount	10% decrease in the value of Naira against EUR	10% increase in the value of Naira against EUR	Carrying amount	10% decrease in the value of Naira against EUR	10% increase in the value of Naira against EUR
Financial assets						
Cash and cash equivalents	10,831,556	1,083,156	(1,083,156)	3,797,457	379,746	(379,746)
Loans and advances to customers	117,695	11,770	(11,770)	412,711	41,271	(41,271)
Other assets	3,707,428	370,743	(370,743)	13,843	1,384	(1,384)
Impact on financial assets	14,656,679	1,465,669	(1,465,669)	4,224,011	422,401	(422,401)
Financial liabilities						
Deposits from customers	5,227,452	522,745	(522,745)	7,817,044	781,704	(781,704)
Other liabilities	1,813,628	181,363	(181,363)	2,054,863	205,486	(205,486)
Impact on financial liabilities	7,041,080	704,108	(704,108)	9,871,907	987,190	(987,190)
Total increase / (decresese)	7,615,599	761,561	(761,561)	(5,647,896)	(564,789)	564,789

(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:

- Fraud (internal and external)
- Fines, penalties or expenses incurred as a result of settlement delays and regulatory infractions
- Losses arising from litigation processes including out-of-court settlements
- Un-reconciled cash (Teller, Vault, ATM) shortages written-off in the course of the year
- Losses incurred as a result of damages to the physical assets
- 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 & Finance Committee on an annual basis, and this sets the tone for operational risk management practices in the course of the year. The appetite is set in terms of the maximum amount of operational risk losses the Group expects to incur given risk-reward considerations for the year.

All business and process owners across the Group proactively identify weak-points/risks across their respective functions, activities, processes and systems using the Risk & Control Self-Assessment (RCSA). The Risk Management Division validates the risk maps for reasonability of assessments and 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 department 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 & Finance Committee (BRAFC).

Notes to the consolidated and separate financial statements

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 & Finance Committee 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 & Control Index that represents a key component of employee performance appraisals. This initiative has helped to drive the desired behaviour in employees, ensuring that there is a concerted effort by all employees to manage operational risks across the Group.

Independent assurance of the adequacy and effectiveness of the operational risk management process is provided by the Group Internal Audit (GIA) function on an annual basis. The assessment report is presented to the Board Risk, Audit & 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 the loss in the event of an operational risk incident while provision is also made for expected operational risk losses in order to minimise major varaitions 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 minimising 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 period.

In line with the provisions of the Basel II Accord, operational risk within credit and market risks shall be duly recognised for effective management and accountability. However, for capital computation purposes, operational risk within credit risk shall be 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 expsoures, 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 banks) 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 Bank's risk appetite.
- Activities around the major areas of vulnerabilities have been reviewed in order to strengthen the controls in these areas.
- 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 Group 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 months within which the Group 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 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 stakeholder perceptions 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 recognizes 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 & Ethical: bribes/kick-backs, facilitating corruption, community / environmental neglect;
- Control failures: significant operational risk failures;
- Communications / Crisis Management: adverse stakeholder relations (media, investors, regulators, customers, trade unions, etc.);
- Poor customer relationship management: mis-selling, 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 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 year through several mechanisms including electronic newsletters, risk meetings/workshops, continuous training and education of staff and customers. This is to embed risk management across the entire organisation and significantly improve the risk management culture and buy-in amongst all employees.

Group Operational Risk Practices

The subsidiary companies continue to imrpove 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 Bank with international authorisation to hold minimum regulatory capital of N50 billion and maintain a capital adequacy ratio (total regulatory capital to risk weighted assets) of 15%. Capital Adequacy Ratio (CAR) is a mesure of the ratio of Capital to Risk Weigthed Assets (RWA).

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

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

The Group's regulatory capital can be segmented into 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 a balance sheet item (exposures are risk-weighted net of the provions 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 banking subsidiary 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 Banking subsidiary 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
• 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

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 & Scenario Analysis
(iv) Internal Capital Assessment
(v) ICAAP Review & 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
- 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 Banking subsidiary'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 banking subsidiary are identified through a combination of the following activities:

(a) Review of the Banking subsidiary's operating environment – A forward and backward looking analysis of the Banking subsidiary'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 Banking subsidiary;

(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;
- 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 Banking subsidiary (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:

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;
(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 Banking subsidiary;
- 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 Banking subsidiary'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 bank 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.
• 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, the macro- economic stress, which considers some of them:
• Reduction in net interest margin
• Increased operational costs
• Increased credit losses
• Sector concentration risk
• Liquidity stress

(iv) Assessment of Internal Capital

The Banking subsidiary's internal capital (which is the capital required to cover material risk exposures) as determined by the internal capital adequacy 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.

(v) ICAAP Review & Approval

Although the Executive Management of the Banking subsidiary and other key stakeholders play key role in the preparation of the Bank'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 table below shows the break-down of the Banking subsidiary's regulatory capital as at 31 December 2017 and year ended 31 December 2016:

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 year, 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, OCI (Actuarial and AFS Reserves), 50% of investments in unconsolidated banking and financial subsidiary/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.

Notes to the consolidated and separate financial statements

CAPITAL ADEQUACY COMPUTATION:

	BANKING GROUP	
	31 DEC 2017	**31 DEC 2016**
In thousands of Naira		
TIER 1 CAPITAL		
Total qualifying tier 1 Capital	**133,110,385**	129,635,453
TIER 2 CAPITAL		
Total qualifying tier 2 Capital	**30,203,541**	34,139,630
Total regulatory Capital	**163,313,926**	163,775,083
Total Qualifying Capital	**163,313,926**	163,775,083
RISK WEIGHTED ASSETS		
Total risk weighted assets	**967,279,227**	990,234,291
Capital adequacy ratio	**16.88%**	16.54%

Note on capital adequacy ratio
The Basel II capital adequacy ratio was 16.88% for the Banking Group, as at 31 December 2017 (31 December 2016: 16.54%), being above the CBN minimum capital adequacy requirements of 15%.

The Banking Group successfully completed its Internal Capital Adequacy Assessment Process (ICAAP) project in order to ensure that all material risk exposures are adequately covered by capital and improve the capital management practices in the Banking Subsidiary. The result of the first ICAAP exercise has started yielding fruits, with key capital optimisation initiatives being implemented to ensure efficient use of capital and desired risk adjusted returns.

5 **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 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 is disclosed below.

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

Key sources of estimation uncertainty

(a) Impairment

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

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

A collective component of the total allowance is established for:
- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (IBNR).

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

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

Investments in equity securities classified as available for sale were evaluated for impairment in line with the requirement of IFRS. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be significant and a decline in a quoted market price that persisted for 9 months or longer to be prolonged.

An assessment as to whether an investment in debt securities is impaired may be complex. In making such an assessment, the Group considers the following factors:
- The market's assessment of credit worthiness as reflected in the bond yields.
- The rating agencies' assessments of the credit worthiness.
- The ability of the country to access the capital markets for new debt issuance.
- The probability of debt being restructured resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

(b) Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in 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 recognized 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.

Notes to the consolidated and separate financial statements

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognized 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 securitizations. 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					
In thousands of Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 DECEMBER 2017					
ASSETS					
Trading assets	23(a)	23,936,031	-	-	23,936,031
Assets pledged as collateral	27	61,330,157	-	-	61,330,157
Investment securities	26(b)&(c)	83,416,686	-	-	83,416,686
		168,682,874	-	-	168,682,874
LIABILITIES					
Trading liabilities	23(b)	21,616,660	-	-	21,616,660
		21,616,660	-	-	21,616,660
31 DECEMBER 2016					
ASSETS					
Trading assets	23(a)	9,154,198	-	-	9,154,198
Derivative assets held for risk management	24	-	1,018,912	-	1,018,912
Assets pledged as collateral	27	5,760,773	-	-	5,760,773
Investment securities	26(b)&(c)	44,482,386	-	-	44,482,386
		59,397,357	1,018,912	-	60,416,269
LIABILITIES					
Trading liabilities	23(b)	6,255,933	-	-	6,255,933
Derivative liabilities held for risk management	24	-	770,201	-	770,201
		6,255,933	770,201	-	7,026,134

There were no instruments measured at level 3 of the fair value hierachy and as such no table to show a reconciliation from the beginning balance to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

Notes to the consolidated and separate financial statements

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 2017

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
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)(d)	-	77,690,362	-	77,690,362	75,424,801
Other financial assets	33(a)(c)	-	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)	-	61,148,432	-	61,148,432	61,148,432

31 DECEMBER 2016

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	21	-	108,104,632	-	108,104,632	108,104,632
Restricted reserve deposits	22	-	139,460,914	-	139,460,914	139,460,914
Loans and advances to customers	25	-	635,420,659	-	635,420,659	659,937,237
Assets pledged as collateral	27	-	45,209,533	-	45,209,533	53,346,359
Investment securities	26(a)(d)	-	70,585,562	-	70,585,562	83,959,290
Other financial assets (net)	33(a)(c)	-	22,344,109	-	22,344,109	22,344,109
LIABILITIES						
Deposits from banks	34	-	24,798,296	-	24,798,296	24,798,296
Deposits from customers	35	-	703,914,393	-	703,914,393	657,609,807
Borrowings	36	-	113,371,317	-	113,371,317	132,094,368
On-lending facilities	37	-	30,788,571	-	30,788,571	42,199,380
Debt securities issued	38	-	49,112,859	-	49,112,859	54,481,989
Other financial liabilities	41(a)		69,056,110		69,056,110	69,056,110

Loans and advances to customers are net of charges for impairment. 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 N4.51billion (31 December 2016:N4.52billion) that are measured at cost because their fair value cannot be determined reliably.

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

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

(e) Income Taxes
The Group is subject to income taxes in 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.

(f) Deferred tax
The Group recognizes 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.

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

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

- Prudential Provisions 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 cummulative 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 2017

In thousands of Naira	Note	31 DEC 2017
Loans & advances:		
Specific impairment allowances on loans to customers	25(c)(i)	13,851,535
Collective impairment allowances on loans to customers	25(c)(ii)	9,802,016
Total impairment allowances on loans		**23,653,551**
Other financial assets:		
Specific impairment allowances on other assets	33(c)	15,953,915
Operational risk provision	41	4,828,936
Total impairment allowances on other financial assets		**20,782,851**
Total impairment allowances by the Banking subsidiary (a)		**44,436,402**
Total regulatory impairment based on prudential gudielines (b)		**57,850,000**
Required balance in regulatory risk reserves (c = b - a)		**13,413,598**
Balance, 1 January 2017		**6,278,522**
Reversal during the year		**7,135,076**
Balance, 31 December 2017		**13,413,598**

Prudential adjustments for the year ended 31 December 2016

In thousands of Naira	Note	31 Dec 2016
Loans & advances:		
Specific impairment allowances on loans to customers	25(c)(i)	2,149,433
Collective impairment allowances on loans to customers	25(c)(ii)	13,389,713
Total impairment allowances on loans		**15,539,146**
Other financial assets:		
Specific impairment allowances on unquoted equity securities	26(e)	957,414
Specific impairment allowances on other assets	33(c)	14,933,818
Operational risk provision	41	1,816,731
Total impairment allowances on other financial assets		**17,707,963**
Total impairment allowances by the Banking subsidiary (a)		**33,247,109**
Total regulatory impairment based on prudential gudielines (b)		**39,525,631**
Required balance in regulatory risk reserves (c = b - a)		**6,278,522**
Balance, 1 January 2016		**11,572,539**
Reversal during the year		**(5,294,017)**
Balance, 31 December 2016		**6,278,522**

Notes to the consolidated and separate financial statements

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 porfolios 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 N2.5billion.

Commercial Banking - provides banking services to Small and Medium Enterprises (SME) and commercial registered businesses with an annual turnover between N2.5billion and N5billion.

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 N5billion.

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 Group 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 2017

In thousands of Naira	Investment Banking	Asset Management	SME Banking	Commercial Banking	Corporate Banking	Personal Banking	Institutional Banking	Treasury & Financial Markets	TOTAL
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 income	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 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 /(loss) before income tax	2,039,306	250,075	324,853	(1,639,324)	(71,832)	9,064,945	(592,239)	2,086,608	**11,462,392**
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**

31 DECEMBER 2016

In thousands of Naira	Investment Banking	Asset Management	SME Banking	Commercial Banking	Corporate Banking	Personal Banking	Institutional Banking	Treasury & Financial Markets	TOTAL
External revenues:									
Net interest income	1,768,805	-	16,424,937	2,203,306	12,795,719	31,008,238	4,067,700	1,264,803	69,533,508
Net fee and commission income	1,173,349	-	4,029,456	443,642	2,211,244	4,686,710	473,069	1,163,917	14,181,387
Net trading income	(7,305)	-	-	-	-	-	-	5,694,352	5,687,047
Net loss from other financial instruments at FVTPL	-	-	-	-	-	-	-	21,635	21,635
Other revenue	3,043,320	-	355,476	52,349	670,646	3,931,004	64,733	19,733,289	27,850,817
Inter-segment revenue	-	-	779,737	70,769	(1,336,677)	680,659	253,250	(447,738)	-
Total segment revenue	5,978,169	-	21,589,606	2,770,066	14,340,932	40,306,611	4,858,752	27,430,258	117,274,394
Other material non-cash items:									
Impairment losses on financial assets	211,074	-	(1,207,433)	(1,462,286)	(25,856,270)	63,865,219	(28,233)	-	35,522,071
Depreciation and amortisation expenses	127,010	-	1,337,147	172,758	458,534	1,856,283	380,481	141,858	4,474,071
Reportable segment profit before income tax	2,513,587	-	1,320,761	(1,242,231)	(19,003,278)	7,426,540	(856,691)	26,092,709	16,251,397
Reportable segment assets	26,362,178	-	77,953,543	19,347,090	427,380,962	141,768,399	6,623,466	282,088,356	981,523,994
Reportable segment liabilities	10,330,377	-	248,590,963	32,826,943	172,775,832	284,676,847	62,044,524	172,690,397	983,935,883

(ii) **Reconciliations of reportable segments revenues, profit or loss and assets and liabilities**

Notes to the consolidated and separate financial statements

In thousands of Naira	GROUP 31 DEC 2017	GROUP 31 DEC 2016
Revenues		
Total revenue for reportable segments	**102,642,526**	117,274,394
Unallocated amounts	**-**	-
Elimination of inter-segment revenue	**-**	-
Total revenue	**102,642,526**	117,274,394
Profit or loss		
Total profit or loss for reportable segments	**11,235,543**	16,251,397
Unallocated amounts	**-**	-
Profit before income tax	**11,235,543**	16,251,397

	GROUP 31 DEC 2017	GROUP 31 DEC 2016
Assets		
Total assets for reportable segments	**1,019,983,900**	981,523,994
Other unallocated amounts	**166,195,255**	191,254,084
Total assets	**1,186,179,155**	1,172,778,078
Liabilities		
Total liabilities for reportable segments	**966,335,046**	983,935,883
Other unallocated amounts	**30,876,479**	9,969,201
Total liabilities	**997,211,525**	993,905,084

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 2017 is as follows**

In thousands of Naira	NIGERIA	EUROPE	TOTAL
External 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

(iv) **The Geographical information result for 31 December 2016 is as follows**

In thousands of Naira	NIGERIA	EUROPE	TOTAL
External revenues	115,989,648	1,284,746	117,274,394
Non-current assets (see note 6 (v) below)	49,792,824	134,922	49,927,746

(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 (mirco-lending) business performance. The group lending business recorded profit of N306.78million for the year ended 31 December 2017, and customer loans and advances of N1.19billion and deposit from customer of N582.44million as at 31 December 2017.

Notes to the consolidated and separate financial statements

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:

GROUP

31 DECEMBER 2017

In thousands of Naira	Note	Trading assets / liabilities	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	103,888,007	-		103,888,007	103,888,007
Non-pledged trading assets	23(a)	23,936,031	-	-	-	-	-	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	642,925,828
Assets pledged as collateral	27	-	-	61,330,157	-	-	-	61,330,157	76,778,955
Investment securities	26	-	-	70,913,205	-	82,515,454	-	153,428,659	152,711,410
Other financial assets (net)	33(a)(c)	-	-	-	22,344,109	-	-	22,344,109	22,344,109
		23,936,031	**-**	**132,243,362**	**776,028,842**	**82,515,454**	**-**	**1,014,723,689**	**1,022,584,340**
Trading liabilities	23(b)	21,616,660	-	-	-	-	-	21,616,660	21,616,660
Derivative liabilities held for risk management	24	-	-	-	-	-	-	-	-
Deposits from banks	34	-	-	-	-	-	6,355,389	6,355,389	6,355,389
Deposits from customers	35	-	-	-	-	-	689,860,640	689,860,640	669,845,963
Borrowings	36	-	-	-	-	-	109,434,970	109,434,970	121,970,195
On-lending facilities	37	-	-	-	-	-	42,534,316	42,534,316	59,980,946
Debt securities issued	38	-	-	-	-	-	54,691,520	54,691,520	61,920,982
Other financial liabilities	41(a)	-	-	-	-	-	61,148,432	61,148,432	61,148,432
		21,616,660	**-**	**-**	**-**	**-**	**964,025,267**	**985,641,927**	**1,002,838,567**

31 DECEMBER 2016

In thousands of Naira	Note	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	108,104,632	-	-	108,104,632	108,104,632
Non-pledged trading assets	23(a)	9,154,198	-	-	-	-	-	9,154,198	9,154,198
Derivative assets held	24	-	1,018,912	-	-	-	-	1,018,912	1,018,912
Loans and advances to customers	25	-	-	-	659,937,237	-	-	659,937,237	635,420,659
Assets pledged as collateral	27	-	-	53,346,359	-	5,760,773	-	59,107,132	47,188,357
Investment securities	26	-	-	78,868,832	-	49,572,844	-	128,441,676	115,067,948
Other financial assets (net)	33(a)(c)	-	-	-	11,470,338	-	-	11,470,338	11,470,338
		9,154,198	**1,018,912**	**132,215,191**	**779,512,207**	**55,333,617**	**-**	**977,234,125**	**927,425,044**
Trading liabilities	23(b)	6,255,933	-	-	-	-	-	6,255,933	6,255,933
Derivative liabilities held	24	-	770,201	-	-	-	-	770,201	770,201
Deposits from banks	34	-	-	-	-	-	24,798,296	24,798,296	24,798,296
Deposits from customers	35	-	-	-	-	-	657,609,807	657,609,807	703,914,393
Borrowings	36	-	-	-	-	-	132,094,368	132,094,368	113,371,317
On-lending facilities	37	-	-	-	-	-	42,199,380	42,199,380	30,788,571
Debt securities issued	38	-	-	-	-	-	54,481,989	54,481,989	49,112,859
Other financial liabilities	41(a)	-	-	-	-	-	69,056,110	69,056,110	69,056,110
		6,255,933	**770,201**	**-**	**-**	**-**	**980,239,950**	**987,266,084**	**998,067,680**

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

Investment securities - unquoted equity securities at cost

The above table includes N4.51billion (31 December 2016: N4.52billion) of equity investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is equal to the cost because their fair value cannot be reliably measured. The investments are neither redeemable nor transferable and there is no market for them.

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
8 Interest and discount income				
Cash and cash equivalents	**858,722**	737,089	**420,084**	311,792
Loans and advances to customers (see note (a))	**106,800,484**	101,352,180	**-**	-
Investments in government & corporate securities:				
– Available for sale	**9,133,477**	7,061,490	**64,492**	-
– Held for trading	**177,295**	145,197	**-**	-
– Held to maturity	**15,387,066**	15,813,079	**401,989**	163,682
	132,357,044	125,109,035	**886,565**	475,474

(a) Included in this amount is N3.14billion (2016: N2.44billion) interest income accrued on impaired loans and advances to customers.

(b) Included in the total interest income calculated using the effective interest method reported above that relate tofinancial assets not carried at fair value through profit or loss is N132.18billion (2016: N124.96billion)

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
9 Interest expense				
Deposits from banks	**3,464,702**	3,511,872	**-**	-
Deposits from customers	**39,155,220**	31,049,656	**-**	-
	42,619,922	34,561,528	**-**	-
Borrowings	**9,146,704**	12,517,031	**-**	-
Debt securities issued	**8,299,147**	7,429,899	**-**	-
Onlending facitilies	**1,766,136**	1,067,069	**-**	-
	61,831,909	55,575,527	**-**	-

(a) There is no negative interest on government securities and consequently, no interest expense on same.

(b) Total interest expense, calculated using the effective interest rate method reported above does not include interest expense on financial liabilities carried at fair value through profit or loss.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
10 Net impairment loss on assets				
(a) Loans and advances to customers				
Specific impairment charge (see note 25 (c (i)))	**24,049,911**	10,628,404	**-**	-
Collective impairment charge (see note 25 (c (ii)))	**1,355,446**	24,365,162	**-**	-
Recoveries on loans previously written off	**(4,094,840)**	(3,184,432)	**-**	-
	21,310,516	31,809,134	**-**	-
(b) Other assets				
Impairment charge (see note 33(c))	**1,347,895**	3,607,348	**-**	-
	1,347,895	3,607,348	**-**	-
(c) Investment in unquoted securities avaliable for sale				
Impairment charge (see note 26(e))	**9,095**	-	**-**	-
	9,095	-	**-**	-
(d) Investment in subsidiary/Goodwill				
Impairment charge (see note 31(b))	**-**	105,589	**-**	105,589
	-	105,589	**-**	105,589
	22,667,506	35,522,071	**-**	105,589

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
11 Net fee and commission income				
Credit related fees	**400,414**	339,148	**-**	-
Account Maintenance	**3,521,360**	2,734,141	**-**	-
Letters of credit commission	**986,338**	639,722	**-**	-
Asset Management Fees	**244,671**	-	**-**	-
Admininstration Fees	**9,000**	-		
Commission on off-balance sheet transactions	**434,837**	309,920	**-**	-
Cards & Service fees and commissions	**16,033,276**	13,660,508	**-**	-
Gross Fee and commission income	**21,629,896**	17,683,439	**-**	-
Card and cheque books recoverable expenses	**(4,810,546)**	(3,009,230)	**-**	-
Other banks charges	**(596,991)**	(492,822)	**(13)**	(66)
Fee and commission expense	**(5,407,537)**	(3,502,052)	**(13)**	(66)
Net fee and commission income	**16,222,359**	14,181,387	**(13)**	(66)

The fees and commission income reported above exclude amount included in determining effective interest rates on assets or liabilities that are not carried at fair value through profit or loss.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
12 Net trading income				
Foreign exchange trading income	**994,485**	4,853,488	**594,366**	-
Bonds trading income	**149,659**	159,519	**-**	-
Treasury bills trading income	**1,226,515**	676,846	**-**	-
Options & Equities trading income /(loss)	**28,257**	(2,806)	**-**	-
	2,398,916	5,687,047	**594,366**	-
13 Net income from financial instruments measured at fair value through profit or loss				
Net income arising on:				
Fair value gain on derivative financial instruments held for risk management	**111,891**	21,635	**-**	-
	111,891	21,635	**-**	-
14 Other income				
Dividends on equity investment securities in the subsidiaries (see note (a) below)	**-**	-	**793,045**	2,130,271
Dividends on unquoted equity securities at cost (see note (b) below)	**567,166**	448,538	**-**	121,924
Foreign exchange gains (see note (c) below)	**8,722,791**	29,310,033	**208,384**	1,883,509
Gain/(Loss) on disposal of investment securities	**19,357**	(769,929)	**-**	42,387
Loss on previously held equity interest in associate company	**(106,569)**	-	**-**	-
Gain /(loss) on sale of property and equipment (see note (d) below)	**1,040,777**	(1,408,352)	**46**	570
Other income (see note (e) below)	**3,140,703**	270,527	**46,993**	-
	13,384,225	27,850,817	**1,048,468**	4,178,661

(a) The amount of N793.04million in the Company represents N121.92million and N564.63million from Legacy Pension Managers Limited declared in respect of years ended 31 December 2016 and 31 December 2017 and N106.50million received from CSL Trustees Limited in respect of the year ended 31 December 2016.

(b) This amount N567.17million (31 December 2016 : N448.54million) represents dividend income received from unquoted equity investments held by the Group.

(c) This amount represents foreign exchange revaluation gain due to adoption of NIFEX rate of N331.16/$ (2016: N305/$) during the year ended.

(d) This amount includes N1.21billion gain on disposal of property located at Akin Adesola Street, Victoria Island, Lagos.

(e) Other income comprises:

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Rental income	**1,510,594**	264,901	**42,584**	-
Recoveries (see note (f) below)	**1,630,109**	5,626	**4,409**	-
	3,140,703	270,527	**46,993**	-

(f) Recoveries of N1.63billion represent amount recovered from previously written off receivables.

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
15 Personnel expenses				
Wages and salaries	**18,466,696**	21,244,177	**183,464**	198,053
Contributions to defined contribution plans (see note 39)	**511,685**	591,777	**4,576**	5,786
Non-payroll staff cost	**4,453,923**	2,968,447	**77,016**	14,328
	23,432,304	24,804,401	**265,056**	218,167

Non-payroll staff cost includes medical expenses, club subscriptions and other related expenses not paid to staff.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
16 Depreciation and amortisation expenses				
Amortisation of intangibles (see note 31)	**1,133,244**	577,724	**883**	963
Depreciation of property and equipment (see note 30)	**4,126,468**	3,896,347	**21,130**	23,399
	5,259,712	4,474,071	**22,013**	24,362

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
17 General and administrative expenses				
Communication, stationery and postage	**1,739,418**	2,011,650	**3,952**	4,743
Business travel expenses	**1,007,878**	1,169,406	**14,189**	4,627
Advert, promotion and corporate gifts	**2,114,164**	2,413,082	**5,007**	4,922
Business premises and equipment costs	**4,691,071**	4,237,677	**15,932**	18,974
Directors' emoluments and expenses	**937,948**	878,439	**269,907**	195,833
IT expenses	**3,689,089**	3,111,686	**7,506**	7,175
Contract Services and training expenses	**5,087,998**	5,389,460	**2,815**	2,538
Vehicles maintenance expenses	**1,485,953**	1,514,810	**2,096**	2,968
Security expenses	**2,160,268**	2,075,089	**-**	-
Auditors' remuneration	**372,835**	324,634	**36,300**	33,000
Professional charges	**2,784,799**	2,528,131	**65,875**	87,189
	26,071,421	25,654,064	**423,579**	361,969
18 Other operating expenses				
NDIC Insurance Premium & other insurances	**3,691,523**	3,715,973	**4,271**	5,188
AMCON Levy (see note (a) below)	**5,655,757**	5,620,300	**-**	-
Others (see note (b) below)	**4,628,760**	1,504,866	**274,248**	189,184
	13,976,040	10,841,139	**278,519**	194,372

(a) The amount of levy payable for each year is based on 0.5% of the Banking subsidiary's total assets held at the last reporting date (31 December). The levy amount to N5.66billion (31 December 2016: N5.62billion) and is presented in other expenses in the statement of profit or loss.

(b) Others comprises:	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
AGM, meetings and shareholders expenses	**362,467**	306,386	**215,673**	163,667
Donation and sponsorship expenses	**395,360**	169,018	**-**	-
Entertainment expenses	**344,467**	333,065	**7,047**	7,062
Fraud and forgery expense	**6,399**	16,411	**-**	-
Rental expenses	**201,695**	182,601	**17,893**	9,703
Regulatory charges	**6,523**	8,641	**6,523**	8,641
Other accounts written off	**94,948**	123,146	**212**	111
PENCOM Recovery Agent Fee	**1,942**	-	**-**	-
Pension Protection Fund Expenses	**59,960**	-	**-**	-
Provision for litigation	**2,782,729**	276,838	**121**	-
Industrial training fund levy	**188,263**	-	**5,314**	-
Nigeria Social Insurance Trust Fund expenses	**155,745**	-	**1,465**	-
Penalties (see Note 49)	**28,262**	88,760	**20,000**	-
	4,628,760	1,504,866	**274,248**	189,184

Notes to the consolidated and separate financial statements
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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
19 Earnings per share				
Basic and diluted earnings per share				
Profit attributable to equity holders	**9,410,204**	14,338,882	**1,524,886**	3,730,260
Weighted average number of ordinary shares in issue	**19,802,710**	19,802,710	**19,802,710**	19,802,710
	0.48	0.72	**0.08**	0.19

The Group does not have dilutive potential ordinary shares as at 31 December 2017 (31 December 2016: nil).

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
20 Tax expense				
(i) **Current tax expense:**				
Minimum tax (see note 20(iv))	**996,366**	988,364	**-**	-
National Information Technology Development Agency (NITDA) levy (see Note 20(v))	**131,229**	159,471	**10,573**	19,351
Tertiary education tax (see note 20(v))	**107,402**	35,014	**4,760**	-
Capital gain tax (see note 20(v))	**89,519**	-	**-**	-
Corporate income tax (see note 20(v))	**1,055,148**	539,435	**-**	-
(ii) **Deferred tax expense:**				
Origination of temporary differences (see note 32(b))	**(327,476)**	190,231	**-**	-
Income tax expense	**1,055,822**	924,151	**15,333**	19,351
Total tax expense	**2,052,188**	1,912,515	**15,333**	19,351

(iii) **Reconciliation of effective tax rate**

	GROUP 2017		COMPANY 2017	
Profit before tax		**11,462,392**		**1,540,219**
Income tax using the domestic corporation tax rate	**30.0%**	**3,438,718**	**30.0%**	**462,066**
National Information Technology Development Agency (NITDA) levy	**1.1%**	**131,229**	**0.7%**	**10,573**
Non-deductible expenses	**25.9%**	**2,973,616**	**0.9%**	**14,051**
Tax exempt income	**(99.7%)**	**(11,431,007)**	**(26.3%)**	**(404,493)**
Minimum tax	**8.7%**	**996,366**	**0.0%**	**-**
Unrecognised tax losses	**50.1%**	**5,746,345**	**(4.7%)**	**(71,624)**
Capital gain tax	**0.8%**	**89,519**	**0.0%**	**-**
Tertiary education tax	**0.9%**	**107,402**	**0.3%**	**4,760**
Total tax expense	**17.9%**	**2,052,188**	**1.0%**	**15,333**

	GROUP 2016		COMPANY 2016	
Profit before tax		15,978,648		3,749,611
Income tax using the domestic corporation tax rate	30.0%	4,793,594	30.0%	1,124,883
National Information Technology Development Agency (NITDA) levy	1.0%	159,471	0.5%	19,351
Non-deductible expenses	90.1%	14,398,317	0.0%	-
Tax exempt income	(95.9%)	(15,325,815)	(15.1%)	(567,722)
Minimum tax	6.2%	988,364	0.0%	-
Unrecognised tax losses	(19.4%)	(3,101,416)	(14.9%)	(557,161)
Total tax expense	12.0%	1,912,515	0.5%	19,351

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(iv) The Banking subsidiary was assessed based on the minimum tax legislation for the year ended 31 December 2017 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 15A 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 2017, the Banking subsidiary was not liable to excess dividend tax (31 December 2016: Nil).

The Group utilized the services of the following tax consultants during the year under review:

NAME OF PROFESSIONAL	FRC_NUMBER
Pedabo Associates Ltd.	FRC/2013/ICAN/00000000908

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(v) **Current income tax liability**				
Beginning of the year	**2,859,562**	3,497,954	**44,582**	25,231
Tax paid	**(410,944)**	(1,935,705)	**-**	-
Tax refund (see note (a) below)	**(968,119)**	(424,971)	**-**	-
Minimum tax	**996,366**	988,364	**-**	-
Capital gain tax	**89,519**	-	**-**	-
National Information Technology Development Agency (NITDA) levy	**131,229**	159,471	**10,573**	19,351
Tertiary education tax	**107,402**	35,014	**4,760**	-
Income tax expense	**1,055,148**	539,435	**-**	-
	3,860,163	2,859,562	**59,915**	44,582
Current	**3,860,163**	2,859,562	**59,915**	44,582
Non-current	**-**	-	**-**	-
	3,860,163	2,859,562	**59,915**	44,582

(a) Amount represents arrears of withholding tax credit notes utilized 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.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
21 **Cash and cash equivalents**				
Cash	**27,454,048**	27,925,361	**-**	-
Current balances within Nigeria	**1,860,535**	4,152,938	**146,366**	202,180
Current balances outside Nigeria (see (b) below)	**43,934,323**	53,217,994	**-**	-
Placements with local banks	**10,617,721**	6,629,419	**-**	5,615,574
Placements with foreign banks	**9,319,904**	10,309,203	**-**	-
Unrestricted balances with Central banks	**10,701,476**	5,869,717	**-**	-
	103,888,007	108,104,632	**146,366**	5,817,754
Current	**103,888,007**	108,104,632	**146,366**	5,817,754
Non-current	**-**	-	**-**	-
	103,888,007	108,104,632	**146,366**	5,817,754

(a) 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.

(b) Balance with banks outside Nigeria include N16.78billion (Dec 2016: N22.62billion) 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).

(c) Placements with local banks includes N7.50billion (31 December 2016: N5.00billion) which represents overnight placements with Central Bank of Nigeria.

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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
22 Restricted reserve deposits				
Restricted mandatory reserve deposits with central banks	**109,638,559**	139,460,914	**-**	-
	109,638,559	139,460,914	**-**	-
Current	**-**	-	**-**	-
Non-current	**109,638,559**	139,460,914	**-**	-
	109,638,559	139,460,914	**-**	-

(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. During the year, the CBN granted the Banking subsidiary a temporary Cash Reserve Ratio (CRR) relief of N73billion refundable in January 2018.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
23(a) Trading assets				
Federal Government of Nigeria Bonds - listed	**2,020,117**	990,508	**-**	-
Treasury bills - listed	**21,888,330**	8,053,007	**-**	-
Equity securities	**27,584**	110,683	**-**	-
	23,936,031	9,154,198	**-**	-
Current	**23,936,031**	9,154,198	**-**	-
Non-current	**-**	-	**-**	-
	23,936,031	9,154,198	**-**	-
(b) Trading liabilities				
Short sold positions - Federal Government of Nigeria Bonds	**3,303,109**	1,872,112	**-**	-
Short sold positions - Treasury bills	**18,313,551**	4,383,821	**-**	-
	21,616,660	6,255,933	**-**	-
Current	**21,616,660**	6,255,933	**-**	-
Non-current	**-**	-	**-**	-
	21,616,660	6,255,933	**-**	-

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
24 Derivative assets and liabilities held for risk management				
Instrument type				
Assets: - options	**-**	984,230	**-**	-
- interest rate swap	**-**	34,682	**-**	-
	-	1,018,912	**-**	-
Current	**-**	34,682	**-**	-
Non-current	**-**	984,230	**-**	-
	-	1,018,912	**-**	-
Liabilities - options	**-**	733,486	**-**	-
- interest rate swap	**-**	36,715	**-**	-
	-	770,201	**-**	-
Current	**-**	36,715	**-**	-
Non-current	**-**	733,486	**-**	-
	-	770,201	**-**	-

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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
25 Loans and advances to customers				
(a) Overdrafts	**40,791,972**	46,942,569	**-**	-
Term loans	**589,991,932**	579,093,065	**-**	-
On-lending facilities	**25,645,164**	35,905,342	**-**	-
Advances under finance lease	**18,672,757**	18,542,085	**-**	-
Gross loans and advances	**675,101,825**	680,483,061	**-**	-
Less allowance for impairment	**(25,305,099)**	(20,545,824)	**-**	-
	649,796,726	659,937,237	**-**	-
Current	**158,344,868**	355,211,185	**-**	-
Non-current	**491,451,858**	304,726,052	**-**	-
	649,796,726	659,937,237	**-**	-

Group	Gross amount 2017	Impairment allowance 2017	Carrying Amount 2017	Gross amount 2016	Impairment allowance 2016	Carrying Amount 2016
Retail customers:						
Mortgage lending	**2,446,497**	**(63,370)**	**2,383,127**	2,309,871	(50,082)	2,259,789
Personal loans	**88,837,096**	**(1,886,261)**	**86,950,835**	118,549,418	(7,165,024)	111,384,394
Credit cards	**3,736,278**	**(86,613)**	**3,649,665**	3,296,269	(189,268)	3,107,001
Corporate customers:						
Finance leases	**18,672,757**	**(394,858)**	**18,277,899**	18,542,085	(640,502)	17,901,583
Other secured lending	**561,409,197**	**(22,873,997)**	**538,535,200**	537,785,418	(12,500,948)	525,284,470
	675,101,825	**(25,305,099)**	**649,796,726**	680,483,061	(20,545,824)	659,937,237

Retail customers represents loans availed to individuals, unregistered small and medium scale businesses and all other unstructured business ventures; while Corporate customers represents loans availed to corporate bodies and government agencies.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(b) Finance lease				
Loan and advances to customer at amortised cost include the following finance lease:				
Gross investment:				
Less than one year	**6,021,839**	6,600,748	**-**	-
Between one and five years	**17,477,878**	16,844,892	**-**	-
More than five years	**3,377,909**	3,151,694	**-**	-
	26,877,626	26,597,334	**-**	-
Unearned finance income	**(8,204,869)**	(8,055,249)	**-**	-
Net investment in finance leases	**18,672,757**	18,542,085	**-**	-
Less impairment allowance	**(394,858)**	(640,502)	**-**	-
	18,277,899	17,901,583	**-**	-
Net investment in finance leases				
Net investment in finance leases, receivables:				
Less than one year	**4,919,672**	5,432,213	**-**	-
Between one and five years	**11,825,294**	11,294,752	**-**	-
More than five years	**1,927,791**	1,815,120	**-**	-
	18,672,757	18,542,085	**-**	-

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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(c) Movement in allowances for impairment				
(i) Specific allowances for impairment				
Balance at 1 January	**6,524,600**	11,488,991	**-**	-
Impairment loss for the year:				
Charge for the year (See Note 10(a))	**24,049,911**	10,628,404	**-**	-
Write offs	**(15,270,557)**	(15,592,795)	**-**	-
	15,303,954	6,524,600	**-**	-
(ii) Collective allowances for impairment				
Balance at 1 January	**14,021,224**	6,613,293	**-**	-
Impairment loss for the year:				
Charge for the year (See Note 10(a))	**1,355,446**	24,365,162	**-**	-
Write offs	**(5,375,523)**	(16,957,231)	**-**	-
	10,001,146	14,021,224	**-**	-
	25,305,099	20,545,824	**-**	-
(d) Classification of loans by security type				
Secured against real estate	**113,768,273**	80,635,724	**-**	-
Secured by shares of quoted companies	**1,472,875**	1,702,798	**-**	-
Cash Collateral, lien over fixed and floating assets	**399,741,750**	380,513,407	**-**	-
Otherwise secured	**10,194,194**	64,026,625	**-**	-
Unsecured	**149,924,733**	153,604,507	**-**	-
	675,101,825	680,483,061	**-**	-

(e) 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.

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
26 Investment securities				
Held-to-maturity (see note (a) below)	**70,913,205**	78,868,832	**2,647,592**	2,701,510
Available-for-sale (see note (b) below)	**82,515,454**	49,572,844	**2,461,548**	2,142,690
	153,428,659	128,441,676	**5,109,140**	4,844,200
Current	**91,326,490**	43,008,043	**-**	-
Non-current	**62,102,169**	85,433,633	**5,109,140**	4,844,200
	153,428,659	128,441,676	**5,109,140**	4,844,200
(a) Held-to-maturity investment securities				
Federal Government of Nigeria (FGN) Bonds - listed	**57,501,141**	55,359,897	**-**	-
State Government Bonds - unlisted	**8,771,927**	13,879,150	**-**	-
Treasury Bills	**1,557,658**	-	**-**	-
Corporate bonds - unlisted	**3,082,479**	9,629,785	**2,647,592**	2,701,510
	70,913,205	78,868,832	**2,647,592**	2,701,510
(b) Available-for-sale investment securities				
Federal Government of Nigeria (FGN) Bonds - listed	**5,017,650**	748,606	**-**	-
Federal Government of Nigeria (FGN) Sukuk Bonds	**2,094,185**	-	**-**	-
Treasury bills - listed	**69,102,166**	42,506,502	**-**	-
Equity securities measured at fair value (see note (c) below) - listed / unlisted	**901,232**	1,227,278	**-**	-
Unquoted equity securities measured at cost (see note (d)) - unlisted	**4,511,596**	4,520,691	**1,572,923**	1,572,923
Unclaimed dividend investment fund- (see note (f))	**888,625**	569,767	**888,625**	569,767
	82,515,454	49,572,844	**2,461,548**	2,142,690

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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(c) Equity securities measured at fair value under available-for-sale investments				
DAAR Communications Underwriting	**37,277**	37,277	**-**	-
Unity Bank Plc	**593**	615	**-**	-
UTC Nigeria Plc	**11**	11	**-**	-
Central Securities Clearing System	**25,025**	19,250	**-**	-
Financial Derivative Ltd	**10,000**	10,000	**-**	-
Industrial and General Insurance Plc	**3,267**	4,901	**-**	-
Food Concepts Limited	**1,890**	1,890	**-**	-
Zenith Bank Plc	**-**	359,617	**-**	-
Legacy Short Maturity Fund	**38,819**	33,366	**-**	-
Legacy Equity Fund	**70,000**	46,000	**-**	-
Standard Alliance Co Plc	**714,350**	714,350	**-**	-
	901,232	1,227,278	**-**	-

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(d) Unquoted equity securities at cost under available-for-sale investments (see note (g) below)				
Credit Reference Company Limited	**61,111**	61,111	**-**	-
Nigeria Inter-bank Settlement System Plc	**102,970**	102,970	**-**	-
Africa Finance Corporation	**2,558,388**	2,558,388	**-**	-
Private Equity Funds	**1,572,923**	1,572,923	**1,572,923**	1,572,923
SME Investments	**-**	727,454	**-**	-
Africa Export-Import Bank, Cario	**144,805**	144,805	**-**	-
Express Discount House	**-**	64,415	**-**	-
Smartcard Nigeria Plc	**22,804**	22,804	**-**	-
ATSC Investment	**-**	50,000	**-**	-
Currency Sorting Co	**-**	24,640	**-**	-
IMB Energy Master Fund	**-**	100,000	**-**	-
FMDQ (OTC) Plc	**30,000**	30,000	**-**	-
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	**18,595**	18,595	**-**	-
	4,511,596	5,478,105	**1,572,923**	1,572,923
Specific impairment for equities (note (e) below)	**-**	(957,414)	**-**	-
Carrying amount	**4,511,596**	4,520,691	**1,572,923**	1,572,923

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(e) **Specific allowances for impairment against unquoted equity securities at cost under available-for-sale investments**				
Balance at 1 January	**957,414**	1,299,914	**-**	-
Charge for the year (See note 10(c))	**9,095**	-	**-**	-
Write off during the year	**(966,509)**	(342,500)	**-**	-
Balance at 31 December	**-**	957,414	**-**	-

(f) In line with the Security and Exchange Commission (SEC) rule, CardinalStone Registrars Limited (Registrars to the Holding Company) had transferred a total of N685.66m as the end of the year (2016: N496.95m) which represented 90% of the total unclaimed dividend under their custody to the Company. The Company earned an income of N130.16M (2016: N56.62m) within the year from the investment of the unclaimed dividend.

(g) The available-for-sale investments unquoted equity were measured at cost because the fair value could not be reliably measured.

(h) Movement in investment securities

The movement in investment securities for the Group may be summarised as follows:

In thousands of Naira

GROUP

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2017	5,090,458	78,868,832	43,255,108	1,227,278	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 profit or loss	-	-	-	-	-
Gains from changes in fair value recognised in other comprehensive income	-	-	1,206,272	49,258	1,255,530
Item reclassified subsequently to profit or loss due to disposal	-	-	-	-	-
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	5,400,221	70,913,205	76,214,001	901,232	153,428,659

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2016	5,809,936	86,518,754	40,027,381	2,954,076	135,310,147
Exchange differences	-	(1,474,304)	-	-	(1,474,304)
Additions	298,534	22,301,096	51,213,124	14,213	73,826,967
Disposals	(1,360,512)	(28,600,918)	(46,282,368)	(1,740,374)	(77,984,172)
Gains from changes in fair value recognised in profit or loss	-	-	-	-	-
(Loss)/Gains from changes in fair value recognised in other comprehensive income	-	-	(1,703,029)	1,606,650	(96,379)
Item reclassified subsequently to profit or loss due to disposal	-	-	-	(1,607,287)	(1,607,287)
Impairment written off against unquoted equity securities at cost	342,500	-	-	-	342,500
Interest accrued	-	15,308,815	-	-	15,308,815
Coupon interest received	-	(15,184,611)	-	-	(15,184,611)
Balance at 31 December 2016	5,090,458	78,868,832	43,255,108	1,227,278	128,441,676

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The movement in investment securities for the Company may be summarised as follows:

COMPANY

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2017	2,142,690	2,701,510	-	-	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	2,461,548	2,647,592	-	-	5,109,140

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2016	1,844,155	169,466	-	-	2,013,621
Additions	298,535	2,442,000	-	-	2,740,535
Interest accrued	-	189,173	-	-	189,173
Coupon interest received	-	(99,129)	-	-	(99,129)
Balance at 31 December 2016	2,142,690	2,701,510	-	-	4,844,200

In thousands of Naira		GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
27	**Assets pledged as collateral**				
	The nature and carrying amounts of the non tradable financial assets pledged as collaterals are as follows:				
	Treasury Bills - listed:				
	– Available for sale	**2,442,100**	3,827,205	**-**	-
		2,442,100	3,827,205	**-**	-
	Federal Government of Nigeria (FGN) Bonds - listed:				
	– Available for sale	**-**	1,933,568	**-**	-
	– Held to maturity	**58,888,057**	53,346,359	**-**	-
		58,888,057	55,279,927	**-**	-
		61,330,157	59,107,132	**-**	-
	Current	**19,434,482**	11,734,482	**-**	-
	Non-current	**41,895,675**	47,372,650	**-**	-
		61,330,157	59,107,132	**-**	-

As at the year end, the Group held no collateral, which it was permitted to sell or repledge in the absence of default by the owner of the collateral (31 December 2016: nil).

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 collateralized. These represents pledged assets to these parties;

Counterparties	Reasons for pledged securities	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Nigeria Inter-bank Settlement Plc (NIBSS)	Cards, POS transactions settlements	**2,334,482**	2,184,482	**-**	-
Interswitch Nigeria Limited	Cards, POS transactions settlements	**292,382**	302,382	**-**	-
Federal Inland Revenue Service(FIRS)	Third parties collection transactions	**1,595,700**	2,554,895	**-**	-

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Central Bank of Nigeria (CBN)	Third parties clearing instruments / On-lending facilities to customers	**30,405,280**	19,547,680	**-**	-
Bank of Industry (BOI)	On-lending facilities to customers	**6,135,160**	15,135,160	**-**	-
System Specs / Remita	Remita Transfer Transactions	**354,300**	-	**-**	-
Standard Bank London	Borrowed funds repo transactions	**20,212,853**	17,382,533	**-**	-
Stanbic IBTC	Borrowed funds repo transactions	**-**	2,000,000	**-**	-
		61,330,157	59,107,132	**-**	-

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
28 Investment in Subsidiaries				
(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)	**-**	-	**100,000**	-
Legacy Pensions Managers Limited (see note (vi & c) below)	**-**	-	**7,353,930**	-
	-	-	**126,390,033**	118,936,103
Specific allowances for impairment	**-**	-	**(795,331)**	(795,331)
Carrying amount	**-**	-	**125,594,702**	118,140,772
Current	**-**	-	**-**	-
Non-current	**-**	-	**125,594,702**	118,140,772
	-	-	**125,594,702**	118,140,772

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Specific allowances for impairment				
Balance at 1 January	**-**	-	**795,331**	689,742
Charge for the year	**-**	-	**-**	105,589
Balance at 31 December	**-**	-	**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:

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%	31-Dec-2017
(2) FCMB Capital Markets Limited (see Note (ii) below)	Nigeria	Capital Market	100%	31-Dec-2017
(3) CSL Stockbrokers Limited (CSLS) (see Note (iii) below)	Nigeria	Stockbroking	100%	31-Dec-2017
(4) CSL Trustees Limited (see Note (iv) below)	Nigeria	Trusteeship	100%	31-Dec-2017
(5) FCMB Microfinance Bank Limited (see Note (v) below)	Nigeria	Micro-lending	100%	31-Dec-2017
(6) Legacy Pensions Manager Limited (see Note (vi) below)	Nigeria	Pension Fund Administrator	88.22%	31-Dec-2017

(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.

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(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 N180m in CSL Trustees Limiited in September 2015 in order to recapitalise the business in line with the new SEC minimum capitalisation policy of N300m 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 88.22% equity holding in Legacy Pension Managers 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. Legacy Pension Managers 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% equity holding in November 2017 thereby raising the total equity holding to 88.22%. (see note 29 (c))

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

(c) **Movement in investment in Legacy Pension Managers Limited**

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Transferred from equity accounted investee (see Note 29 (a))	**-**	-	**418,577**	-
Acquisition of additional 60% equity interest (see note 31 (c))	**-**	-	**6,935,353**	-
	-	-	**7,353,930**	-

(d) **Summarised financial information of the Group's subsidiaries are as follows:**

	Assets	Liabilities	Net assets	Revenues	Profit before tax
First City Monument Bank Limited (Banking Group)	1,168,998,132	996,532,656	172,465,476	160,561,521	9,551,508
FCMB Capital Markets Limited	1,517,195	302,220	1,214,975	550,530	53,884
CSL Stockbrokers Limited (CSLS)	4,045,629	1,277,034	2,768,595	1,525,519	629,670
CSL Trustees Limited	2,490,207	1,967,102	523,105	299,777	184,485
FCMB Microfinance Bank Limited	161,380	71,835	89,545	43,802	(15,532)
Legacy Pensions Manager Limited	3,857,317	781,761	3,075,556	278,600	65,590

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
29 Investment in associates				
(a) Investment in associate company:				
Balance at 1 January	**846,512**	731,964	**418,577**	418,577
Previously unrecognised reserve	**-**	(36,277)	**-**	-
Share of profit transfer out of reserve	**226,849**	272,749	**-**	-
Dividends paid	**(121,924)**	(121,924)	**-**	-
Transfer to subsidiary	**(951,437)**	-	**(418,577)**	-
Balance at 31 December	**-**	846,512	**-**	418,577
(b) Summarised financial information of the Group's principal associates are as follows:				
Assets	**-**	3,310,647	**-**	3,310,647
Liabilities	**-**	319,440	**-**	319,440
Net assets	**-**	2,991,208		2,991,208
Revenues	**-**	2,296,175	**-**	2,296,175
Profit	**-**	963,778	**-**	963,778

(c) The Group acquired additional 60% equity holding in Legacy Pension Managers Limited during the year and this resulted in a reclassification from Associate to a Subsidiary during the year. (see note 28(vi))

(d) The following table summarises the financial information of Legacy Pension Managers Limited as included in own financial statements at the date of acquisition

in thousand of naira	COMPANY 30 Nov 2017
Property and equipment	1,855,469
Intangible assets	36,456
Trade and other receivables	640,805
Investment securities	814,055
Prepayments	87,971

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Cash and cash equivalents	339,284
Total assets	**3,774,040**
Employee benefits	73,738
Deferred tax liability	76,091
Taxation payable	368,323
Trade and other payables	262,363
Total liabilities	**780,515**
Net Assets	**2,993,525**
Profit after tax	**803,769**

30 Property and equipment

GROUP

In thousands of Naira	Leasehold land	Buildings	Leasehold improvement	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost								
Balance at 1 January 2017	1,703,346	20,659,941	5,123,444	4,855,158	20,400,110	8,503,963	2,905,629	64,151,591
Additions during the year	1,330,394	692,870	681,136	488,963	2,245,380	375,257	849,504	6,663,504
Reclassifications	-	1,048,462	-	19,950	263,630	4,678	(1,336,720)	-
Transfer to intangible assets	-	-	-	-	-	-	(13,376)	(13,376)
Disposal during the year	-	(1,252,276)	-	(293,293)	(45,829)	(8,543)	-	(1,599,941)
Items written-off	-	-	-	-	-	-	(66)	(66)
Set off against cost (See Note (i) below)	(201,858)	-	-	-	-	-	-	(201,858)
Translation difference	-	-	1,897	955	1,958	98	-	4,908
Balance at reporting date	**2,831,882**	**21,148,997**	**5,806,477**	**5,071,733**	**22,865,249**	**8,875,453**	**2,404,971**	**69,004,762**
Accumulated depreciation								
Balance at 1 January 2017	125,933	3,152,371	3,529,558	3,657,281	13,665,367	7,737,855	-	31,868,365
Charge for the year (see note 16)	-	299,051	338,866	584,575	2,378,697	525,279	-	4,126,468
Eliminated on Disposal	-	(186,967)	(32,056)	(241,329)	17,693	176,025	-	(266,634)
Set off against cost (See Note (i) below)	(125,933)	-	-	-	-	-	-	(125,933)
Translation difference	-	-	63	55	127	78	-	323
Balance at reporting date	-	3,264,455	3,836,431	4,000,582	16,061,884	8,439,237	-	35,602,589
Carrying amounts:								
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
Balance at 31 December 2016	1,577,413	17,507,570	1,593,886	1,197,877	6,734,743	766,108	2,905,629	32,283,226

(i) During the year, the Group reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the lessors (state governments), will renew the lease upon expiration and that the substance of the lease is that the Group has ownership of the land, not a right to use the land for a predefined period. Consequently, the Group has discontinued depreciation of the leasehold land. The depreciation that would have been recognised had the assets been depreciated is N36.2million.

(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2016: nil).

(iii) There were no restrictions on title of any property and equipment.

(iv) There were no property and equipment pledged as security for liabilities.

(v) There were no contractual committments for the acquisition of property and equipment.

(vi) There were no impairment losses on any class of property and equipment during the year (31 December 2016: nil).

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for the year ended 31 December 2017

COMPANY

In thousands of Naira	Leasehold land	Buildings	Leasehold improvement	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost								
Balance at 1 January 2017	-	-	5,181	73,683	14,011	2,978	-	95,853
Additions during the year	-	-	-	-	-	357	-	357
Disposal during the year	-	-	-	(4,235)	-	-	-	(4,235)
Balance at reporting date	-	-	5,181	69,448	14,011	3,335	-	91,975
Accumulated depreciation								
Balance at 1 January 2017	-	-	1,677	27,342	5,471	1,895	-	36,385
Charge for the year (see note 16)	-	-	518	17,458	2,470	683	-	21,129
Eliminated on Disposal	-	-	-	(3,561)	-	-	-	(3,561)
Balance at reporting date	-	-	2,195	41,239	7,941	2,578	-	53,953
Carrying amounts:								
Balance at 31 December 2017	-	-	2,986	28,209	6,070	757	-	38,022
Balance at 31 December 2016	-	-	3,504	46,341	8,540	1,083	-	59,468

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Current	**-**	-	**-**	-
Non-current	**33,402,173**	32,283,226	**38,022**	59,468
	33,402,173	32,283,226	**38,022**	59,468

(i) During the year, the Group reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the lessors (state governments), will renew the lease upon expiration and that the substance of the lease is that the Group has ownership of the land, not a right to use the land for a predefined period. Consequently, the Group has discontinued depreciation of the leasehold lanc
(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2016: nil).
(iii) There were no restrictions on title of any property and equipment.
(iv) There were no property and equipment pledged as security for liabilities.
(v) There were no contractual committments for the acquisition of property and equipment.
(vi) There were no impairment losses on any class of property and equipment during the year (31 December 2016: nil).

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
31 Intangible assets				
(a) **Software**				
Cost				
Beginning of the year	**6,940,083**	5,491,892	**3,851**	3,851
Additions during the year	**329,067**	302,185	**-**	-
Work-in-porgress - additions during the year	**1,091,969**	927,242	**-**	-
Items written-off	**(110,617)**	-	**-**	-
Transfer from property and equipment (see note 29)	**13,376**	113,361	**-**	-
Translation difference for the year	**20,190**	105,403	**-**	-
End of the year	**8,284,068**	6,940,083	**3,851**	3,851
Amortisation				
Beginning of the year	**3,467,292**	2,828,681	**2,969**	2,006
Charge for the year (see note 16)	**1,133,244**	577,724	**883**	963
Translation difference for the year	**101,549**	60,887	**-**	-
End of the year	**4,702,085**	3,467,292	**3,851**	2,969
Carrying amount	**3,581,983**	3,472,791	**-**	882

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for the year ended 31 December 2017

(b) **Goodwill**

Beginning of the year	**6,199,739**	6,305,328	**-**	-
Acquired during the year (see note (f) below)	**5,139,238**	-	**-**	-
Impairment charge (see note (d) below)	**-**	(105,589)	**-**	-
At end of the year	**11,338,977**	6,199,739	**-**	-
	14,920,960	9,672,530	**-**	882
Current	**-**	-	**-**	-
Non-current	**14,920,960**	9,672,530	**-**	882
	14,920,960	9,672,530	**-**	882
The Goodwill is attributable to;				
FCMB Limited	**5,993,863**	5,993,863	**-**	-
Legacy Pension Managers Limited	**5,139,238**	-	**-**	-
CSL Stockbrokers Limited	**205,876**	205,876	**-**	-
	11,338,977	6,199,739	**-**	-

(c) Acquisition of Legacy Pension Managers Limited

Goodwill arising from the acquisition has been recognised as follows;

In thousands of naira	
Consideration transferred (cash) (see note 28 (c))	6,935,353
Pre-existing interest in Legacy Pension Managers Limited	844,868
Total Consideration	7,780,221
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of Legacy Pension	352,542
Identifiable net assets as at 30 November 2017 (see Note 29(d))	(2,993,525)
Goodwill	5,139,238

(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 (2016:N105.59m) because the recoverable amount of these CGUs were determined to be higher than the carrying amounts (see note (e)).

The key assumptions used in the calculation of value in use were as follows:

	Legacy Pension Limited		**CSL Stockbrokers Limited**		**FCMB Limited**	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31December 2017	31 December 2016
Discount rate (see note (e))	26.50%	-	26.50%	23.50%	16.16%	18.29%
Terminal growth rate	4.50%	-	3.00%	3.00%	3.93%	3.00%
Forecast profit before taxes (average of 3-5 years)	N4.039billion	-	N1.392billion	N907.8million	N19.03billion	N16.26billion

(e) For Legacy Pension Managers 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 2020 Naira bond issued in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect 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 to 2017.

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 (N8.558billion) of the investment in Legacy Pension Managers Limited exceeded its carrying amount (N7.353billion) by approximately N1.204billion. For CSL Stockbrokers Limited, the estimated recoverable amount (N2.843billion; 2016: N2.258billion) of the investment exceeded its carrying amount (N2.258billion; 2016: N1.923billion) by approximately N584million. The estimated recoverable amount (N279.4billion; 2016: N363billion) of the investment in FCMB Limited exceeded its carrying amount (N160billion; 2016: N151.6billion) by approximately N119.37billion.

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) The Group acquired additional 60% equity stake of Legacy Pension Managers Limited during year having acquired associate status in previous year (31 December 2016: 28.22%).

(g) There were no capitalised borrowing costs related to any acquisition or internal development of software during the year (31 December 2016: nil)

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In thousands of Naira

32 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets 2017	Liabilities 2017	Net 2017	Assets 2016	Liabilities 2016	Net 2016
Property and equipment	1,091,642	-	1,091,642	1,153,659	(62,017)	1,091,642
Defined benefits	(33,936)	-	(33,936)	(33,936)	23,698	(10,238)
Allowances for loan losses	2,220,251	(106,821)	2,113,430	2,330,958	(27,583)	2,303,375
Unrelieved loss carried forward	4,955,607	-	4,955,607	4,521,309	-	4,521,309
Net tax assets/ (liabilities)	8,233,563	(106,821)	8,126,743	7,971,990	(65,902)	7,906,088

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Deferred tax assets				
Current	**-**	-	**-**	-
Non-current	**8,233,563**	7,971,990	**-**	-
	8,233,563	7,971,990	**-**	-
Deferred tax liabilities				
Current	**-**	-	**-**	-
Non-current	**106,821**	65,902	**-**	-
	106,821	65,902	**-**	-

(b) Movements in temporary differences during the year ended 31 December 2017

GROUP	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive	Balance at 31 December 2017
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	-	8,233,563

Movements in temporary differences during the year ended 31 December 2016

GROUP	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive	Balance at 31 December 2016
Property and equipment	1,091,642	-	-	1,091,642
Defined benefits	157,779	(191,715)	-	(33,936)
Allowances for loan losses	2,327,073	-	-	2,327,073
Unrelieved loss carried forward	4,521,309	-	-	4,521,309
	8,097,803	(191,715)	-	7,906,088

Notes to the consolidated and separate financial statements
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In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(c) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Unrelieved losses	**9,480,312**	6,470,327	**-**	437,545
Allowance for loan losses and other losses	**1,152,356**	1,686,852	**-**	-
Property and equipment (unutilised capital allowance)	**3,860,939**	3,236,344	**-**	16,236
	14,493,607	11,393,524	**-**	453,782

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

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
33 Other assets				
(a) Other financial assets:				
E-settlement receivables	**16,907,651**	17,292,226	**-**	-
Margin call receivables	**3,812,632**	3,090,043	**-**	-
Agric SMEIS receivables	**552,232**	432,736	**-**	-
Related parties receivables	**1,635,903**	10,310	**-**	-
Insurance claims and fraud receivables	**1,519,875**	1,508,945	**-**	-
Deposits with the Court (note (d) below)	**9,149,072**	184,099	**-**	-
Accounts receivable- corporate and state bonds	**2,278,407**	1,717,511	**-**	-
Accounts receivable- others	**2,837,614**	2,563,317	**744,575**	2,080,271
	38,693,386	26,799,187	**744,575**	2,080,271
Less specific allowances for impairment (note (c) below)	**(16,349,277)**	(15,328,849)	**-**	-
	22,344,109	11,470,338	**744,575**	2,080,271
(b) Other non-financial assets:				
Prepayments	**4,625,840**	4,808,149	**4,000**	4,261
Consumables	**634,371**	500,632	**-**	-
	5,260,211	5,308,781	**4,000**	4,261
	27,604,320	16,779,119	**748,575**	2,084,532
Current	**5,910,673**	1,635,951	**748,575**	2,084,532
Non-current	**21,693,647**	15,143,168	**-**	-
	27,604,320	16,779,119	**748,575**	2,084,532

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(c) Movement in impairment on other financial assets				
At start of the year	**15,328,849**	17,542,788	**-**	-
Increase in impairment during the year (see note 10(b))	**1,347,895**	3,607,348	**-**	-
Translation difference	**3,757**	-	**-**	-
Amounts written off	**(336,856)**	(5,821,287)	**-**	-
At year end	**16,349,277**	15,328,849	**-**	-

(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.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
34 Deposits from banks				
Other deposits from banks	**6,355,389**	24,798,296	**-**	-
	6,355,389	24,798,296	**-**	-

Notes to the consolidated and separate financial statements
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Current	**6,355,389**	24,798,296	**-**	-
Non-current	**-**	-	**-**	-
	6,355,389	24,798,296	**-**	-

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
35 Deposits from customers				
Retail customers:				
Term deposits	**186,072,318**	139,179,705	**-**	-
Current deposits	**159,483,260**	192,184,595	**-**	-
Savings	**153,582,465**	139,771,169	**-**	-
	499,138,043	471,135,469	**-**	-
Corporate customers:				
Term deposits	**48,323,506**	67,852,527	**-**	-
Current deposits	**142,399,091**	118,621,811	**-**	-
	190,722,597	186,474,338	**-**	-
	689,860,640	657,609,807	**-**	-
Current	**680,181,478**	657,545,969	**-**	-
Non-current	**9,679,162**	63,838	**-**	-
	689,860,640	657,609,807	**-**	-

Corporate customers represents deposits from corporate bodies, government agencies while retail customers represents deposits from individuals, unregistered small and medium scale business ventures.

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
36 Borrowings				
(a) Borrowings comprise:				
Standard Bank, London (see note (b)(i) below)	**16,696,274**	15,403,666	**-**	-
International Finance Corporation (IFC) (see note (b)(ii) below)	**557,004**	1,532,175	**-**	-
International Finance Corporation (IFC) (see note (b)(iii) below)	**1,389,616**	3,830,440	**-**	-
International Finance Corporation (IFC) (see note (b)(iv) below)	**8,332,563**	11,489,176	**-**	-
International Finance Corporation (IFC) (see note (b)(v) below)	**6,248,897**	8,616,882	**-**	-
International Finance Corporation (IFC)	**-**	4,825,856	**-**	-
Netherlands Development Finance Company (FMO) (see note (b)(vi) below)	**4,610,278**	5,943,078	**-**	-
Netherlands Development Finance Company (FMO) (see note (b)(vii) below)	**4,610,278**	5,943,078	**-**	-
Netherlands Development Finance Company (FMO)	**-**	1,527,534	**-**	-
European Investment Bank (EIB) (see note (b)(viii) below)	**10,907,316**	10,077,908	**-**	-
Standard Bank, London	**-**	1,645,727	**-**	-
Citibank, N.A (OPIC) (see note (b)(ix) below)	**11,626,781**	16,839,062	**-**	-
African Export-Import Bank (Afrexim) (see note (b)(x) below)	**27,667,720**	30,553,398	**-**	-
Engr. Tajudeen Amoo	**-**	1,257,692	**-**	-
Financial Derivatives Company Limited (see note (b)(xi) below)	**101,085**	114,943	**-**	-
First City Asset Management (FCAM) (see note (b)(xii) below)	**5,785,285**	11,472,265	**-**	-
Lafeef Akande	**-**	34,200	**-**	-
Mrs. Moyosore	**-**	40,034	**-**	-
Rosewood Property	**-**	162,236	**-**	-
Micheal Ojo (see note (b)(xiii) below)	**726,759**	785,018	**-**	-

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British Commercial Bank (see note (b)(xiv) below)	**3,413,748**	-	**-**	-
British Commercial Bank (see note (b)(xv) below)	**3,395,643**	-	**-**	-
British Commercial Bank (see note (b)(xvi) below)	**3,365,723**	-	**-**	-
	109,434,970	132,094,368	**-**	-
Current	**29,668,108**	57,871,204	**-**	-
Non-current	**79,766,862**	74,223,164	**-**	-
	109,434,970	132,094,368	**-**	-

(b) i) The amount of N16,696,274,000 (31 December 2016: N15,403,666,000 (USD 50,000,000) represents a secured renewed facility granted by Standard Bank, London repayable after a tenor of 5 years, maturing 30 June 2018 with an interest rate of 3 months LIBOR + 3.0% payable quarterly. The facility is secured by Federal Government of Nigeria bonds.

ii) The amount of N557,003,760 (31 December 2016: N1,532,175,182 (USD 20,000,000) represents the outstanding balance of the unsecured convertible facility granted by International Finance Corporation (IFC) repayable after a tenor of 7 years, maturing 15 May 2018 with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

iii) The amount of N1,389,616,000 (31 December 2016: N3,830,439,793 (USD 50,000,000) represents the outstanding balance of the unsecured facility granted by International Finance Corporation (IFC) repayable after a tenor of 7 years maturing 15 May 2018 with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

iv) The amount of N8,332,563,254 (December 2016: N11,489,175,796 (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 + 3.65%.

v) The amount of N6,248,897,128 (31 December 2016: N8,616,881,848 (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%.

vi) The amount of N4,610,278,232 (31 December 2016: N5,943,078,366 (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%.

vii) The amount of N4,610,278,150 (31 December 2016: N5,943,078,366 (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 N10,907,315,673 (December 2016: N10,077,908,423 (USD 32,877,500) represents an unsecured facility granted by European Investment (EIB) repayable after a tenor of 8 years maturing 22 September 2022 with an interest rate of LIBOR plus 4%.

ix) The amount of N11,626,781,155 (31 December 2016 :N16,839,061,760 (USD 75,000,000)) represents a facility granted by OPIC, repayable after a tenor of 4 year maturing 15 August 2019 based on weekly certificate interest rate (CIR) payable quarterly.

x) The amount of N27,667,720,168 (31 December 2016 : N30,553,398,269) represents a facilty granted by African Export Import (AFRIEXIM) Bank, repayable after a tenor of 5 years maturing 14 September 2021 with a nominal interest rate of 7.06% payable quarterly.

xi) The amount of N101,084,931 (December 2016: N114,943,000) represents the outstanding balance of the unsecured facilities granted by Financial Derivatives Company Limited at average nominal interest of 17.75% maturing 20 May 2018.

xii) The amount of N5,785,285,008 (31 December 2016 : N11,472,265,000) represents a unsecured facility granted by First City Asset Management Limited (FCAM), repayable after a tenor of 1 year maturing 2018 with an interest rate of 16.67%.

xiii) The amount of N726,759,331 (31 December 2016 :N785,018,000) represents an unsecured facility granted by Micheal Ojo, at interest rate of 14.40%, maturing 19 April 2018.

xiv) The amount of N3,413,748,697 (USD10,000,000.00) (31 December 2016: Nil) represents an unsecured facility granted by the British Commercial Bank repayable after a tenor of 179 days maturing 8 January 2018 with an interest rate of 6 months LIBOR + 5.2%.

xv) The amount of N3,395,642,823 (USD10,000,000.00)(31 December 2016: Nil) represents an unsecured facility granted by the British Commercial Bank repayable after a tenor of 179 days maturing 6 February 2018 with an interest rate of 6 months LIBOR + 5.2%.

xvi) The amount of N3,365,722,615 (USD10,000,000.00) (31 December 2016: Nil) represents an unsecured facility granted by the British Commercial Bank repayable after a tenor of 179 days maturing 26 March 2018 with an interest rate of 6 months LIBOR + 5.1%.

The Banking subsidiary have not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

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In thousands of Naira	GROUP 2017	2016	COMPANY 2017	2016
(c) Movement in borrowings account during the year was as follows:				
Balance, beginning of the year	**132,094,368**	113,700,194	**-**	-
Additions during the year	**10,298,880**	33,996,484	**-**	-
Repayments during the year	**(43,184,244)**	(68,348,938)	**-**	-
Translation difference	**10,225,966**	52,746,628	**-**	-
	109,434,970	132,094,368	**-**	-

In thousands of Naira	GROUP 2017	2016	COMPANY 2017	2016
37 On-lending facilities (see note (a) below)				
Bank of industry (BOI)	**25,041,640**	30,683,610	**-**	-
Commercial Agriculture Credit Scheme (CACS)	**5,274,089**	8,998,286	**-**	-
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	**12,218,587**	2,517,484	**-**	-
	42,534,316	42,199,380	**-**	-
Current	**4,154,030**	7,164,017	**-**	-
Non-current	**38,380,286**	35,035,363	**-**	-
	42,534,316	42,199,380	**-**	-

(a) On-lending facilities represents government intervention funds granted by Nigeria government financial institutions, Bank of Industry (BOI) and Central Bank of Nigeria under manufacturing, agriculture, power, small and medium scale companies sectors and Commercial Agriculture Credit Scheme (CACS) respectively for on-lending to the Bank’s qualified customers. These facilities are given to the Bank at low interest rates, between 0% - 10%, for on-lending at a low rate specified under the schemes. However, the Bank bears the credit risk for these facilities.

The onlending 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 2017	2016	COMPANY 2017	2016
(b) Movement in on-lending facilities during the year was as follows:				
Balance, beginning of the year	**42,199,380**	33,846,116	**-**	-
Additions during the year	**25,190,635**	9,432,449	**-**	-
Repayments during the year	**(24,855,699)**	(1,079,185)	**-**	-
Balance, end of the year	**42,534,316**	42,199,380	**-**	-

	GROUP 2017	2016	COMPANY 2017	2016
38 Debt securities issued				
Debt securities at amortised cost:				
Bond issued (see note (a) below)	**54,691,520**	54,481,989	**-**	-
	54,691,520	54,481,989	**-**	-
Current	**8,325,705**	966,566	**-**	-
Non-current	**46,365,815**	53,515,423	**-**	-
	54,691,520	54,481,989	**-**	-

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

(a) The amount of N54.69billion (31 December 2016: N54.48billion) 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 (N'billion)	Carrying amount (N'billion) 31 Dec 2017	Carrying amount (N'billion) 31 Dec 2016	Coupon rate	Issued date	Maturity date
Tranche 1 - N26 billion, 7years	26.00	26.12	26.06	14.25%	07-Nov-2014	19-Nov-2021
Tranche 2 - N23.185 billion, 5years	23.19	23.42	23.35	15.00%	06-Nov-2015	06-Nov-2020
Tranche 3 - N5.104billion, 7years	5.10	5.15	5.07	17.25%	09-Dec-2016	08-Dec-2023
Total	**54.29**	**54.69**	**54.48**			

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 2017.

(b) Movement in Debt securities issued during the year was as follows:

Balance, beginning of the year	**54,481,989**	49,309,394	**-**	-
Accrued coupon interest for the year	**981,643**	963,855	**-**	-
Additions during the year	**-**	5,072,202	**-**	-
Coupon interest paid during the year	**(772,112)**	(863,462)	**-**	-
Balance, end of the year	**54,691,520**	54,481,989	**-**	-

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 new 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:

Balance at start of year	**17,603**	50,544	**-**	-
Charged to profit or loss (see note 15)	**511,685**	591,777	**4,576**	5,786
Employee contribution	**604,944**	601,283	**3,661**	4,629
Total amounts remitted	**(1,063,868)**	(1,226,001)	**(8,237)**	(10,415)
At year end	**70,364**	17,603	**-**	-
Current	**70,364**	17,603	**-**	-
Non-current	**-**	-	**-**	-
	70,364	17,603	**-**	-

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
40 Provisions (see Note (c) below and Note 52)	**5,222,471**	2,343,010	**303,630**	416,864

(a) 31 December 2017

	Claims	Staff Benefits	Other	Total
GROUP				
Balance as at start of year	**1,016,245**	**1,096,272**	**230,493**	**2,343,010**
Additional provisions made during the year	**3,311,600**	**1,392,598**	**300,271**	**5,004,469**
Provisions utilised during the year	**(751,211)**	**(1,316,615)**	**(57,182)**	**(2,125,008)**
Balance as at end of year	**3,576,634**	**1,172,255**	**473,582**	**5,222,471**
COMPANY				
Balance as at start of year	**296,643**	**54,730**	**65,491**	**416,864**
Additional provisions made during the year	**-**	**-**	**92,813**	**92,813**
Provisions utilised during the year	**(171,819)**	**-**	**(34,228)**	**(206,047)**
Balance as at end of year	**124,824**	**54,730**	**124,076**	**303,630**

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

31 December 2016	Claims	Staff Benefits	Other	Total
GROUP				
Balance as at start of year	**2,739,122**	**96,728**	**43,133**	**2,878,983**
Additional provisions made during the year	**445,440**	**1,094,570**	**1,675,621**	**3,215,631**
Provisions utilised during the year	**(2,168,317)**	**(95,026)**	**(1,488,261)**	**(3,751,604)**
Balance as at end of year	**1,016,245**	**1,096,272**	**230,493**	**2,343,010**
COMPANY				
Balance as at start of year	**312,886**	**71,298**	**43,133**	**427,317**
Additional provisions made during the year	**-**	**84,319**	**163,667**	**247,986**
Provisions utilised during the year	**(16,243)**	**(100,887)**	**(141,309)**	**(258,439)**
Balance as at end of year	**296,643**	**54,730**	**65,491**	**416,864**

Claims: This represents provision reserved for pending probable legal cases that may crystallize.

Staff Benefits: The Group makes provision for staff medical expenses, subscriptions and Stock grant (Cash -settled).

Other: Includes provision for Annual General (AGM) and Industrial Training Fund (ITF).

(c) **Movement in provision during the year**

At start of year	**2,343,010**	2,878,983	**416,864**	427,317
Additions during the year	**5,004,469**	3,215,631	**92,813**	247,986
Amounts no longer required	**(2,125,008)**	(3,751,604)	**(206,047)**	(258,439)
At year end	**5,222,471**	2,343,010	**303,630**	416,864

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
41 Other liabilities				
(a) Other financial liabilities:				
Customers' deposit for letters of credits (see note 21(b))	**16,780,583**	22,623,659	**-**	-
Bank cheques/drafts	**3,762,656**	3,544,274	**-**	-
Negotiated letters of credits	**18,850,277**	22,609,402	**-**	-
E-settlement payables	**9,180,757**	9,612,229	**-**	-
Withholding tax and value added tax payables	**733,579**	728,730	**-**	-
Unclaimed items	**4,902,240**	4,959,307	**-**	-
Accounts payable - others	**6,177,897**	4,408,286	**647,045**	145,852
Accounts payable - unclaimed dividend (see note 26(f))	**685,657**	496,955	**685,657**	496,955
Proceeds from public offers	**74,786**	73,268	**-**	-
	61,148,432	69,056,110	**1,332,702**	642,807
(b) Other non-financial liabilities:				
Deferred income (see note (c) below)	**341,005**	248,254	**-**	-
Accrued expenses	**1,968,774**	1,104,669	**295,961**	161,950
	2,309,779	1,352,923	**295,961**	161,950
	63,458,211	70,409,033	**1,628,663**	804,757
Current	**45,571,413**	66,713,100	**1,628,663**	804,757
Non-current	**17,886,798**	3,695,933	**-**	-
	63,458,211	70,409,033	**1,628,663**	804,757

(c) Included in deferred income are amounts for financial guarantee contracts which represents the amount initially recognised less cumulative amortisation

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
42 Share capital				
(a) **Authorised**				
30billion ordinary shares of 50k each (2016: 30billion)	**15,000,000**	15,000,000	**15,000,000**	15,000,000
(b) **Issued and fully paid**				
19.8billion ordinary shares of 50k each (2016: 19.8billion)	**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:** 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 Banking Subsidiary 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 Banking Subsidiary transferred 15% of its 'profit after tax to statutory reserves as at year end (31 December 2016: 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 Deposit Money Bank (DMBs) are required to set aside and remit 5% of the annual profit after tax for equity investments.

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

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

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

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

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, Legacy Pension Managers Limited

	COMPANY 31 Dec 2017
NCI Percentage	11.78%
Total Assets	3,857,317
Total Liabilities	781,761
Net Assets	3,075,556
Net assets attributable to NCI	362,206
Movement in NCI	
Opening balance	-
Addition due to acquisition of Legacy Pension Managers	352,542
Share of post acquisition profit	8,918
Share of other comprehensive income	746
Total NCI at year end	362,206

Notes to the consolidated and separate financial statements
for the year ended 31 December 2017

45 Contingencies

(a) Legal Proceedings

The Group in its ordinary course of business is presently involved in 334 cases as a defendant (31 December 2016: 343) and 32 cases as a plaintiff (31 December 2016: 42). The total amount claimed in the 334 cases against the Banking subsidiary is estimated at N51.37billion (31 December 2016: N51.87billion) while the total amount claimed in the 32 cases instituted by the Banking subsidiary is N1.95billion (31 December 2016: N7.70billion). 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 $10,000,000 (N3.31billion) has been made for the year ended 31 December 2017. See note 39(a) for the provisions made in the books for claims. The Court, also granted an injunction over the assets of FCMB Limited in the sum of £20,300,000 (N9.149 billion). The Banking subsidiary 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 (N9.149 billion) currently at the Court Funds Office remains the property of the Banking subsidiary 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 to 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:

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Performance bonds and guarantees	**98,409,992**	94,047,228	**-**	-
Clean line letters of credit	**66,404,271**	65,336,278	**-**	-
	164,814,263	159,383,506	**-**	-
Other commitments	**86,977**	-	**-**	-
	164,901,240	159,383,506	**-**	-
Current	**81,355,010**	80,200,040	**-**	-
Non-current	**83,546,230**	79,183,466	**-**	-
	164,901,240	159,383,506	**-**	-

Clean line letters of credit, which represent irrevocable assurances that the Banking subsidiary will make payments in the event that a customer cannot meet its obligations, carry the same credit risk as loans.

Notes to the consolidated and separate financial statements

46 Group subsidiaries and related party transactions

(a) **Parent and Uitimate controlling party**

FCMB Group Plc is the ultimate parent company and its subsidiaries are as listed in note 46 (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 2017 are shown below.

Entity	Form of holding	Effective holding	Nominal share capital held N'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) Legacy Pension Managers Limited	Direct	88.22%	7,353,930	Nigeria	Pension Fund Man
(7) Credit Direct Limited (CDL)	Indirect	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 Managemen
(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 N1,181.07billion and N1,000.93billion respectively (31 December 2016: N1,171.31billion and N1,003.35billion respectively).

The Group does not have any subsidiary that has material non-controlling interest.

(d) **Condensed Financial Information**

(i) The condensed financial data of the consolidated entities as at 31 December 2017 were as follows:

RESULTS OF OPERATIONS

In thousands of Naira	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	FCMB MFB LIMITED	LEGACY PENSIONS	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
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)	(66,034,198)	(492,083)	(890,846)	(115,292)	(57,862)	(209,317)	(68,788,765)	49,288	(68,739,477)
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**	**9,551,508**	**53,884**	**629,670**	**184,485**	**-15,532**	**65,590**	**12,009,824**	**(547,432)**	**11,462,392**
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**	**7,591,713**	**53,884**	**576,827**	**150,160**	**(15,532)**	**75,698**	**9,957,636**	(547,432)	**9,410,204**
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**	**9,863,951**	**53,884**	**610,421**	**150,160**	**(15,532)**	**82,027**	**12,269,797**	**(547,432)**	**11,722,365**

FINANCIAL POSITION

In thousands of Naira	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	FCMB MFB LIMITED	LEGACY PENSIONS	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
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
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	**1,168,998,137**	**1,517,195**	**4,045,629**	**2,490,207**	**161,380**	**3,857,317**	**1,312,706,670**	**(126,527,515)**	**1,186,179,155**

Financed by:										
Trading liabilities	-	21,616,660	-	-	-	-	-	21,616,660	-	21,616,660
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
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	4,905,060	5,499	-	5,882	2,400	-	5,222,471	-	5,222,471
Other liabilities	1,628,663	58,850,577	237,649	1,192,795	1,926,053	31,385	294,677	64,161,799	(703,588)	63,458,211
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	100,846,690	-	1,733,250	170,000	-	404,142	218,546,496	(103,154,082)	115,392,414
Retained earnings	4,350,828	31,226,019	714,975	38,053	303,105	(11,381)	1,470,979	38,092,578	(7,825,614)	30,266,964
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	**1,168,998,137**	**1,517,195**	**4,045,629**	**2,490,207**	**161,380**	**3,857,317**	**1,312,706,670**	**(126,527,515)**	**1,186,179,155**
Acceptances and guarantees	**-**	**164,901,240**	**-**	**-**	**-**	**-**	**-**	**164,901,240**	**-**	**164,901,240**

CONDENSED FINANCIAL INFORMATION

(ii) The condensed financial data of the consolidated entities as at 31 December 2016 were as follows:

RESULTS OF OPERATIONS

In thousands of Naira	**FCMB GROUP PLC**	**FCMB LIMITED GROUP**	**FCMB CM LIMITED**	**STOCKBROKERS LIMITED GROUP**	**TRUSTEES LIMITED**	**FCMB MFB LIMITED**	**LEGACY PENSIONS**	**TOTAL**	**JOURNAL ENTRIES**	**GROUP**
Interest and discount income	475,474	123,925,273	137,875	621,475	49,050	-	-	125,160,097	(51,062)	125,109,035
Interest expense	-	(55,630,093)	-	(311,068)	-	-	-	(55,941,161)	365,634	(55,575,527)
Net interest income	475,474	68,295,180	137,875	310,407	49,050	-	-	69,218,936	314,572	69,533,508
Other income	4,178,595	44,285,792	465,525	902,055	242,237	-	-	50,074,204	(2,333,318)	47,740,886
Operating income	4,654,069	112,580,972	603,400	1,212,462	291,287	-	-	119,342,190	(2,067,796)	117,274,394
Operating expenses	(798,870)	(63,426,387)	(578,683)	(865,827)	(103,909)	-	-	(65,773,675)	-	(65,773,675)
Provision expense	(105,589)	(35,310,997)	19,462	(124,947)	-	-	-	(35,522,071)	-	(35,522,071)
Share of post tax result of associate	-	-	-	-	-		-	-	272,749	272,749
Profit before tax	3,749,611	13,843,589	44,179	221,688	187,378	-	-	18,046,444	(1,795,047)	16,251,397
Tax	(19,351)	(1,767,776)	(7,021)	(64,105)	(54,262)	-	-	(1,912,515)	-	(1,912,515)
Profit after tax	3,730,260	12,075,813	37,158	157,583	133,116	-	-	16,133,929	(1,795,047)	14,338,882
Other comprehensive income	-	4,102,299	-	20,797	-	-	-	4,123,096	-	4,123,096
Total comprehensive income for the period	3,730,260	16,178,112	37,158	178,380	133,116	-	-	20,257,025	(1,795,047)	18,461,978

FINANCIAL POSITION

In thousands of Naira										
Assets										
Cash and cash equivalents	5,817,754	106,424,322	454,134	609,555	1,841,853	-	-	115,147,618	(7,042,986)	108,104,632
Restricted reserve deposits	-	139,460,914	-	-	-	-	-	139,460,914	-	139,460,914
Trading assets	-	8,411,629	-	742,569	-	-	-	9,154,198	-	9,154,198
Derivative assets held for risk management	-	1,018,912	-	-	-	-	-	1,018,912	-	1,018,912
Loans and advances to customers	-	659,700,223	148,974	71,163	16,877	-	-	659,937,237	-	659,937,237
Assets pledged as collateral	-	59,107,132	-	-	-	-	-	59,107,132	-	59,107,132
Investment securities	4,844,200	123,257,882	840,523	1,014,910	926,163	-	-	130,883,678	(2,442,002)	128,441,676
Investment in subsidiaries	118,140,772	-	-	-	-	-	-	118,140,772	(118,140,772)	-
Investment in associates	418,577	-	-	-	-	-	-	418,577	427,935	846,512
Property and equipment	59,468	32,147,706	37,431	32,466	6,155	-	-	32,283,226	-	32,283,226
Intangible assets	882	9,425,903	-	39,869	-	-	-	9,466,654	205,876	9,672,530
Deferred tax assets	-	7,949,134	22,856	-	-	-	-	7,971,990	-	7,971,990
Other assets	2,084,532	16,531,447	16,889	228,760	68,431	-	-	18,930,059	(2,150,940)	16,779,119
	131,366,185	**1,163,435,204**	**1,520,807**	**2,739,292**	**2,859,479**	**-**	**-**	**1,301,920,967**	**(129,142,889)**	**1,172,778,078**
Financed by:										
Trading liabilities	-	6,255,933	-	-	-	-	-	6,255,933	-	6,255,933
Derivative liabilities held for risk management	-	770,201	-	-	-	-	-	770,201	-	770,201
Deposits from banks	-	24,798,296	-	-	-	-	-	24,798,296	-	24,798,296
Deposits from customers	-	664,652,793	-	-	-	-	-	664,652,793	(7,042,986)	657,609,807

Notes to the consolidated and separate financial statements

Borrowings	-	132,094,368	-	-	-	-	-	132,094,368	-	132,094,368
On-lending facilities	-	42,199,380	-	-	-	-	-	42,199,380	-	42,199,380
Debt securities issued	-	56,923,992	-	-	-	-	-	56,923,992	(2,442,003)	54,481,989
Retirement benefit obligations	-	17,603	-	-	-	-	-	17,603	-	17,603
Current income tax liabilities	44,582	2,605,048	97,633	60,981	51,318	-	-	2,859,562	-	2,859,562
Deferred tax liabilities	-	-	25,245	38,043	2,614	-	-	65,902	-	65,902
Provisions	416,864	1,877,471						2,294,335	48,675.00	2,343,010
Other liabilities	804,757	68,638,601	242,057	597,118	2,326,109	-	-	72,608,642	(2,199,609)	70,409,033
Share capital	9,901,355	2,000,000	500,000	943,577	50,000	-	-	13,394,932	(3,493,577)	9,901,355
Share premium	115,392,414	100,846,690	-	1,733,250	170,000	-	-	218,142,354	(102,749,940)	115,392,414
Retained earnings	4,806,213	24,519,165	655,872	(539,701)	259,438	-	-	29,700,987	2,757,253	32,458,239
Other reserves	-	35,235,663	-	(93,976)	-	-	-	35,141,687	(14,020,701)	21,120,986
	131,366,185	**1,163,435,204**	**1,520,807**	**2,739,292**	**2,859,479**	**-**	**-**	**1,301,920,967**	**(129,142,889)**	**1,172,778,078**
Acceptances and guarantees	**-**	**159,383,506**	**-**	**-**	**-**	**-**	**-**	**159,383,506**	**-**	**159,383,506**

(e) **Transactions with key management personnel**

Key management personnel compensation for the year comprises;

	GROUP		COMPANY	
In thousands of Naira	**2017**	**2016**	**2017**	**2016**
Key management personnel compensation for the year comprised;				
Short-term employee benefits	**427,130**	573,608	**162,747**	80,639
Post-employment benefits	**22,829**	17,519	**15,153**	7,508
	449,959	591,127	**177,900**	88,147
Loans and advances				
At start of the year	**14,697,183**	2,457,904	-	-
Granted during the year	**2,897,684**	13,569,044	-	-
Repayment during the year	**498,683**	(1,329,765)	-	-
At end of of the year	**18,093,550**	14,697,183	-	-
Interest earned	**2,210,516**	1,706,217	-	-

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 favorable than those given to other staff. No impairment has been recognized in respect of loans granted to key management (31 December 2016: Nil). Mortgage loans amounting to N770.43million (31 December 2016: N610.28million) 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 N18.09billion (31 December 2016:N14.70billion) representing credits facilities to companies in which certain Directors have interests. The balances as at 31 December 2017 and 31 December 2016 were as follows:

In thousands of Naira

Name of company / Individual	**Relationship**	**Name of Directors related to the companies**	***Facility type***	***31 DEC 2017***	***31 DEC 2016***	***Status***	***Security Status***
Dynamic Industries Limited	Directors-Shareholders	Alhaji Mustapha Damcida	Overdraft	-	82,930	Performing	Perfected
Dynamic Industries Limited	Directors-Shareholders	Alhaji Mustapha Damcida	Term loan	765,336	858,957	Performing	Perfected
Primrose Property Investment Ltd.	Directors-Shareholders	Otunba M. O Balogun	Term loan	90,052	-	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Mr. Mobolaji Balogun	Term loan	19,221	186,252	Performing	Perfected
First Concept Properties Ltd	Directors-Shareholders	Mr Babajide Balogun	Term loan	14,411,309	13,569,044	Performing	Perfected
FCMB Microfinance	Common Parent	-	Overdraft	209,651	-	Performing	Perfected
Traxi Continental Limited	Directors-Shareholders	Mr Ladi Balogun	Term loan	2,597,981	-	Performing	Perfected
				18,093,550	**14,697,183**		

Other receivables:			
FCMB Capital Markets Limited	Directors-Shareholders	-	150
CSL Stockbrokers Limited	Directors-Shareholders	8,690	-
		8,690	150

Deposits outstanding

Included in deposit is an amount of N13.13billion (31 December 2016: N8.90billion) representing deposits from companies in which certain Directors have interests. The balances as at 31 December 2017 and 31 December 2016 were as follows:

In thousands of Naira

Name of company / Individual	*Relationship*	*Type of*	*31 DEC 2017*	*31 DEC 2016*
ATSC International Limited	Shareholder	Current Account	3,632	217
Bluechip Holding Limited	Shareholder	Current Account	685	376
Chapel Hill Advisory Partners	Shareholder	Current Account	1,062	1,349
Credit Direct Limited	Subsidiary	Current Account	156,070	1,630,327
Credit Direct Limited	Subsidiary	Current Account	519	-
Credit Direct Limited	Subsidiary	Time Deposit	850,499	-
CSL Stockbrokers Limited	Directors-Shareholders	Current Account	94,581	434,381
CSL Stockbrokers Limited	Directors-Shareholders	Time Deposit	950,000	90,000
CSL Trustees Limited	Directors-Shareholders	Current Account	88,997	88,333
CSL Trustees Limited	Directors-Shareholders	Time Deposit	250,165	153,130
Dynamic Industries Limited	Directors-Shareholders	Current Account	243,497	309,879
Dynamic Industries Limited	Directors-Shareholders	Current Account	1	-
FCMB Capital Markets Limited	Directors-Shareholders	Current Account	302,966	460,065
FCMB Capital Markets Limited	Directors-Shareholders	Time Deposit	149,637	45,750
FCMB UK Limited	Subsidiary	Current Account	441	441
FDC Consulting Limited	Directors-Shareholders	Current Account	146,429	4,130
Financial Derivatives Company	Directors-Shareholders	Current Account	1,479,266	-
Financial Derivatives Company	Directors-Shareholders	Time Deposit	5	5
First City Asset Management Limited	Directors-Shareholders	Current Account	244,329	334,288
First City Asset Management Limited	Directors-Shareholders	Time Deposit	3,009,298	1,350,976
Gulvaris Capital Partners Limited	Directors-Shareholders	Current Account	37,610	27,722
Helios Investment Partners	Directors-Shareholders	Current Account	578	312
Helios Towers Nigeria Limited	Directors-Shareholders	Current Account	-	3,024,512
IHS Towers Ng Limited	Directors-Shareholders	Current Account	354,895	-
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current Account	349	12,700
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current Account	2	-
Lana Securities Limited	Shareholder	Current Account	233	233
Poly Products Nigeria Limited	Directors-Shareholders	Current Account	3,687	4,653
Primrose Development Company Limited	Shareholder	Current Account	8,764	9,420
Primrose Development Company Limited	Shareholder	Current Account	3,602	-
Primrose Investments Limited	Shareholder	Current Account	375	288
Primrose Investments Limited	Shareholder	Current Account	118,502	-
Primrose Investments Limited	Shareholder	Time Deposit	650,028	125,130
Primrose Nigeria Limited	Shareholder	Current Account	75	77
Primrose Properties Investment Limited	Shareholder	Current Account	60,121	116,102
S&B City Printers Limited	Directors-Shareholders	Current Account	139,936	78,314
S&B City Printers Limited	Directors-Shareholders	Time Deposit	248	-
First Concept Properties Ltd	Directors-Shareholders	Current Account	177,796	595,083
First Concept Properties Ltd	Directors-Shareholders	Current Account	86,506	-
First Concept Properties Ltd	Directors-Shareholders	Time Deposit	681,970	-
Traxi Continental Limited	Directors-Shareholders	Current Account	2,773,932	-
Traxi Continental Limited	Directors-Shareholders	Time Deposit	14,312	-
Traxi Continental Limited	Directors-Shareholders	Current Account	40,743	-
			13,126,343	**8,898,193**

		GROUP		COMPANY	
47	**EMPLOYEES AND DIRECTORS**				
	EMPLOYEES	**2017**	**2016**	**2017**	**2016**
(a)	The average number of persons employed during the period by category	**Number**	**Number**	**Number**	**Number**
	Executive directors	20	13	2	1
	Management	616	658	9	7
	Non-management	2,893	2,815	4	4
		3,529	3,486	15	12

Notes to the consolidated and separate financial statements

(b) Compensation for the above persons (excluding executive directors):

In thousands of Naira	**2017**	**2016**	**2017**	**2016**
Wages and salaries	18,466,696	21,244,177	183,464	198,053
Contributions to defined contribution plans	511,685	591,777	4,576	5,786
Non-payroll staff cost	4,453,923	2,968,447	77,016	14,328
	23,432,304	24,804,401	265,056	218,167

(c) The number of employees of the Group, including executive directors, who received emoluments in the following ranges were:

	2017 Number	**2016 Number**	**2017 Number**	**2016 Number**
Less than N1,800,000.00	563	589	-	-
N1,800,001 - N2,500,000	279	241	-	-
N2,500,001 - N3,500,000	776	750	-	-
N3,500,001 - N4,500,000	540	446	-	-
N4,500,001 - N5,500,000	389	403	2	1
N5,500,001 and above	982	1,057	13	11
	3,529	3,486	15	12

(d) DIVERSITY IN EMPLOYMENT

i). A total of 1,363 women were in the employment of the Group during the year ended 31 December 2017 (2016: 1,360), which represents 39% of the total workforce (2016: 39%).

ii). A total of 11 women were in the top management position as at the year ended 31 December 2017 (2016 :15), which represents 20% of the total workforce in this position (2016: 25%). There was one (1) woman on the Board of the company for the year ended 31 December 2017 (2016: nil)

iii). The analysis by grade is as shown below:

	2017			**2016**		
GRADE LEVEL	**MALE**	**FEMALE**	**TOTAL**	MALE	FEMALE	TOTAL
Assistant General Manager (AGM)	24	5	**29**	21	6	27
Deputy General Manager (DGM)	15	4	**19**	19	5	24
General Manager (GM)	4	2	**6**	5	4	9
TOTAL	**43**	**11**	**54**	45	15	60
Executive Director (ED)	**9**	**2**	**11**	5	1	6
Group Chief Executive/Chief Executive Officer (GCE / CEO)	**8**	**-**	**8**	6	-	6
Non - Executive Directors	**19**	**5**	**24**	17	3	20
TOTAL	**36**	**7**	**43**	28	4	32

iv). The Group is committed to maintain a positive work environment and to conduct business in a positive, professional manner and will ensure equal employment opportunity.

(e) DIRECTORS

The remuneration paid to the directors of the Group (excluding pension and certain allowances) was:

	GROUP		**COMPANY**	
In thousands of Naira	**2017**	**2016**	**2017**	**2016**
Fees	**152,975**	181,742	**78,375**	85,500
Sitting allowances	**53,300**	59,150	**22,100**	21,600
Executive compensation	**427,130**	573,608	**162,747**	80,639
	633,405	814,500	**263,222**	187,739
Directors' other expenses	**304,543**	63,939	**6,685**	8,094
	937,948	878,439	**269,907**	195,833
The Directors' remuneration shown above includes:				
The Chairman	**10,500**	10,500	**10,500**	10,500
Highest paid director	**95,858**	80,965	**95,858**	80,639

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

	2017	**2016**	**2017**	**2016**
Below N1,000,000	9	2	2	-
N1,000,001 - N5,000,000	1	-	-	-
N5,000,001 - N10,000,000	1	-	-	-
N10,000,001 and above	32	30	10	10
	43	32	12	10

In thousands of Naira	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
48 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:				
Cash	**27,454,048**	27,925,361	**-**	-
Current balances within Nigeria	**1,860,535**	4,152,938	**146,366**	202,180
Current balances outside Nigeria	**43,934,323**	53,217,994	**-**	-
Placements with local banks	**10,617,721**	6,629,419	**-**	5,615,574
Placements with foreign banks	**9,319,904**	10,309,203	**-**	-
Unrestricted balances with Central banks	**10,701,476**	5,869,717	**-**	-
	103,888,007	108,104,632	**146,366**	5,817,754

49 Compliance With Banking Regulations

During the year ended 31 December 2017, 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	No of times	Penalties N'000
CBN Circular BSD/DIR/GEN/LAB/07/011-The circular stipulates the timelines for the submission of daily, monthly, quarterly and semi-annual returns concurrently via the e-FASS and FinA Applications; Daily returns are to be submitted on or before 10:00 a.m. of the following working day;	Late rendition of daily returns	7	175
CBN Circular FPR/DIR/CIR/GEN/05/014-The circular stipulates Revised Assessment Criteria for Approved Persons' Regime for Financial Institutions.	Penalty imposed by CBN for acting in disregard of CBN's directives.	1	7,580
Notification of MD and senior bank staff resignations to SEC	Late notification to SEC the retirement of Ladi Balogun as GMD of First City Monument Bank Limited	1	84
Violation of Rules 9 (8) and 34 (1) (e) and sanctionable under rule 7 of SEC rule and regulations 2013	Non response to customer complain for unalloted shares/dividend	1	423

During the year, the Company was penalised N20 million by the Financial Reporting Council of Nigeria (FRCN) for isolated improper disclosure in the 2016 Audited financial statements.
The penalties totalling N28.26million were paid during the year by the Group (31 December 2016: N88.76million).

50 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 Company and Group as at 31 December 2017 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed (2016:none).

51 Reconciliation notes to consolidated and separate statement of cashflows

	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(i) **Fair value gain on financial assets held for trading;**					
Gross trading income before fair value adjustments		**2,348,599**	5,741,669	**594,366**	-
Fair value gain on financial assets adjustments		**50,317**	(54,622)	**-**	-
Net trading income (see note 12)	12	**2,398,916**	5,687,047	**594,366**	-
(ii) **Interest received**					
Balance at end of the year (interest receivables, overdue interest and loan fees)		**48,965,693**	34,170,971	**-**	-
Accrued Interest income during the year	8	**132,357,044**	125,109,035	**886,565**	475,474
Amortised cost on financial assets adjustments		**(1,943,345)**	(2,319,078)	**-**	-
Balance at start of the period (interest receivables, overdue interest and loan fees)		**(31,949,072)**	(19,546,352)	**-**	-
Interest received during the year		**147,430,320**	137,414,576	**886,565**	475,474

	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
(iii) **Interest paid**					
Balance at end of of the period (interest payables, interest prepaid and deferred FCY charges)		**5,405,176**	4,432,468	**-**	-

Notes to the consolidated and separate financial statements

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Accrued Interest expense during the year	9	**61,831,909**	55,575,527	**-**	-
Amortised cost on financial liabilities adjustments		**195,997**	132,893	**-**	-
Balance at start of the year (interest payables, interest prepaid and deferred FCY charges)		**(4,432,468)**	(4,387,304)	**-**	-
		63,000,614	55,753,584	**-**	-
(iv) VAT paid					
This relates to monthly remittances to the tax authorities with respect vatable services		**916,195**	884,172	**1,727**	-
(v) Acquisition of investment securities and proceeds from sale and redemption of investment securities					
Balance at start of the year	26	**128,441,676**	135,310,147	**4,844,200**	2,013,621
Amortised cost on financial assets adjustments		**(39,465,679)**	(9,103,459)	**3,989**	430,966
Fair value gain on financial assets adjustments		**1,215,630**	-	**-**	-
Add: Acquisition of investment securities during the year		**122,338,995**	79,557,022	**318,858**	2,442,000
Less: Proceeds from sale and redemption of investment securities		**(59,101,963)**	(77,322,034)	**(57,907)**	(42,387)
Balance at end of of the year	26	**153,428,659**	128,441,676	**5,109,140**	4,844,200
(vi) Effect of exchange rate fluctuations on cash and cash equivalents held					
Balance at end of of the year on net translated foreign balances at closing exchange rates		**72,135,364**	115,692,662	**3,125,220**	1,518,678
Balance at start of the year on net translated foreign balances at opening exchange rates		**(70,653,357)**	(68,424,778)	**(2,346,235)**	(13,331)
		1,482,007	47,267,884	**778,985**	1,505,347
(vii) Net (decrease)/increase in other liabilities					
Closing balance for the year	41	**63,458,211**	70,409,033	**1,628,663**	804,757
Total amounts remitted under retirement benefit obligations	39	**(1,063,868)**	(298,759)	**(8,237)**	(10,415)
Opening balance for the year	41	**(70,409,033)**	(86,796,251)	**(804,757)**	(575,720)
Net (decrease)/increase in other liabilities		**(8,014,690)**	(16,685,977)	**815,669**	218,622
(viii) Net increase /(decrease) in provision					
Opening balance for the year	40	**(2,343,010)**	(2,878,983)	**(416,864)**	(427,317)
Closing balance for the year	40	**5,222,471**	2,343,010	**303,630**	416,864
Net increase /(decrease) in provision		**2,879,461**	(535,973)	**(113,234)**	(10,453)
(ix) Proceeds from sale of property and equipment					
Gain/(loss) on sale of property and equipment	14	**1,040,777**	(1,408,352)	**46**	570
Cost eliminated on disposal during the year	30	**1,599,941**	3,707,901	**4,235**	49,698
Accumulated depreciation and impairment losses - eliminated on Disposal	30	**(266,634)**	(2,051,637)	**(3,561)**	(22,997)
Proceeds from sale of property and equipment		**2,374,084**	247,912	**720**	27,271
(x) Net interest income					
Interest income	8	**132,357,044**	125,109,035	**886,565**	475,474
Interest expense	9	**(61,831,909)**	(55,575,527)	**-**	-
		70,525,135	69,533,508	**886,565**	475,474

		GROUP		COMPANY	
	Note	**2017**	**2016**	**2017**	**2016**
(xi) Net decrease/(increase) restricted reserve deposits					
Opening balance for the year	22	**139,460,914**	125,552,318	**-**	-
Closing balance for the year	22	**(109,638,559)**	(139,460,914)	**-**	-
Net decrease/(increase) restricted reserve deposits		**29,822,355**	(13,908,596)	**-**	-
(xii) Net increase in Derivative assets held held for risk management					
Opening balance for the year	24	**1,018,912**	1,479,760	**-**	-
Fair value gain on financial assets adjustments		**(1,018,912)**	511,135	**-**	-
Closing balance for the year	24	**-**	(1,018,912)	**-**	-
		-	971,983	**-**	-
(xiii) Net increase in non-pledged trading assets					
Opening balance for the year	23(a)	**9,154,198**	1,994,350	**-**	-
Fair value gain on financial assets adjustments		**107,174**	162,503	**-**	-
Closing balance for the year	23(a)	**(23,936,031)**	(9,154,198)	**-**	-

		Note	Group 2017	Group 2016	Company 2017	Company 2016
			(14,674,659)	(6,997,345)	**-**	-
(xiv)	**Net decrease/(increase) in loans and advances to customers**					
	Opening balance for the year	25	**659,937,237**	592,957,417	**-**	-
	Amortised cost on financial assets adjustments		**3,544,974**	2,096,505	**-**	-
	Closing balance for the year	25	**(649,796,726)**	(659,937,237)	**-**	-
			13,685,485	(64,883,315)	**-**	-
(xv)	**Net decrease/(increase) in other assets**					
	Opening balance for the year	33	**16,779,119**	21,703,415	**2,084,532**	1,425,398
	Non cash related adjustments		**16,349,277**	-	**-**	-
	Closing balance for the year	33	**(27,604,320)**	(16,779,119)	**(748,575)**	(2,084,532)
			5,524,076	4,924,296	**1,335,957**	(659,134)
(xvi)	**Net increase in trading liabilities**					
	Closing balance for the year	23(b)	**21,616,660**	6,255,933	**-**	-
	Opening balance for the year	23(b)	**(6,255,933)**	-	**-**	-
			15,360,727	6,255,933	**-**	-
(xvii)	**Net (decrease)/increase in deposits from banks**					
	Closing balance for the year	34	**6,355,389**	24,798,296	**-**	-
	Opening balance for the year	34	**(24,798,296)**	(5,461,038)	**-**	-
			(18,442,907)	19,337,258	**-**	-
(xviii)	**Net increase/(decrease) in deposits from customers**					
	Closing balance for the year	35	**689,860,640**	657,609,807	**-**	-
	Opening balance for the year	35	**(657,609,807)**	(700,216,706)	**-**	-
			32,250,833	(42,606,899)	**-**	-
(xix)	**Net (decrease)/increase in on-lending facilities**					
	Closing balance for the year	37	**42,534,316**	42,199,380	**-**	-
	Amortised cost on financial liabilities adjustments		**(1,742,554)**	(594,476)	**-**	-
	Opening balance for the year	37	**(42,199,380)**	(33,846,116)	**-**	-
			(1,407,618)	7,758,788	**-**	-

			GROUP		COMPANY	
		Note	**2017**	**2016**	**2017**	**2016**
(xx)	**Net decrease in derivative liabilities held for risk management**					
	Closing balance for the year	24	**-**	770,201	**-**	-
	Fair value gain on financial liabilities adjustments		**-**	(526,053)	**-**	-
	Opening balance for the year	24	**(770,201)**	(1,317,271)	**-**	-
			(770,201)	(1,073,123)	**-**	-
(xxi)	**Net increase in debt securities issued**					
	Opening balance for the year	38	**54,481,989**	49,309,394	**-**	-
	Additions during the year		**-**	5,104,000	**-**	-
	Accrued coupon interest for the year		**670,019**	966,566	**-**	-
	Coupon interest paid during the year		**(973,005)**	(1,219,710)	**-**	-
	Amortised cost on financial liabilities adjustments		**311,624**	323,739	**-**	-
	Closing balance for the year	38	**54,691,520**	54,481,989	**-**	-
(xxii)	**Dividend received**					
	Dividend accrued within the year	14	**567,166**	448,538	**793,045**	2,252,195
	Dividend received within the year		**(567,166)**	(448,538)	**(228,417)**	(2,252,195)
	Dividend receivable as at end of year		**-**	-	**564,628**	-

52 Reclassification note on Provisions for the prior year

Provisions amount was reclassified from the Other liabilities in the prior year based on the significance of the amount for the current year.

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Other liabilities	**68,680,682**	72,752,043	**1,932,293**	1,221,621
Provisions	**(5,222,471)**	(2,343,010)	**(303,630)**	(416,864)
	63,458,211	70,409,033	**1,628,663**	804,757

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 2017.

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 & Valuation Experts
4	AKUJURU ASSOCIATES	FRC/2014/00000004631	Property & Valuation Experts
5	ALAGBE & PARTNERS	FRC/2013/NIESV/00000004334	Property & Valuation Experts
6	ARIGBEDE & CO.	FRC/2014/00000004634	Property & Valuation Experts
7	AUSTIN CHINEGWU & CO.	FRC/2015/NIESV/00000012501	Property & Valuation Experts
8	BAMIGBOLA CONSULTING	FRC/2013/NIESV/00000000897	Property & Valuation Experts
9	BAYO ADEYEMO & ASSOCIATES	FRC/2013/NIESV/00000005193	Property & Valuation Experts
10	BAYO OYEDEJI & CO.	FRC/2013/NIESV/00000003983	Property & Valuation Experts
11	BEN EBOREIME & CO.	FRC/2013/NIESV/00000003232	Property & Valuation Experts
12	BIODUN OLAPADE & CO.	FRC/2013/NIESV/00000004303	Property & Valuation Experts
13	BOLA OLAWUYI CONSULTING	FRC/2014/NIESV/00000007657	Property & Valuation Experts
14	CHIKE MONEME & PARTNERS	FRC/2014/00000005796	Property & Valuation Experts
15	CHUMA EZEALIGO ASSOCIATES	FRC/2013/NIESV/00000004822	Property & Valuation Experts
16	DIPO FAKOREDE & CO.	FRC/2013/NIESV/00000000324	Property & Valuation Experts
17	DIYA FATIMILEHIN & CO.	FRC/2013/NIESV/00000000754;FRC/2013/NIESV/00000002773	Property & Valuation Experts
18	GAB OKONKWO & CO.	FRC/2013/NIESV/00000002220	Property & Valuation Experts
19	IMO EKANEM & CO.	FRC/2012/NIESV/00000000114	Property & Valuation Experts
20	J OKARO AND ASSOCIATES	FRC/2015/NIESV/00000002947	Property & Valuation Experts
21	JOE NWORAH & CO.	FRC/2015/NIESV/00000010760	Property & Valuation Experts
22	JOHN ZEDOMI & ASSOCIATES	FRC/2013/NIESV/00000002415	Property & Valuation Experts
23	JOSEPH ADEGBILE AND CO.	FRC/2013/NIESV/00000004005	Property & Valuation Experts
24	KNIGHT FRANK	FRC/2013/0000000000584	Property & Valuation Experts
25	LANSAR AGHAJI & CO.	FRC/2015/00000006074	Property & Valuation Experts
26	LOLA ADEYEMO & CO.	FRC/2015/NIESV/00000010805	Property & Valuation Experts
27	MGBEODURU SAM & CO.	FRC/2013/NIESV/00000003326	Property & Valuation Experts
28	NWOKOMA NWANKWO & COMPANY	FRC/2012/0000000000200	Property & Valuation Experts
29	O.S. BORONI ASSOCIATES	FRC/2013/NIESV/00000003393	Property & Valuation Experts
30	ODUDU & CO.	FRC/2012/0000000000124;FRC/2012/NIESV/00000000198	Property & Valuation Experts
31	OKEY OGBONNA & CO.	FRC/2013/NIESV/00000000964	Property & Valuation Experts
32	PAUL OSAJI & CO.	FRC/2013/00000001098	Property & Valuation Experts
33	PHIL NWACHUKWU & ASSOCIATES	FRC/2014/NIESV/00000009853	Property & Valuation Experts
34	RAWLINGS EHUMADU AND CO.	FRC/2013/NIESV/00000002351	Property & Valuation Experts
35	SAM NWOSU & CO.	FRC/2013/NIESV/00000002538	Property & Valuation Experts
36	UNIGWE & CO.	FRC/2012/0000000000130	Property & Valuation Experts
37	VIC ONWUMERE & CO.	FRC/2015/NIESV/00000010974	Property & Valuation Experts
38	VICTOR OKPEVA & CO.	FRC/2013/NIESV/00000003029	Property & Valuation Experts
39	YEMI OLUGBILE & CO.	FRC/2013/00000000001227	Property & Valuation Experts
40	YINKA KAYODE & CO.	FRC/2013/00000000001197	Property & Valuation Experts
41	A. C. OTEGBULU & PARTNERS	FRC/NIESV/00000001582	Property & Valuation Experts
42	BIODUN ADEGOKE & CO	FRC/2015/NIESV/00000010747	Property & Valuation Experts
43	BOLA ONABADEJO & CO	FRC/2013/00000000001601;FRC/2015/NIESV/00000012433	Property & Valuation Experts
44	CHIKA EGWUATU & PARTNERS	FRC/2013/NIESV/00000000862;FRC/2013/NIESV/00000000857	Property & Valuation Experts
45	DIYA FATIMILEHIN & CO.	FRC/2013/NIESV/00000000754;FRC/2013/NIESV/00000002773	Property & Valuation Experts
46	EMEKA OKORONKWO & ASSOCIATES	FRC/2013/NIESV/00000002548	Property & Valuation Experts
47	EMMA OFOEGBU AND PARTNERS	FRC/2014/NIESV/00000007527	Property & Valuation Experts
48	GBOYEGA AKERELE & PARTNERS	FRC/2012/00000000117	Property & Valuation Experts
49	GODWIN KALU & CO	FRC/2012/NIESV/00000000470	Property & Valuation Experts
50	J AJAYI PATUNOLA & CO.	FRC/2013/0000000000679	Property & Valuation Experts
51	JUDE ONUOHA & CO	FRC/2012/NIESV/00000000477	Property & Valuation Experts
52	LEKAN DUNMOYE & PARTNERS	FRC/2013/00000000001142	Property & Valuation Experts
53	ODUDU & CO.	FRC/2012/0000000000124;FRC/2012/NIESV/00000000198	Property & Valuation Experts
54	OMOBAYO ADEGOKE AND PARTNERS	FRC/2014/00000005787	Property & Valuation Experts
55	OSAS AND OSEJI ESTATE SURVEYORS	FRC/2012/0000000000522	Property & Valuation Experts
56	REMI OLOFA & CO.	FRC/2013/00000000001631	Property & Valuation Experts
57	SOLA BADMUS & CO	FRC/2012/NIESV/00000000256	Property & Valuation Experts
58	TOKUN & ASSOCIATES	FRC/2013/00000000001353	Property & Valuation Experts
59	YAYOK ASSOCIATES	FRN/2013/NIESV/0000000000834	Property & 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 2017 were;

	DESCRIPTION OF NON-AUDIT SERVICES	FEE PAID (N'000)
i	Professional services rendered in connection with the Nigeria Deposit Insurance Corporation (NDIC) certification for the year ended 31 December 2016.	4,400
ii	Professional services rendered in respect of assurance services relating to IFRS 9	25,000
iii	Professional fees in respect of assurance services as related to strategy.	3,500
iv	Professional services rendered in connection with the issuance of Comfort letter	3,500
v	Professional services rendered in connection with participation in the 2017 Banking Industry Remuneration Survey Exercise	1,000
vi	Annual subscription to KPMG Ethics Line	1,500
vii	Professional assurance services rendered in connection with the Loan Covenant Certificate on borrowings from European Investment Bank	4,000
		42,900

OTHER NATIONAL DISCLOSURES

OTHER INFORMATION
VALUE ADDED STATEMENT
for the year ended 31 December 2017

	GROUP				COMPANY			
In thousands of Naira	**31 DEC 2017**	**%**	31 DEC 2016	%	**31 DEC 2017**	**%**	31 DEC 2016	%
GROSS INCOME	**169,881,972**		176,351,973		**2,529,399**		4,654,135	
GROUP'S SHARE OF ASSOCIATE'S PROFIT	**226,849**		272,749		**-**		-	
INTEREST EXPENSE & CHARGES								
- Local	**(53,008,264)**		(47,211,001)		**(13)**		(66)	
- Foreign	**(14,231,182)**		(11,866,578)		**-**		-	
	102,869,375		117,547,143		**2,529,386**		4,654,069	
IMPAIRMENT LOSSES	**(22,667,506)**		(35,522,071)		**-**		(105,589)	
BOUGHT-IN MATERIAL AND SERVICES								
- Local	**(31,985,043)**		(32,159,447)		**(702,098)**		(556,341)	
- Foreign	**(8,062,418)**		(4,335,756)		**-**		-	
VALUE ADDED	**40,154,408**	**100**	45,529,869	100	**1,827,288**	**100**	3,992,139	100
D I S T R I B U T I O N								
EMPLOYEES								
Wages, salaries, pensions, gratuity and other employee benefits	**23,432,304**	**58%**	24,804,401	54%	**265,056**	**15%**	218,167	5%
GOVERNMENT								
Taxation	**2,052,188**	**5%**	1,912,515	4%	**15,333**	**1%**	19,351	0%
THE FUTURE								
Replacement of property and equipment / intangible assets	**5,259,712**	**13%**	4,474,071	10%	**22,013**	**1%**	24,362	1%
Dividend paid	**-**	**0%**	0	0%	**-**	**0%**	0	0%
Profit for the year (including statutory and regulatory risk reserves)	**9,400,541**	**23%**	14,338,882	31%	**1,524,886**	**83%**	3,730,260	93%
Non-controlling interest	**9,663**	**0%**	-	0%	**-**	**0%**	-	0%
VALUE ADDED	**40,154,408**	**100%**	45,529,869	100%	**1,827,288**	**100%**	3,992,139	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.

OTHER INFORMATION
FIVE YEARS FINANCIAL SUMMARY

GROUP					
In thousands of Naira	**31 DEC 2017**	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013
ASSETS EMPLOYED					
Cash and cash equivalents	**103,888,007**	108,104,632	180,921,698	126,293,809	199,700,305
Restricted reserve deposits	**109,638,559**	139,460,914	125,552,318	146,105,573	73,473,096
Trading assets	**23,936,031**	9,154,198	1,994,350	741,917	2,921,358
Derivative assets held for risk management	**-**	1,018,912	1,479,760	4,503,005	1,697,606
Loans and advances to customers	**649,796,726**	659,937,237	592,957,417	617,979,790	450,532,965
Assets pledged as collateral	**61,330,157**	59,107,132	51,777,589	53,812,420	50,516,904
Investment securities	**153,428,659**	128,441,676	135,310,147	148,286,830	163,638,236
Investment in associates	**-**	846,512	731,964	647,399	568,512
Property and equipment	**33,402,173**	32,283,226	29,970,738	28,391,807	26,812,277
Intangible assets	**14,920,960**	9,672,530	8,968,539	8,348,310	7,580,528
Deferred tax assets	**8,233,563**	7,971,990	8,166,241	8,166,241	6,346,025
Other assets	**27,604,320**	16,779,119	21,703,415	26,087,683	24,492,358
	1,186,179,155	1,172,778,078	1,159,534,176	1,169,364,784	1,008,280,170
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	**30,266,964**	32,458,239	17,181,437	26,238,677	13,109,779
Other reserves	**33,044,691**	21,120,986	19,916,081	8,832,985	5,311,806
Non-controlling Interest	**362,206**	-	-	-	-
Trading liabilities	**21,616,660**	6,255,933	-	-	-
Derivative liabilities held for risk management	**-**	770,201	1,317,271	4,194,185	1,355,634
Deposits from banks	**6,355,389**	24,798,296	5,461,038	4,796,752	-
Deposits from customers	**689,860,640**	657,609,807	700,216,706	733,796,796	715,214,192
Borrowings	**109,434,970**	132,094,368	113,700,194	99,540,346	59,244,230
On-lending facilities	**42,534,316**	42,199,380	33,846,116	14,913,521	-
Debt securities issued	**54,691,520**	54,481,989	49,309,394	26,174,186	-
Retirement benefit obligations	**70,364**	17,603	50,544	115,056	124,674
Other long term benefits	**-**	-	-	-	1,258,317
Current income tax liabilities	**3,860,163**	2,859,562	3,497,954	4,363,544	4,333,353
Deferred tax liabilities	**106,821**	65,902	68,438	41,487	35,282
Provisions	**5,222,471**	2,343,010	-	-	-
Other liabilities	**63,458,211**	70,409,033	89,675,234	121,063,480	83,007,759
	1,186,179,155	1,172,778,078	1,159,534,176	1,169,364,784	1,008,280,170
Acceptances and guarantees	**164,901,240**	159,383,506	141,031,528	211,926,443	105,730,673

PROFIT AND LOSS ACCOUNT					
	31 Dec 2017	*31 Dec 2016*	*31 Dec 2015*	*31 Dec 2014*	*31 Dec 2013*
Gross earnings	**169,881,972**	176,351,973	152,507,947	148,637,409	130,995,439
Profit before tax	**11,462,392**	16,251,397	7,768,664	23,874,783	18,116,143
Tax	**(2,052,188)**	(1,912,515)	(3,007,998)	(1,809,636)	(2,183,244)
Profit after tax	**9,410,204**	14,338,882	4,760,666	22,065,147	15,932,899
Transfer to reserves	**9,410,204**	14,338,882	4,760,666	22,133,257	16,001,155
Earnings per share - basic and diluted (naira)	**0.48**	0.72	0.24	1.12	0.81

OTHER INFORMATION
FIVE YEAR FINANCIAL SUMMARY

COMPANY					
In thousands of Naira	**31 DEC 2017**	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013
ASSETS EMPLOYED					
Cash and cash equivalents	**146,366**	5,817,754	7,231,196	4,056,165	2,150,389
Investment securities	**5,109,140**	4,844,200	2,013,621	2,828,220	2,514,439
Investment in subsidiaries	**125,594,702**	118,140,772	118,246,361	118,756,103	118,716,103
Investment in associates	**-**	418,577	418,577	418,577	407,800
Property and equipment	**38,022**	59,468	41,263	56,337	9,801
Intangible assets	**-**	882	1,845	2,808	3,771
Other assets	**748,575**	2,084,532	1,425,398	5,452,080	7,679,886
	131,636,805	131,366,185	129,378,261	131,570,290	131,482,189
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 / (accumulated loss)	**4,350,828**	4,806,213	3,056,224	5,483,847	6,027,752
Current income tax liabilities	**59,915**	44,582	25,231	114,246	60,277
Deferred tax liabilities	**-**	-	-	-	-
Provisions	**303,630**	416,864	-	-	-
Other liabilities	**1,628,663**	804,757	1,003,037	678,428	100,391
	131,636,805	131,366,185	129,378,261	131,570,290	131,482,189
Acceptances and guarantees	**-**	-	-	-	-

PROFIT AND LOSS ACCOUNT	***31 Dec 2017***	*31 Dec 2016*	*31 Dec 2015*	*31 Dec 2014*	*31 Dec 2013*
Gross earnings	**2,529,399**	4,654,135	4,200,904	6,672,890	6,370,000
Profit before tax	**1,540,219**	3,749,611	2,548,286	5,450,877	6,088,029
Tax	**(15,333)**	(19,351)	(25,231)	(53,969)	(60,277)
Profit after tax	**1,524,886**	3,730,260	2,523,055	5,396,908	6,027,752
Transfer to reserves	**1,524,886**	3,730,260	2,523,055	5,396,908	6,027,752
Earnings per share - basic and diluted (Naira)	**0.08**	0.19	0.13	0.27	0.30