FCMB GROUP PLC
Consolidated and Separate Financial Statements
For the year ended 31 December 2013

FCMB Group Plc.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2013

Contents **Page**

Private & Confidential

12 March 2014

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

Dear Sir

Report to the Directors of FCMB Group Plc on the Outcome of the Board Performance Assessment

PricewaterhouseCoopers was engaged to carry out an assessment of the performance of the Board of Directors of FCMB Group Plc ("FCMB") as required by Section 5.4.6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks and other financial institutions in Nigeria ("the CBN Code") and Section 15.1 of the Securities and Exchange Commission's Code of Corporate Governance ("the SEC Code"). The Codes require that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The review was conducted for the period ended 31 December 2013.

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

The Board has substantially complied with the provisions of the Codes. This is evidenced by the diversity of skills, quality of experience and commitment of members of the Board, the effectiveness of the Board Committees and the involvement of the Non-Executive Directors in the strategy formulation process. In addition, the Board has indicated its strong commitment to risk management as demonstrated through detailed risk management reviews and the ICAAP implementation project.

Areas for improvement include the need to appoint a second Independent Director and the membership of the Committees. Other findings and recommendations are contained in our full report to the Board.

We also facilitated the assessment by Directors of the individual performance of themselves and their fellow Directors for the year under review. This assessment covered the perceived competence, level of attendance at Board and Board Committee meetings, contribution and participation at these meetings and relationships with each other. Each individual Director's Assessment report was prepared and made available to them respectively while a consolidated report for all Directors was submitted to the Chairman of the Board.

Yours faithfully
For: PricewaterhouseCoopers Limited

Rob Newsome
Director

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BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

LIST OF DIRECTORS AND DATES OF APPOINTMENT

S/NO	NAME	DESIGNATION	DATE OF APPOINTMENT
1	DR. J.A. D LONG	CHAIRMAN	NOVEMBER 19, 2012
2	MR. PETER OBASEKI	EXECUTIVE DIRECTOR	JULY 1, 2013
3	MR. BISMARCK REWANE	NON EXECUTIVE DIRECTOR	NOVEMBER 19, 2012
4	MR. LADI BALOGUN	NON EXECUTIVE DIRECTOR	JULY 1, 2013
5	MR. TOPE LAWANI	NON EXECUTIVE DIRECTOR	JULY 1, 2013
6	ALH. MUSTAPHA DAMCIDA	NON EXECUTIVE DIRECTOR	JULY 1, 2013
7	MR. OLUSEGUN ODUBOGUN	NON EXECUTIVE DIRECTOR	JULY 1, 2013
8	MR. OLUTOLA O. MOBOLURIN	NON EXECUTIVE DIRECTOR	JULY 1, 2013
9	MR. MARTIN DIRKS	NON EXECUTIVE DIRECTOR (ALTERNATE TO MR. TOPE LAWANI)	JULY 1, 2013
10	PROF. OLUWATOYIN ASHIRU	NON EXECUTIVE DIRECTOR	DECEMBER 23, 2013
11	ENGR (DR.) GREGORY ERO	NON EXECUTIVE DIRECTOR	DECEMBER 23, 2013

FCMB GROUP PLC

Corporate Governance

Commitment to Corporate Governance

FCMB Group Plc (the Group) remains committed to institutionalizing corporate governance principles as part of the Group corporate structure. It continues to ensure adherence to the implementation of corporate governance rules of the Central Bank of Nigeria, the Nigerian Stock Exchange and the Securities & 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.

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

Board Composition and Independence

The Board is composed of ten (11) Directors made up of none (10) Non-Executive and one (1) Executive Director in line with International best practice which requires the number of Non- Executive Directors to be more than the Executive Directors.

The Group's Board is led by a Non - Executive Chairman and 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 Auditors in order to promote transparency in financial and non-financial reporting. Directors' emoluments, as well as their shareholding information are to be disclosed in the Company's Annual Report and Accounts.

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.
- Institutionalized 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.

- Transparency and full disclosure of accurate, adequate and timely information regarding the personal interest of directors in any area of potential conflict regarding Group's 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 approved budget.

- Ensuring the integrity of the Group's accounting and financial reporting systems (including the independent audit) and that appropriate systems are in place for monitoring risk, financial control and compliance with the law.

- Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.

- Interfacing with the management of the 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.

Directors

The Directors of the Group at incorporation are Dr. Jonathan A.D. Long and Mr. Bismarck Rewane. Following the adoption and effective take off of the Holding Company Structure, additional Directors were appointed to join the Board of the company effective July 1, 2013. The additional Directors are Mr. Peter Obaseki MD, Mr. Ladi Balogun, Alhaji Mustapha Damcida, Mr. Olusegun Odubogun, Mr. Olutola O. Mobolurin and Mr. Tope Lawani (Mr. Martin Dirks alternate to Mr. Tope Lawani).

In order to further strengthen the composition of the Board, Prof. Oluwatoyin Ashiru and Engr. (Dr.) Gregory O. Ero were appointed Non-Executive Directors effective, December 23, 2013.

The Board of Directors met three (3) times during the period as noted below:

Board Meetings held in 2013			
Names	**8 Feb. ,2013**	**18 July, 2013**	**7Nov., 2013**
Dr. Jonathan A.D. Long	✓	-	✓
Mr. Peter Obaseki	N/A	✓	✓
Mr. Bismarck Rewane	✓	-	✓
Mr. Ladi Balogun	N/A	✓	✓
Alhaji Mustapha Damcida	N/A	✓	✓
Mr. Olusegun Odubogun	N/A	✓	✓
Mr. Olutola O. Mobolurin	N/A	✓	✓
Mr. Martin Dirks (alternate to Mr. Tope Lawani)	N/A	-	✓
Prof. Oluwatoyin Ashiru	N/A	N/A	N/A
Engnr. (Dr) Gregory O. Ero	N/A	N/A	N/A

Board Committees

The Board has approved the constitution of the under listed Board Committees with their respective responsibilities and roles clearly defined.

Risk, Audit & Finance Committee (RAF)

Its functions include the overseeing of Internal Control, Enterprise Risk Management, Internal Audit, Financial Reporting etc and to provide oversight for Management's strategic planning; Review the Group's strategy and financial objectives and monitor the implementation of those strategies and objectives; Review and approve proposals for the allocation of capital and other resources within the Group.

Membership: The Committee is made up of 6 members including 3 Non - Executive Directors (at least 1 of who should be an independent Director).

Committee Composition: Mr. Bismarck Rewane, Mr. Ladi Balogun, Mr. Olusegun Odubogun, Mr. Tope Lawani (with Mr. Martin Dirks as his alternate), Engnr (Dr.) Gregory O. Ero and Mr. Peter Obaseki.

Governance and Remuneration Committee (GRC)

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

Membership: Committee is made up of only Non - Executive Directors. The MD shall be in attendance when required.

Committee Composition: Mr. Olutola O. Mobolurin, Mr. Ladi Balogun, Alhaji Mustapha Damcida and 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 thereon; Keep under review the effectiveness of the company's system of accounting and internal control; Make recommendations to the board in regard to the appointment of, removal and remuneration of the external auditors of the company; authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee;Examine the auditors' report and make recommendations thereon to the Annual General Meeting as it may think fit.

Membership

- The Statutory Audit Committee shall consist of an equal number of directors and representatives of the shareholders (subject to a maximum of six members) and shall examine the auditor's report and make recommendations thereon to the Annual General Meeting as it may deem fit. Such members of the Audit Committee shall not be entitled to remuneration and shall be subject to re-election annually.

- The members will nominate any member of the committee as the chairman of the Audit Committee from 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 will be a simple majority of three (3) members with minimum of two (2) representatives of the shareholders.

In 2013, prior to the adoption of the holding company structure which gave birth to the Company, shareholders of First City Monument Bank Plc (the Bank) approved the appointments of Alhaji S.B. Daranijo, Alhaji B.A. Batula and Evangelist P.A. Soares as their representatives on the SAC while the nominations of Mr. Bismarck Rewane, Dr. John Udofa and Mrs. Tokunboh Ishmael as representatives of the Board on the SAC was also approved.

However, since Dr. John Udofa and Mrs. Tokunboh Ishmael are not on the Board of the company and are therefore not eligible to be members of the Statutory Audit Committee of the company, the Board has nominated Mr. Olusegun Odubogun and Mr. Olutola O. Mobolurin to serve in their place.

Since the company is not in a position to constitute its own Statutory Audit Committee (SAC) before the AGM, the constitution of the SAC will be proposed at this meeting being the first AGM of the company. Also, this being the first AGM convened since the adoption of the holding company structure, the report of the Statutory Audit Committee constituted under First City Monument Bank Plc has been included as the Audit Committee report.

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 MD, comprises all Business Heads. The committee meets to deliberate and take policy decisions for the effective and efficient management of the company. Quite apart from the above function, the committee serves as a filter for issues to be discussed by the Board. Some of the EMC's primary roles are to provide leadership to the management team and ensure efficient deployment and management of the company's resources. The chairman of the committee is responsible for the daily and effective running and performance of the company.

Group Executive Committee (GEC)

The Group Executive Committee is usually chaired by the MD of the Group while other members are the Chief Executive Officers of the Operating Companies in the Group and the Company Secretary. The Committee shall from time to time invite to its meetings any other person as may be required.

Shareholder Participation

The Group is conscious of, and continues to take necessary steps to promote shareholder rights. The Group is assured that it will significantly benefit from the contributions and advice from shareholder members of the Statutory Audit Committee.

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

Disclosure to the Shareholders

The Directors' fees for the financial year ending December 31, 2014 shall be fixed at N200,000,000.00 only and a resolution to approve same shall be proposed.

Company Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their first annual report on the affairs of FCMB Group Plc ("the Company") and its subsidiaries ("the Group"), together with the financial statements and auditor's report for the year ended 31 December 2013.

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, in response to the CBN's Regulation on the Scope of Banking Activities and Ancillary Matters (Regulation 3).

Regulation 3 requires banks to divest their non-banking subsidiaries, or retain the permissible non-bank subsidiaries under a group structure approved by the CBN. First City Monument Bank Plc's ("the bank") response to Regulation 3 was a group restructuring plan ("Compliance Plan"), which was approved by the CBN in December 2011, and subsequently by shareholders at a General Meeting in December 2012. The CBN approved the granting of a Financial Holding Company License to FCMB Group Plc in May 2013, permitting it to operate as an Other Financial Institution.

b. ***Group Restructuring***

Following the group restructuring, FCMB Group Plc emerged as holding company, with First City Monument Bank Plc ("the bank") as subsidiary. Other direct subsidiaries of FCMB Group Plc include CSL Stockbrokers Limited and FCMB Capital Markets Limited.

Shareholder settlement was effected through the one-for-one exchange of First City Monument Bank Plc shares, for FCMB Group Plc shares, effectively making the previous shareholders of First City Monument Bank Plc, the owners of FCMB Group Plc, in the same ratio as their previous holding in the bank.

First City Monument Bank Plc ("the bank") was delisted from the Nigerian Stock Exchange on 21 June 2013, and the shares of FCMB Group Plc listed same day. The bank was re-registered as a Private Limited Liability company in September 2013, and is now known as First City Monument Bank Limited.

c. ***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, brokerage securities, money market activities and foreign exchange operations.

Through ownership of FCMB Group Plc, shareholders continue to own all the subsidiaries 100%, including FCMB Capital Markets 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 Arab-Gambia Islamic Bank Limited).

The Group prepares consolidated financial statements and does not have any unconsolidated structured entity as at 31 December 2013.

d. ***Operating Results***

The gross earnings and profit after income tax recorded by the Group for the year ended 31 December 2013 was N130.96billion and N16billion 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 under review are as follows:

In thousands of naira	**Group 2013**	Group 2012	**Company 2013**	Company 2012
Gross earnings	**130,995,439**	116,832,323	**-**	-
Profit before minimum tax and income tax	**18,184,399**	16,248,019	**6,088,029**	-
Income tax expense	**(2,183,244)**	(219,483)	**(60,277)**	-
Minimum tax	**-**	(906,832)	**-**	-
Profit after tax	**16,001,155**	15,121,704	**6,027,752**	-
Profit from discontinued operation (net of tax)	**-**	170,668	**-**	-
Profit attributable to the equity holders of the Company	**16,001,155**	15,292,372	**6,027,752**	-
Total Comprehensive income for the year	**16,285,687**	14,755,804	**6,027,752**	-
Appropriations:				
Transfer to statutory reserve	**2,284,984**	1,883,939	**-**	-
Transfer to retained earnings	**13,716,171**	13,408,433	**6,027,752**	-
	16,001,155	15,292,372	**6,027,752**	-
Total non-performing loans and advances	**17,962,321**	9,540,876	**-**	-
Total non-performing loans to total gross loans and advances (%)	**3.88%**	2.61%	**-**	-

Proposed dividend

The Board of Directors recommended a cash dividend of 30k per issued and paid up ordinary shares for the year ended 31 December, 2013. 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

e. *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 below noted:

	Shareholding as at 31-12-2013	
	Number of 50k Ordinary Shares Held	
	Direct holdings	Indirect holdings
Dr. Jonathan AD Long (Chairman)	11,149,220	-
Mr. Peter Obaseki (Managing Director)	5,369,945	-
Mr. Ladipupo O Balogun	190,166,756	-
Mr. Bismarck Rewane	1,112,280	-
Mr. Tope Lawani	-	-
Mr.Olusegun Odubogun	150,000	-
Alhaji Mustapha Damcida	-	-
Mr. Olutola O. Mobolurin	520,000	-
Mr. Martin Dirks (Alternate to Mr. Tope Lawani)	-	-
Professor Oluwatoyin Ashiru	-	-
Engr (Dr.) Gregory O. Ero	-	-

f. Directors' interests in contracts

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

g. *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.

h. *Shareholding Analysis*

The shareholding pattern of FCMB Group Plc as at 31 December 2013 is as stated below:

Share Range	**No. Of Shareholders**	**% Of Shareholders**	**No. Of Holdings**	**% Of Shareholdings**
1 - 10,000	495,629	93.81	397,528,252	2.01
10,001 - 50,000	25,088	4.75	500,138,431	2.53
50,001 - 100,000	3,559	0.67	243,475,006	1.23
100,001 - 500,000	3,179	0.60	597,548,868	3.02
500,001 - 1,000,000	332	0.06	227,073,886	1.14
1,000,001 - 5,000,000	386	0.07	751,039,948	3.79
5,000,001 - 10,000,000	49	0.01	336,998,146	1.70
10,000,001 - 50,000,000	79	0.02	1,498,791,268	7.57
50,000,001 - 100,000,000	14	0.00	1,159,515,400	5.86
100,000,001 - 500,000,000	27	0.01	6,911,244,776	34.90
500,000,001 - 1,000,000,000	3	0.00	1,914,627,862	9.66
1,000,000,001 - 19,802,710,781	3	0.00	5,264,728,938	26.59
TOTAL	**528,348**	**100.00**	**19,802,710,781**	**100.00**

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

31 December 2013

Share Holder Category	**No. Of Shareholders**	**% Of Shareholders**	**No. Of Holdings**	**% Of Shareholdings**
Domestic Shareholders	528,118	99.96	7,378,299,102	37.3
Foreign Shareholders	230	0.04	12,424,411,679	62.7
Total	**528,348**	**100.00**	**19,802,710,781**	**100.00**

i. *Substantial interest in Shares*

The Company's authorised share capital is N15 billion divided into 30 billion ordinary shares of 50kobo each of which **19, 802, 710,781** ordinary shares are issued and fully paid. According to the register of members no shareholders other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2013:

	31 December 2013	
	Number of shares	**% Holding**
1. Capital IRG Trustees Limited	1,483,802,896	7.49
2. Stanbic Nominees Nig. Limited - Custody	6,052,486,649	30.56

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

j. Donations and Charitable Gifts

The Group made contributions to charitable and non-political organisations amounting to N439,542,520 (December 2012: N227,105,000) during the year.

BENEFICIARY	AMOUNT
Flood Victims In Nigeria	125,000,000
Enugu State University Teaching Hospital (ESUTH) HMIS & PORTAL Project	73,235,997
Sponsorship: COPA Lagos Beach Soccer 2013	41,825,000
Corporate Social Responsibility: Priceless Gift Of Sight	33,675,000
Sponsorship: Bayelsa State Jazz Festival	25,000,000
Alvan Ikoku College of Education ICT Centre	15,298,500
Sponsorship: Chartered Institute of Bankers of Nigeria (CIBN) 50th Anniversary Celebrations	12,500,000
Bethesda Child Support Foundation	11,819,550
Sponsorship: 13th Governor's Cup Lagos Tennis	10,630,000
Corporate Social Responsibility: Priceless Gift Of Sight	9,400,000
Delta State Football	8,000,000
Sponsorship: 2013 Awujale Palace, Ijebu Ode Festival	7,500,000
Sponorship: SIFE Foundation GTE / E-Challenge	7,000,000
Bethesda Child Support Agency	5,000,000
National Universities Commission (NUC) 51 Anniversay Celebration	5,000,000
Sponsorship: 5th Annual Conference of Association of Private Educators In Nigeria(APEN)	5,000,000
Sponsorship: Jigawa Economic Summit 2013	5,000,000
Sponsorship: Financial Reporting Council Annual Summit & Dinner	3,600,500
Partnership: SIFE Foundation GTE / E-Challenge	3,000,000
Sponsorship: Lagos Business School (LBS) Africa Business Conference 2013	3,000,000
Ekiti Development Foundation	2,000,000
Sickle Cell Foundation Nigeria	2,000,000
Sponsorship: AABLA West Africa 2013 of Association of Private Educators In Nigeria (APEN)	2,000,000
Sponsorship: Council of Legal Education, Nigeria Law School 50th Anniversary Celebrations	2,000,000
Sponsorship: Friends of the Global Fund Africa - Africa 2013 World AIDS Day	2,000,000
Sponsorship: Gem Subscribers Breakfast Forum Event	1,575,000
Construction of Bus Stop, Bwari, FCT Abuja	1,568,999
Partnership: Isolo LCDA - Environmental Sustainability	1,500,000
West Africa Business Association (WABA)	1,500,000
Sponsorship: Mothers' Day Fiesta on Health Monitor	1,444,740
Katsina State Youth Craft Village	1,000,000
Lagos State Scholarship Board	1,000,000
Sponsorship: International Association of Chiefs of Police 120th Conference & Training Exposition	1,000,000
Sponsorship: Michael Stevens Consulting - Succession Planning Conference	1,000,000
Sponsorship: Nigeria Bar Association 7th Business Law Conference	1,000,000
Sponsorship: Nigeria's 53rd Independence Anniversary In Athens, Greece	1,000,000
Sponsorship: International Women Day-2013 2Days Free Entrepreneurship Workshop for Women, Lagos	750,000
Isaac Magholu Foundation	500,000
Kaduna State University	500,000
Kogi State Government - Centenary Celebrations of Nigeria	500,000
Sponsorship: Spain Parabadminton Tournament	500,000
Others	2,719,234
Total	**439,542,520**

k. Post Balance Sheet Events

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2013 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

l. 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 with those of other employees. Currently, the Group has four persons on its staff list with physical disability.

Health, Safety and Welfare at Work

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

Diversity in Employment

The number and percentage of women employed by the Group during the financial year ended 31 December 2013 and the comparative year vis-a-vis total workforce is as follows:

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	2013				
	Number			%	
	Male	Female	Total	Male	Female
Employees	2,762	1,440	4,202	66%	34%

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

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

	2013				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	30	11	**41**	37%	13%
Deputy General Manager (DGM)	20	9	**29**	24%	11%
General Manager (GM)	9	3	**12**	11%	4%
TOTAL	**59**	**23**	**82**	**72%**	**28%**

	2012				
	Number			%	
	Male	Female	Total	Male	Female
Assistant General Manager (AGM)	33	9	**42**	43%	12%
Deputy General Manager (DGM)	17	8	**25**	22%	10%
General Manager (GM)	7	3	**10**	9%	4%
TOTAL	**57**	**20**	**77**	**74%**	**26%**

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

	2013				
	Number			%	
	Male	Female	Total	Male	Female
Managing Director (MD)	1	-	**1**	9%	0%
Executive Director	-	-	**-**	0%	0%
Non - Executive Directors (including an Alternate Director)	10	-	**10**	91%	0%
TOTAL	**11**	**-**	**11**	**100%**	**0%**

m. *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.

n Customer Complaints

The Banking subsidiary FCMB Limited had pending complaints of 1,559 at the beginning of the year and received additional 20,723 (2012: 17,426) during the year ended 31 December 2013, of which 21,872 (2012: 15,670) complaints were resolved (inclusive of pending complaints brought forward). 382 (2012:197) unresolved complaints were referred to the Central Bank of Nigeria for intervention. 28 (2012: 1,559) complaints remained unresolved and pending with the banking subsidiary as at the end of the reporting period. The total amount resolved was N281.7million (2012: N59.0million) while the total disputed amount in cases which remained unresolved stood at N3.0billion (2012: N88.7million). The Directors are of the opinion that these complaints will be resolved. No provision is therefore deemed necessary for these claims.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

	NUMBER		AMOUNT CLAIMED (N'000)		AMOUNT REFUNDED (N'000)	
DESCRIPTION	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Pending complaints B/F	1,559	-	-	-	-	-
Received complaints	20,723	17,426	3,308,772	147,700	-	-
Total complaints	**22,282**	**17,426**	**3,308,772**	**147,700**	**-**	**-**
Resolved complaints	21,872	15,670	281,729	59,000	281,729	59,000
Unresolved complaints escalated to CBN for intervention	382	197	3,027,043	88,700	-	-
Unresolved complaints pending with the bank C/F	28	1,559	-	-	-	-

o Disclosure

The Directors' fees for the financial year ending December 31, 2014 shall be fixed at N200,000,000.00 only and a resolution to approve same shall be proposed.

p. Board of Directors

The Directors of the Group at incorporation are:
1) Dr. Jonathan A.D. Long
2) Mr. Bismarck Rewane.

Additional directors were appointed to join the Board of the company effective July 1, 2013. They are:
3) Mr. Peter Obaseki (MD/CEO).
4) Mr. Ladi Balogun
5) Alhaji Mustapha Damcida.
6) Mr. Olusegun Odubogun.
7) Mr. Olutola O. Mobolurin
8) Mr. Tope Lawani with his alternate
9) Mr. Martin Dirks.

In order to further strengthen the composition of the Board, Prof. Oluwatoyin Ashiru and Dr. (Engr.) Gregory Omosigho Ero were appointed Non-Executive Directors and their appointments were approved by the Central Bank of Nigeria in 2013.

These Directors offer themselves for election as Directors of the Company.

q Chairmanship of the Board

Dr. Jonathan Long was appointed Chairman of the Board effective July 1, 2013 thereby relinquishing his post as Chairman of First City Monument Bank Limited.

r Auditors

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

BY ORDER OF THE BOARD

Mrs. Funmi Adedibu
Company Secretary
17A Tinubu Street
Lagos State
Nigeria
FRC/2014/NBA/00000005887

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors accept responsibility for the preparation of the annual financial statements set out on pages 10 to 102 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria 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 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 Long
Chairman
FRC/2013/IODN/00000001433
19 March 2014

Peter Obaseki
Managing Director
FRC/2014/CIBN/00000006877
19 March 2014

Audit Committee Report

For the financial period ended December 31, 2013 to the members of FCMB Group Plc.

In compliance with section 359 (6) of the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, we have reviewed the Audit Report for the period ended December 31, 2013 and hereby state as follows:

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

Dated: March 19, 2013

Alhaji S.B. Daranijo
Chairman, Audit Committee

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

1. Alhaji S.B Daranijo
   Chairman
2. Evangelist Akinola Soares
   Shareholders' representative
3. Alhaji B.A. 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's Head, Internal Audit acts as secretary to the Committee.

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Fax 234 (1) 271 0540
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Members of FCMB Group Plc.

Report on the Financial Statements

We have audited the accompanying financial statements of FCMB Group Plc. ("the Company") and its subsidiary companies (together "the Group"), which comprise the statements of financial position as at December 31, 2013, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 102.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of FCMB Group Plc. ("the Company") and its subsidiaries (together "the Group") as at December 31, 2013, and of the Group and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

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

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria circular BSD/1/2004

i. The Company did not pay any penalty in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2013. However, the Group paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2013. Details of these contraventions and penalties paid are as disclosed in note (46) to the financial statements.

ii. Related party transactions and balances are disclosed in note (44) of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

Ayodele H, Othihiwa, FCA

FRC/2012/ICAN/00000000425

For: KPMG Professional Services

Chartered Accountants

24 March 2014

Lagos, Nigeria

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

		GROUP		COMPANY	
In thousands of naira	**Note**	**2013**	**2012**	**2013**	**2012**
Continuing operations					
Interest income	8	**101,640,438**	87,021,261	**-**	-
Interest expense	9	**(45,506,847)**	(43,681,950)	**-**	-
Net interest income		**56,133,591**	43,339,311	**-**	-
Fee and commission income	11	**15,220,267**	14,909,857	**-**	-
Fee and commission expense	11	**(1,238,874)**	(597,475)	**-**	-
Net fee and commission income		**13,981,393**	14,312,382	**-**	-
Net trading income	12	**480,484**	5,603,502	**-**	-
Net income from other financial instruments at fair value through profit or loss	13	**424,063**	(44,527)	**-**	-
Other income	14	**13,230,187**	9,342,230	**6,370,000**	-
		14,134,734	14,901,205	**6,370,000**	-
Net impairment loss on financial assets	10	**(7,982,559)**	(12,697,922)	**-**	-
Personnel expenses	15	**(24,155,452)**	(18,545,334)	**(70,379)**	-
Depreciation & amortisation expenses	16	**(3,307,190)**	(4,132,574)	**(539)**	-
General and administrative expenses	17	**(14,626,502)**	(10,143,666)	**(56,656)**	-
Other expenses	18	**(16,061,872)**	(10,947,183)	**(154,396)**	-
Results from operating activities		**18,116,143**	16,086,219	**6,088,029**	-
Share of post tax result of associate	29	**68,256**	161,800	**-**	-
Profit before minimum tax and income tax		**18,184,399**	16,248,019	**6,088,029**	-
Income tax expense	20	**(2,183,244)**	(219,483)	**(60,277)**	-
Minimum tax	20	**-**	(906,832)	**-**	-
Profit for the year from continuing operations		**16,001,155**	15,121,704	**6,027,752**	-
Discontinued operations					
Profit from discontinued operation (net of tax)	34	**-**	170,668	**-**	-
Profit for the year		**16,001,155**	15,292,372	**6,027,752**	-
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurements of defined benefit liability		**10,578**	(32,251)	**-**	-
Related tax	32	**(4,551)**	9,675	**-**	-
		6,027	(22,576)	**-**	-
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		**5,514**	(9,721)	**-**	-
Net change in fair value of available-for-sale financial assets		**489,107**	(720,387)	**-**	-
Related tax		**(216,116)**	216,116	**-**	-
		278,505	(513,992)	**-**	-
Other comprehensive income for the year, net of tax		**284,532**	(536,568)	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,285,687**	14,755,804	**6,027,752**	-
Profit attributable to:					
Equity holders of the Company		**16,001,155**	15,292,372	**6,027,752**	-
Non-controlling interests		**-**	-	**-**	-
		16,001,155	15,292,372	**6,027,752**	-
Total comprehensive income attributable to:					
Equity holders of the Company		**16,285,687**	14,755,804	**6,027,752**	-
Non-controlling interests		**-**	-	**-**	-
		16,285,687	14,755,804	**6,027,752**	-
Basic earnings per share (naira)	19	**0.81**	0.77	**0.30**	-
Diluted earnings per share (naira)	19	**0.81**	0.77	**0.30**	-

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

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		GROUP		COMPANY	
In thousands of naira	**Note**	**2013**	**2012**	**2013**	**2012**
ASSETS					
Cash and cash equivalents	21	**199,700,305**	123,451,740	**2,150,389**	-
Restricted reserve deposits	22	**73,473,096**	57,891,360	**-**	-
Non-pledged trading assets	23	**2,921,358**	1,169,708	**-**	-
Derivative assets held	24	**1,697,606**	1,980,135	**-**	-
Loans and advances to customers	25	**450,532,965**	357,798,798	**-**	-
Assets pledged as collateral	27	**50,516,904**	40,793,601	**-**	-
Investment securities	26	**163,638,236**	244,525,619	**2,514,439**	-
Assets classified as held for sale	34	**-**	13,547,417	**-**	-
Investment in subsidiaries	28	**-**	-	**118,716,103**	-
Investment in associates	29	**568,512**	467,456	**407,800**	-
Property and equipment	30	**26,812,277**	26,331,166	**9,801**	-
Intangible assets	31	**7,580,528**	11,894,789	**3,771**	-
Deferred tax assets	32	**6,346,025**	4,937,656	**-**	-
Other assets	33	**24,492,358**	23,756,311	**7,679,886**	-
Total assets		**1,008,280,170**	908,545,756	**131,482,189**	-
LIABILITIES					
Derivative liabilities held	24	**1,355,634**	1,980,135	**-**	-
Deposits from banks	35	**-**	52,000	**-**	-
Deposits from customers	36	**715,214,192**	646,216,767	**-**	-
Liabilities classified as held for sale	34	**-**	9,038,589	**-**	-
Borrowings	37	**59,244,230**	26,933,018	**-**	-
Retirement benefit obligations	38	**124,674**	109,008	**-**	-
Other long term benefits	39	**1,258,317**	335,397	**-**	-
Current income tax liabilities	20	**4,333,353**	2,850,275	**60,277**	-
Deferred tax liabilities	32	**35,282**	22,067	**-**	-
Other liabilities	40	**83,007,759**	88,993,097	**100,391**	-
Total liabilities		**864,573,441**	776,530,353	**160,668**	-
EQUITY					
Share capital	41(b)	**9,901,355**	9,520,534	**9,901,355**	-
Share premium	42	**115,392,414**	108,747,612	**115,392,414**	-
Treasury shares	42	**(8,625)**	(775,381)	**-**	-
Retained earnings	42	**13,109,779**	765,475	**6,027,752**	-
Other reserves	42	**5,311,806**	13,757,163	**-**	-
		143,706,729	132,015,403	**131,321,521**	-
Total liabilities and equity		**1,008,280,170**	908,545,756	**131,482,189**	-

The financial statements were approved by the Board of Directors on 19 March, 2014 and signed on its behalf by:

Dr Jonathan AD Long	*Peter Obaseki*	Patrick Iyamabo
Chairman	***Managing Director***	**Chief Financial Officer**
FRC/2013/IODN/00000001433	FRC/2014/CIBN/00000006877	FRC/2013/ICAN/00000003316

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

STATEMENT OF CHANGES IN EQUITY

GROUP
In thousands of naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Actuarial reserve	Translation reserve	Available for sale reserve	Treasury shares	Regulatory risk reserve	Total equity
Balance at 1 January 2012	8,135,596	108,369,199	(16,779,856)	10,089,870	658,637	232,708	16,716	(969,671)	(851,234)	8,491,563	117,393,528
Profit	-	-	13,408,433	1,883,939	-	-	-	-	-	-	15,292,372
Other comprehensive income, net of tax	-	-	-	-	-	(22,576)	(9,721)	(504,271)	-	-	(536,568)
Total comprehensive income for the year	-	-	13,408,433	1,883,939	-	(22,576)	(9,721)	(504,271)	-	-	14,755,804
Transfer from regulatory risk reserve	-	-	6,110,031	-	-	-	-	-	-	(6,110,031)	-
Contributions by and distributions to equity holders											
Issue shares	143,129	1,620,222	-	-	-	-	-	-	-	-	1,763,351
Capitalised bonus shares	1,241,809	(1,241,809)	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	(1,973,133)	-	-	-	-	-	-	-	(1,973,133)
Disposal of treasury shares	-	-	-	-	-	-	-	-	75,853	-	75,853
Total Contributions by and distributions to equity holders	1,384,938	378,413	(1,973,133)	-	-	-	-	-	75,853	-	(133,929)
Balance at 31 December 2012	**9,520,534**	**108,747,612**	**765,475**	**11,973,809**	**658,637**	**210,132**	**6,995**	**(1,473,942)**	**(775,381)**	**2,381,532**	**132,015,403**
Balance at 1 January 2013	9,520,534	108,747,612	765,475	11,973,809	658,637	210,132	6,995	(1,473,942)	(775,381)	2,381,532	132,015,403
Profit	-	-	13,716,171	2,284,984	-	-	-		-	-	16,001,155
Other comprehensive income, net of tax	-	-	-	-	-	6,027	5,514	272,991	-	-	284,532
Total comprehensive income for the year	-	-	13,716,171	2,284,984	-	6,027	5,514	272,991	-	-	16,285,687
Transfer to regulatory risk reserve	-	-	(2,730,705)	-	-	-	-	-	-	2,730,705	-
Contributions by and distributions to equity holders											
Issue shares	-	-	-	-	-	-	-	-	-	-	-
Capital reconstruction	-	7,025,623	1,358,838	(11,973,809)	(658,637)	(205,542)	-	1,473,942	766,756	(2,381,532)	(4,594,362)
Capitalised bonus shares	380,821	(380,821)	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and distributions to equity holders	**380,821**	**6,644,802**	**1,358,838**	**(11,973,809)**	**(658,637)**	**(205,542)**	**-**	**1,473,942**	**766,756**	**(2,381,532)**	**(4,594,362)**
Balance at 31 December 2013	**9,901,355**	**115,392,414**	**13,109,779**	**2,284,984**	**-**	**10,617**	**12,509**	**272,991**	**(8,625)**	**2,730,705**	**143,706,729**

STATEMENT OF CHANGES IN EQUITY

COMPANY
In thousand of naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Actuarial reserve	Translation reserve	Available for sale reserve	Treasury shares	Regulatory risk reserve	Total equity
Balance at 1 January 2013	-	-	-	-	-	-	-	-	-	-	-
Profit	-	-	6,027,752	-	-	-	-	-	-	-	**6,027,752**
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	6,027,752	-	-	-	-	-	-	-	**6,027,752**
Contributions by and distributions to equity holders											
Capital reconstruction	9,520,534	115,773,235	-	-	-	-	-	-	-	-	**125,293,769**
Capitalised bonus shares	380,821	(380,821)	-	-	-	-	-	-	-	-	**-**
Transfer to regulatory risk reserve	-	-	-	-	-	-	-	-	-	-	**-**
Dividend paid	-	-	-	-	-	-	-	-	-	-	**-**
Total Contributions by and distributions to equity holders	**9,901,355**	**115,392,414**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,293,769**
Balance at 31 December 2013	**9,901,355**	**115,392,414**	**6,027,752**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131,321,521**

CONSOLIDATED AND SEPARATE STATEMENT OF CASHFLOWS

In thousands of naira	Note	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Cash flows from operating activities					
Profit for the year		**16,001,155**	15,121,704	**6,027,752**	-
Adjustments for:					
Net impairment loss on financial assets	10	**7,982,559**	12,697,922	**-**	-
Net income from other financial instruments at fair value through profit or loss	13	**(424,063)**	44,527	**-**	-
Depreciation and amortisation	16	**3,307,190**	4,132,574	**539**	-
(Gain) / loss on disposal of property & equipment & intangible assets	14	**(31,880)**	(1,446,639)	**-**	-
Share of profit of associates		**(68,256)**	(161,800)	**-**	-
Foreign exchange gains	14	**(6,905,050)**	(4,191,146)	**-**	-
Net interest income	8,9	**(56,133,591)**	(43,339,311)	**-**	-
Dividends received		**-**	-	**(370,000)**	
Tax expense	20	**2,183,244**	1,126,315	**60,277**	-
		(34,088,692)	(16,015,854)	**5,718,568**	-
Changes in operating assets and liabilities					
Net (increase)/decrease restricted reserve deposits	22	**(15,581,736)**	(35,927,580)	**-**	-
Net (increase)/decrease non-pledged trading assets	23	**(1,751,650)**	1,950,091	**-**	-
Net (increase)/decrease loans and advances to customers	25	**(92,734,167)**	(34,445,092)	**-**	-
Net (increase)/decrease in other assets	33	**(736,047)**	(12,910,021)	**(7,679,887)**	-
Net increase/(decrease) in deposits from banks	35	**(52,000)**	52,000	**-**	-
Net increase/(decrease) in deposits from customers	36	**68,997,425**	235,533,412	**-**	-
Net Increase/(decrease) in other liabilities & others		**(5,046,752)**	26,076,121	**100,391**	-
		(80,993,619)	164,313,077	**(1,860,927)**	-
Interest received		**102,009,779**	90,549,513	**-**	-
Interest paid		**(46,715,922)**	(42,695,032)	**-**	-
Dividends received		**449,145**	2,123,018	**370,000**	-
VAT paid		**(789,666)**	(839,501)	**-**	-
Income taxes paid		**(2,338,619)**	(1,442,998)	**-**	-
Net cash generated from/ (used in) operating activities		**(28,378,902)**	212,008,077	**(1,490,927)**	-
Cash flows from investing activities					
Investment in subsidiaries		**-**	-	**(118,716,103)**	-
Investment in assets held for sale		**-**	-	**-**	-
Purchase of interests in associates	29	**(32,800)**	(75,000)	**(407,800)**	-
Purchase of property and equipment and intangible assets	30	**(6,067,228)**	(2,566,209)	**(14,111)**	-
Proceed from sale of property and equipment	31	**3,683,057**	2,501,755	**-**	-
Acquisition of investment securities		**(80,887,383)**	(159,507,143)	**(2,514,439)**	-
Proceeds from sale and redemption of investment securities		**157,568,220**	21,110,375	**-**	-
Net cash used in investing activities		**74,263,866**	(138,536,222)	**(121,652,452)**	-
Cash flows from financing activities					
Dividend paid		**-**	(1,973,133)	**-**	-
Proceeds from issue of shares		**-**	1,763,351	**125,293,769**	-
Inflow from long term borrowing	37	**48,741,334**	3,124,571	**-**	-
Repayment of long term borrowing	37	**(16,909,586)**	(924,860)	**-**	-
Net cash generated from financing activities		**31,831,748**	1,989,929	**125,293,769**	-
Net Increase in cash and cash equivalents		**77,716,712**	75,461,784	**2,150,389**	-
Cash and cash equivalents at start of year	21	**123,451,740**	48,416,681	**-**	-
Effect of exchange rate fluctuations on cash and cash equivalents held		**(1,468,147)**	(426,725)	**-**	-
Cash and cash equivalents at end of year	21	**199,700,305**	123,451,740	**2,150,389**	-

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

Notes to the consolidated 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 three direct subsidiaries; First City Monument Bank Limited (100%), FCMB Capital Markets Limited and (100%), CSL Stockbrokers Limited (100%).

Assets held for sale include Fin Insurance Company Limited, FinBank Securities & Asset Management Limited, FinBank Insurance Brokers Limited and FinBank Capital Limited.
All Assets previously held for sale were disposed during the year.

FCMB Group Plc is a company domiciled in Nigeria. The address of the company's registered office is 44 Marina Street, Lagos Island, Lagos. These consolidated financial report for the period ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

2 **Changes in accounting policies**

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. IFRS 10 Consolidated Financial Statements

b. IFRS 12 Disclosure of Interests in Other Entities

c. IFRS 13 Fair Value Measurement

d. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

e. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).

f. IAS 19 Employee Benefits (2011).

The nature and the effects of the changes are explained below.

(a) Subsidiaries, including structured entities

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusions as of 1 January 2013. The Group did not have unconsolidated entities, which by virtue of the reassessment of control, would have been qualified for consolidation.

The change did not have a material impact on the Group's financial statements.

(b) Interests in other entities

As a result of IFRS 12, the Group has expanded disclosures about its interests in subsidiaries (see Note 44(b) & (c)). The Group does not have interest in any unconsolidated structured entity.

(c) Fair value measurement

Notes to the consolidated financial statements

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in Note 3(k) (vii), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

(d) Offsetting financial assets and financial liabilities

The amendments to IFRS 7 require additional disclosures about offsetting financial assets and financial liabilities, which does not apply to the Group as the Group does not offset financial assets and financial liabilities

(e) Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

(f) Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans.

Under IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The change did not have a material impact on the Group's financial statements.

Notes to the consolidated financial statements

3 **Significant Accounting Policies**

Except for the changes explained in Note 2 above, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

Certain comparative amounts in the statement of comprehensive income have been represented as a result of a change in the accounting policy regarding the presentation of items of OCI (See Notes 2 (e)).

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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the 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 of Nigeria, and relevant Central Bank of Nigeria circulars.

For comparative purposes, the group's prior year figures are as consolidated by First City Monument Bank Plc which was at that time the holding entity of all the group's assets.
These consolidated financial statements were authorised for issue by the Board of directors on 19 March 2014

(ii) Basis of measurement

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

- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- The plan assets for defined benefit obligations are measured at fair value where applicable
- 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 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 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.

Notes to the consolidated financial statements

(b) Basis of Consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

The consideration amount does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in profit or loss.
Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

(ii) Subsidiaries

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

(iii) Loss of control

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

Notes to the consolidated financial statements

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

(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 each reporting date are translated into the functional currency at the spot exchange rates as at that date. The foreign currency gain or loss is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the 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 retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

(ii) Foreign operations

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

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

When the settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such 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.

Notes to the consolidated financial statements

(d) Interest

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

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

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

Interest income and expense presented in the statement of comprehensive income include:
- Interest on financial assets and liabilities measured at amortised cost calculated on an effective Interest rate basis.
- Interest on available for sale investment securities calculated on an effective interest rate basis

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

(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.

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.

Notes to the consolidated financial statements

(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 non-derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss.

(h) Dividends

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

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentive 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.

(j) Tax expense

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

(i) Current income tax

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

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

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

(ii) Deferred tax

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

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

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

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

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.

Notes to the consolidated financial statements

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

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

(iii) Tax exposures

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

(k) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

Financial assets

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. The Group classfies its financial assets in one of 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 3(l) (n) and (o)

Notes to the consolidated financial statements

Financial liabilities

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

(iii) De-recognition

Financial assets

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

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

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value determination

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

Notes to the consolidated financial statements

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

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE, LSE) and broker quotes from FMDA, Bloomberg and Reuters.

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

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

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

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

(vii) Fair value

Policy applicable from 1 January 2013

'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 maximise the use of relevant observable inputs and minimise 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 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.

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.

Notes to the consolidated financial statements

Policy applicable before 1 January 2013

Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

Notes to the consolidated financial statements

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.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

(viii) Identification and measurement of impairment

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

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

Objective evidence that financial assets are impaired can include;

(a) a breach of contract, such as a default or delinquency in interest or principal payments;
(b) significant financial difficulty of the issuer or obligor;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it 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.

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

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

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

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

The calculation of the present value of the estimated future cash flows of a 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.

Notes to the consolidated financial statements

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

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

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

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

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

(ii) Assets classified as available for sale

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

Notes to the consolidated financial statements

(l) Cash and cash equivalents

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

(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 profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

(ii) Designation at fair value through profit or loss

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

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

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

(iii) Reclassification of financial assets and liabilities

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

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

Notes to the consolidated financial statements

(n) Assets pledged as collateral

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

(o) Loans and advances

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

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

- those classified as loan and receivables
- finance lease receivables

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

When the Group is the lessor in a lease agreement that 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 a significant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification to available-for-sale:

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

(ii) Fair value through profit or loss

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

Notes to the consolidated financial statements

(iii) Available-for-sale

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

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

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

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and 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 profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value with fair values changes recognised in profit or loss.

(r) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Notes to the consolidated financial statements

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

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

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

(iv) De-recognition

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

(s) Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

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

(ii) Software

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

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

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

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

Notes to the consolidated financial statements

(t) Impairment of non-financial assets

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

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

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

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

(u) Deposits and borrowings

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

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

(v) Sale and repurchase agreements

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

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

(w) Provisions

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

Notes to the consolidated financial statements

(x) Financial guarantees and loan commitments

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

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

(y) Employee benefits

(i) Retirement benefit obligations

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

(ii) Other long term employee benefits

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

(iv) 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 officer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(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.

Notes to the consolidated financial statements

(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.

(iii)Treasury shares

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 - Financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

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

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

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

Notes to the consolidated financial statements

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

(ii) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

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

The Group is still evaluating the potential effect of the adoption of the amendments to IAS 32.

(iii) IFRIC 21 Levies

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Group's financial statements.

Notes to the consolidated financial statements

4 Financial risk management

(a) **Introduction and overview**

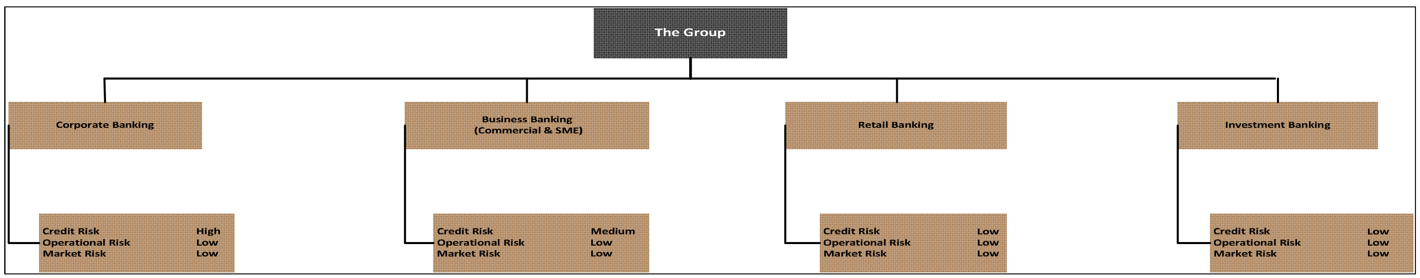
Risk management at FCMB Group Plc is very crucial and critical to the attainment of the Group's vision, mission, strategic business objectives, ensure sustainability of such, identify and explore growth opportunities and manage inherent challenges and threats in operational and business environments, ensure compliance with corporate governance standards and regulatory requirements and pronouncements. As such, 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 its 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 and regulatory risks and has put in place robust risk management framework for the proactive identification, assessment, measurement and management of such risks, including a capital management policy that ensures it has enough capital to support its level of risk exposures whilst also complying with the regulatory requirements.

The framework seeks to strengthen the administration and supervision of group enterprise risk management and ensure that the group 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.

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

Business Units and Risk Exposures



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

As implied from this chart, credit risk is the largest risk exposure of the Group, next to this is operational risk and then market risk. Corporate Banking, having the largest exposure to credit risk takes most of the capital allocation, followed by Business Banking, Retail Banking and Investment Banking. The low capital allocation to Investment Banking is both in line with the Group's exposure to this sector and low market risk in the Nigerian Banking sector which is still largely dominated by Federal Government's debt instruments. Although most of the risk exposure of the Group is credit risk and within corporate grouping, this risk is well mitigated by a proactive portfolio diversification strategy, good balancing of the portfolio in addition to other credit risk management and mitigation techniques

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

Risk Management Framework

The Board and risk committees of FCMB Group are responsible for the risk oversight of the Group, 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-committes to provide support to the Board in managing risk and ensuring that capital is adequate. The Board has articulated the appetite for all significant risks, and ensures (through appropriate sub-committees) that all risk taking activities are within the set appetite. The responsibility for day-to-day management of these risks has been delegated to Executive Management through its related committees (Risk Management Committee, Management Credit Committee, Asset & Liability Committee and Executive Management Committee).

Notes to the consolidated financial statements

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

Enterprise Risk Universe and Governance Structure

FCMB Risk Universe & Responsibility Matrix

Risk Universe	Credit Risk	Concentration Risk	Market Risk	Liquidity Risk	Operational Risk	Compliance Risk	Legal Risk	Reputational Risk	Strategic Risk
Primary Risk Owner	CRO	CRO	Treasurer	Treasurer	Head Operations & Technology Division	CCO	General Counsel	Head Brand Marketing	Head Strategy
Secondary Risk Owner	CRO								
Management Committee	Management Credit Committee		ALCO		Risk Management Committee (RMC)		Executive Management Committee (EMC)		
	Risk Management Committee (RMC)								
Board Committtee	Board Credit Committee				Board Audit & Risk Management Committee (BARC)				Board of Directors
	Board of Directors (BOD)								

CRO – Chief Risk Officer, CCO – Chief Compliance Officer, ALCO – Assets & Liability Management Committee

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

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

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

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

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

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

IV. The Board Audit & Risk Management Committee (BARMC) is responsible for assessing the adequacy and scope of internal controls, audit of the financial statements and overall compliance.

(b) Executive Management Level

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

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

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

Notes to the consolidated financial statements

(c) Business Unit Management Level

I. Business Unit Management as 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, agree action plans and assigns responsibilities for resolving identified issues.

SECOND LINE OF DEFENCE

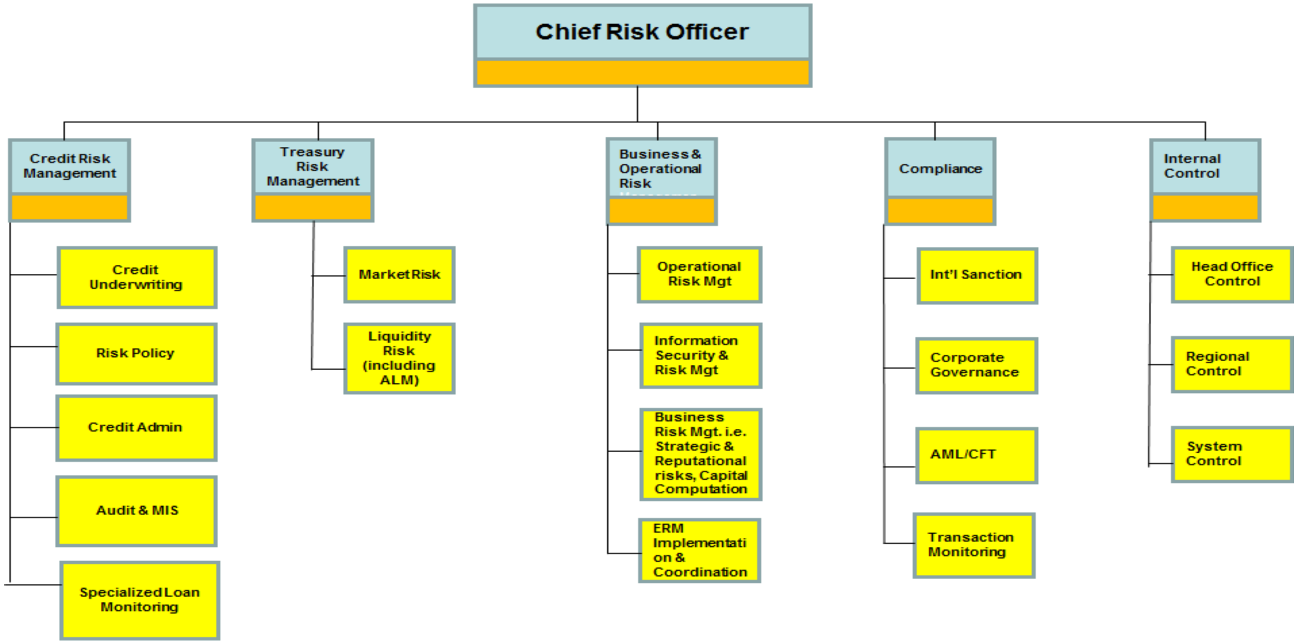
(a) Group Risk Management & Compliance Division

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

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

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

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



Notes to the consolidated financial statements

(b) Group Finance Division

I. Group Finance Division develops the Group's strategic and capital plan and clearly outline the actual and projected capital needs, anticipated capital expenditure and desired level of capital

II. It reviews the Group's capital structure and ensures the desired level of capital adequacy in the Group

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

Risk Appetite

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

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

CREDIT RISK APPETITE

Risk Category	Selected Risk Appetite Metrics	Risk Appetite		
Credit Risk	Credit Loss Ratio	5%		
	Weighted Average Risk Rating of the Portfolio	BB-(Probability of default - 3.09%)		
	Sector Concentration	<=20% of total portfolio in any single sector		
	Exposure limit	**Large Exposure** is defined by CBN as 10% of SHF and regulatory aggregate exposure limit for Large Exposures is set at 800% of SHF. However, the bank defined Internal limit as 400% of SHF		
		Single Obligor Limit (SOL):Maximum in line with regulatory requirement is 20% of SHF (further capped internal at N20 Billion). The Group has however defined this further for the different rating bands as follows:		
		Very Low Risk	AAA to BBB+	Regulatory Single Obligor Limit (SOL)
		Low Risk	BB+ to BB-	50% of Regulatory SOL capped at N10 billion
		Acceptable Risk	CCC+ to CCC-	10% of Regulatory SOL capped at N2 billion
		Moderately High Risk	CC+ to C+	5% of Regulatory SOL capped at N1 billion
		High Risk	C to C-	N500 million

Notes to the consolidated financial statements

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

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

(b) **CREDIT RISK**

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

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

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

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

Our ratings framework measures the following key components:

- Financial Factors (sales terms/conditions, strength of operations, liquidity and capital in addition to debt service capacity)
- Industry: Structure, Performance, Economic Sensitivity and Outlook
- Management Quality (ownership experience, skills and turnover) and Company Standing (reputation, ownership and credit history)
- Security/collateral arrangements, seniority of debt, ability to cancel debt at the point of default and Loss Given Default (LGD) computation for each security/collateral type supporting the exposure

The above components help the group to establish the following:

- Obligor Risk Rating (ORR), mapped to an estimated PD – Although the PD is not based on the Group's internal experience presently, a PD validation or back-testing process has commenced to assess the predictability of the model. Initial report shows accuracy ratio of 81.54%.
- 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 applied to transaction pricing under the Risk-Based pricing .

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

Notes to the consolidated financial statements

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

INTERNAL RATING SCALE	DESCRIPTION	EXTERNAL RATING SCALE (MOODY'S)	EXTERNAL RATING SCALE (S&P)	PD	PD - DECIMALS
AAA	VERY LOW RISK	Aaa	AAA	0.0185%	0.000185
AA		Aa1	AA+	0.0308%	0.000308
AA-		Aa2	AA	0.0514%	0.000514
A+		Aa3	AA-	0.0857%	0.000857
A		A1	A+	0.1428%	0.001428
A-		A2	A	0.1785%	0.001785
BBB+		A3	A-	0.2231%	0.002231
BBB+		Baa1 / Baa2	BBB+/BBB	0.3540%	0.003540
BBB-		Baa3 / Ba1	BBB-/BB+	0.5445%	0.005445
BB+	LOW RISK	Ba2	BB	1.3750%	0.013750
BB		Ba3	BB-	2.0625%	0.020625
BB-		B1	B+	3.0938%	0.030938
CCC+	ACCEPTABLE RISK	B2	B	4.6407%	0.046407
CCC		B3	B-	6.1876%	0.061876
CCC-		B3	B-	7.7345%	0.077345
CC+	MODERATELY HIGH RISK	Caa1	CCC+	9.2814%	0.092814
CC		Caa2	CCC	10.8283%	0.108283
CC-		Caa2	CCC	12.3750%	0.123750
C+		Caa3	CCC-	13.9221%	0.139221
C	HIGH RISK	Caa3	CCC-	54.6900%	0.546900
C-		D	NA	100.0000%	1.000000

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

Management of Credit Risk

The Group manages its credit risk through an appropriate measurement, management and reporting process underpinned by sound credit risk systems, policies and well qualified personnel. A combination of risk management tools and policies are adopted to stimulate the creation of quality risk assets. It is managed centrally by various departments within the Risk Management & Compliance 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 is achieved through a combination of the following:

- **Appropriate Credit Policies**: The Group formulates appropriate risk management policies in conjunction with the business units and other stakeholders, covering all the key areas of credit origination, management, collection, portfolio management etc. whilst also ensuring compliance with all regulatory requirements. The credit policies reinforce all the group's lending and credit management decisions.

- **Lending Driven by Internal Rating System**: The group's lending and policy enforcement is driven by an internal rating system, with scorecards built for different classes of customers such as Corporate, Commercial, Small and Medium Enterprises (SME), Public Sector, Consumer and Project Finance. The rating of obligors and transactions has been useful in the quantification of credit risk and underwriting decision, including serving as a guide for pricing, portfolio management and computation of required capital to support the different business lines

- **Establishment of Credit Approval Limits and Authorities**: There are various approval limits for different kinds of credit exposures and approval authorities, including the various risk committees such as the Management Credit Committee (MCC) and the Board Credit Committee (BCC). These limits are also guided by statutory impositions such as the single obligor limit and other concentrations limits set by the Central Bank of Nigeria (CBN).The Group's single obligor limit is benchmarked to the regulatory cap of 20% of Shareholder's Funds unimpaired by loses with the internal limits also mapped to obligor's risk rating. 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 loan.

As part of its continuous process improvement and enhanced risk management strategies, the bank procured a robust end-to-end Credit application software (Axe Credit Portal) to drive lending activities from origination to recovery. The application provides strong capability for limit setting and tracking at transaction and portfolio levels. This also gives better visibility and MIS capabilities for risk management within the portfolio and improves loan management throughout each facility's lifecycle.

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 at portfolio levels to ensure a balanced and healthy portfolio in line with the portfolio development and balancing strategy of the Group.

- **Collateral Review, Monitoring & Management**: The Legal department reviews the collateral proposed by customers as part of the credit approval process to determine acceptability of the collateral. Beyond the initial assessment at the point of credit origination however, the Group also has good collateral management policies in place to reduce the risk of loss in the event of default. Our collateral management policy is linked to the internal ratings framework and has helped to reduce the estimated expected loss and capital charge on transactions.

Notes to the consolidated financial statements

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

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

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

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

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

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

Exposure to Credit Risk

	GROUP		COMPANY	
	LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO CUSTOMERS	
In thousands of Naira	**2013**	**2012**	**2013**	**2012**
Maximum exposure to credit risk				
Carrying Amount	**450,532,965**	357,798,798	**-**	-
Amount committed / guaranteed	**105,095,037**	120,414,183	**-**	-
	555,628,002	478,212,981	**-**	-
Individually Impaired				
Very Low Risk	**-**	-	**-**	-
Low Risk	**-**	284,138	**-**	-
Acceptable Risk	**3,066,719**	2,143,917	**-**	-
Moderately High Risk	**2,374,323**	2,358,318	**-**	-
High Risk	**-**	323,551	**-**	-
Gross Amount	**5,441,042**	5,109,924	**-**	-
Collectively Impaired				
Very Low Risk	**-**	-	**-**	-
Low Risk	**159,170**	284,253	**-**	-
Acceptable Risk	**5,083,097**	1,112,331	**-**	-
Moderately High Risk	**7,265,955**	3,024,730	**-**	-
High Risk	**13,057**	9,638	**-**	-
Gross Amount	**12,521,279**	4,430,952	**-**	-

Notes to the consolidated financial statements

Past due but not impaired				
Very low risk	**-**	-	**-**	-
Low risk	**127,015**	618,242	**-**	-
Acceptable risk	**2,222,706**	7,549,210	**-**	-
Moderately high risk	**2,396,830**	773,773	**-**	-
High risk	**125,466**	-	**-**	-
Carrying amount	**4,872,017**	8,941,225	**-**	-
Past due comprises				
1-29 DAYS	**1,661,092**	688,327	**-**	-
30-59 DAYS	**2,025,824**	948,856	**-**	-
60-89 DAYS	**1,185,101**	7,304,042	**-**	-
Carrying amount	**4,872,017**	8,941,225	**-**	-
Neither past due nor impaired				
Very low risk	**21,924,801**	19,402,050	**-**	-
Low risk	**55,017,409**	93,554,736	**-**	-
Acceptable risk	**259,754,969**	139,161,758	**-**	-
Moderately high risk	**102,768,602**	94,133,077	**-**	-
High risk	**70,765**	131,493	**-**	-
Gross Amount	**439,536,546**	346,383,114	**-**	-
Total Gross amount	**462,370,884**	364,865,215	**-**	-
Impairment allowance:			**-**	-
Specific	**(3,206,245)**	(4,462,115)		
Collective	**(8,631,674)**	(2,604,302)		
Carrying amount	**450,532,965**	357,798,798	**-**	-
	-	-	**-**	-

In addition to the above, the Group entered into lending commitments and financial guarantee contracts of N105billion (2012: N120billion) with counterparties.

Notes to the consolidated financial statements

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 2013

In thousands of Naira	Loans and advances to customers Gross	Loans and advances to customers Net	Investment securities Gross	Investment securities Net
Very low risk	-	-	-	-
Low risk	-	-	-	-
Acceptable risk	3,066,719	510,612	-	-
Moderately high risk	2,374,323	1,724,185	-	-
High risk	-	-	-	-
Unrated	-	-	5,334,915	4,212,338
	5,441,042	2,234,797	5,334,915	4,212,338

31 December 2012

In thousands of Naira	Loans and advances to customers Gross	Loans and advances to customers Net	Investment securities Gross	Investment securities Net
Very low risk	-	-	-	-
Low risk	284,138	91,884	-	-
Acceptable risk	2,143,917	300,864	-	-
Moderately high risk	2,358,318	255,061	-	-
High risk	323,551	-	-	-
Unrated	-	-	5,334,915	4,305,919
	5,109,924	647,809	5,334,915	4,305,919

Past due but not impaired loans

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

Loans with Renegotiated Terms and the Forbearance Policy

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

Write-off Policy

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

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

The Loan Recovery Unit originates the write-off requests;

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

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

The facility must be in the group's book for at least one year after the full provision;

- There should be evidence of board approval

Notes to the consolidated financial statements

- If the facility is insider or related party credit, the approval of CBN is required
- The fully provisioned facility is appropriately disclosed in the audited financial statement of the Group.

Collateral held and other credit enhancements and their financial effects

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

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

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Percentage of Exposure that is subject to an arrangement that requires collaterisation 2013	2012
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	87	89
Reversal 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 2013 or 31 December 2012

Details of collateral held and their carrying amounts as at 31 December 2013 are as follows:

In thousands of Naira	GROUP Total exposure	GROUP Value of collateral	COMPANY Total exposure	COMPANY Value of collateral
Secured against real estate	76,067,753	81,640,911	-	-
Secured by shares of quoted companies	3,528,264	5,626,032	-	-
Cash Collateral, lien over fixed and floating assets	163,768,359	211,858,938	-	-
Otherwise secured	158,935,723	178,076,014	-	-
Unsecured	48,232,866	-	-	-
	450,532,965	**477,201,895**	**-**	**-**

Notes to the consolidated financial statements

Details of collateral held and their carrying amounts as at 31 December 2012 are as follows:

In thousands of Naira	GROUP		COMPANY	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	84,645,298	100,286,057	-	-
Secured by shares of quoted companies	4,422,763	6,559,880	-	-
Cash Collateral, lien over fixed and floating assets	99,054,839	118,732,400	-	-
Otherwise secured	135,880,956	165,833,193	-	-
Unsecured	33,794,942	-	-	-
	357,798,798	**391,411,530**	**-**	**-**

Loans and Advances to Corporate Customers

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

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

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

9 GRADE LGD MODEL - FACILITY RISK RATING				
	LGD	**LGD - MIN**	**LGD - MAX**	**LGD GRADE**
SECURED	**0%**	**0%**	**4.99%**	**AAA**
	5%	**5%**	**9.99%**	**AA**
	10%	**10%**	**14.99%**	**A**
	15%	**15%**	**19.99%**	**BBB**
	20%	**20%**	**34.99%**	**BB**
	35%	**35%**	**39.99%**	**B**
	40%	**40%**	**44.99%**	**CCC**
UNSECURED	**45%**	**45%**	**74.99%**	**CC**
	75%	**75%**	**100.00%**	**C**

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

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

Derivative assets held for risk management

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

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

Notes to the consolidated financial statements

	Notes	2013 Fair value	2012 Fair value
Derivative assets held	24	1,697,606	1,980,135
Derivative liabilities held	24	1,355,634	1,980,135

Concentration of credit risk

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

Concentration by sector

In thousands of Naira

GROUP

	LOANS AND ADVANCES TO CUSTOMERS		LENDING COMMITMENTS AND FINANCIALS GUARANTEES	
	2013	2012	2013	2012
Agriculture	11,405,967	13,655,459	86,456	2,397,613
Aviation	195,228	158,300	-	-
Commerce	54,177,722	52,382,225	41,478,440	37,538,127
Construction	6,135,100	7,445,005	20,207,005	31,491,413
Education	4,718,538	4,598,344	-	-
Finance and insurance	20,409,287	13,823,501	1,783,889	114,950
General - Others	8,593,983	13,213,583	6,447,137	6,294,108
Government	31,302,235	28,701,522	-	-
Individual	86,086,153	40,096,043	-	784,738
Manufacturing	28,025,085	27,389,670	22,112,793	10,920,877
Mortgage	1,450,401	1,607,433	-	-
Oil and gas	93,618,386	100,976,519	5,177,103	19,869,919
Power & Energy	26,824,020	4,608,875	3,430,967	1,171,448
Professional services	1,840,740	774,336	210,000	208,731
Real estate	35,066,985	25,323,308	1,034,965	2,727,517
Transportation	6,460,121	1,408,101	1,662,183	5,030,309
Telecommunications	34,223,015	21,636,574	1,464,099	1,864,433
	450,532,965	**357,798,798**	**105,095,037**	**120,414,183**

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.

Notes to the consolidated financial statements

Concentration by location

In thousands of Naira

GROUP

	LOANS AND ADVANCES TO CUSTOMERS		LENDING COMMITMENTS AND FINANCIALS GUARANTEES	
	2013	2012	2013	2012
South West	359,629,907	298,339,171	82,567,678	88,008,271
North Central	40,096,323	25,410,171	14,564,893	9,353,278
South South	22,057,516	13,414,584	6,463,933	3,855,424
North West	12,471,884	5,532,772	986,905	12,880,060
North East	8,340,095	9,859,428	91,000	4,669,700
South East	7,937,240	5,242,672	420,628	1,647,450
	450,532,965	**357,798,798**	**105,095,037**	**120,414,183**

Trading Assets

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

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

GROUP

2013

SECURITY TYPE	ISSUER RATING	0 - 30 days NGN '000	31 - 90 days NGN '000	91 -180 days NGN '000	181 - 365 days NGN '000	above 365 days NGN '000	Total NGN '000
FGN BONDS	BB-	87,616	-	-	-	-	87,616
NIGERIAN TREASURY BILLS	BB-	314,647	274,802	1,819,216	-	-	2,408,665
EQUITY INVESTMENTS	BB-	425,077	-	-	-	-	425,077
		827,340	**274,802**	**1,819,216**	**-**	**-**	**2,921,358**

2012

SECURITY TYPE	ISSUER RATING	0 - 30 days NGN '000	31 - 90 days NGN '000	91 -180 days NGN '000	181 - 365 days NGN '000	above 365 days NGN '000	Total NGN '000
FGN BONDS	BB-	-	-	-	-	-	-
NIGERIAN TREASURY BILLS	BB-	7,347	-	-	816,279	-	823,626
EQUITY INVESTMENTS	BB-	346,082	-	-	-	-	346,082
		353,429	**-**	**-**	**816,279**	**-**	**1,169,708**

Cash and cash equivalents

The Group held cash and cash equivalents of N199.70billion as at 31 December 2013 (2012: N123.45billion). The cash and cash equivalents are held with Central Bank and financial institutions 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 by 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.

Notes to the consolidated financial statements

(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 with quantified metrics for measurement on parameters such as deposit attrition, funding mismatch and funding concentrations to mention a few
- Establishment of the Group's liquidity risk appetite which is the amount of risk the Group is willing to accept in pursuit of value using relevant liquidity risk ratios and assets and liability funding gaps
- Establishment of methodologies for measuring and reporting on the group's liquidity risk profile against set appetite and also 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
- Maintaining a diversified funding base consisting of customer deposit (both retail and corporate) and wholesale market deposits and maintaining contingency deposits and maintaining contingency liabilities
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the group's financial assets and liabilities, and the extent to which they are encumbered

The group conducts regular stress testing on its liquidity position using different scenarios including Normal, Mild and Severe stress situations. The scenarios anticipate changes in key financial indicators such as interest rate movement, sharp reduction in DFIs as a result of current security challenges, 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 & Compliance division acts as the secretariat for ALCO and provides the necessary analytics (Maturity/Repricing Gap and Balance sheet analysis) required for taking proactive liquidity management decisions. The group's Treasury & Financial services division is responsible for executing ALCO decisions and in particular, ensuring that the group is optimally and profitable funded at any point in time.

Exposure to Liquidity Risk

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

YEAR	**2013**	**2012**
At 31 December	45.1%	49.1%
Average for the year	52.1%	48.8%
Maximum for the year	64.8%	59.5%
Minimum for the year	36.8%	42.2%

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

Notes to the consolidated financial statements

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 different buckets.

GROUP

2013

In thousands of Naira	Note	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	>1yr <5 yrs	Over 5 years	Total
Financial assets								
Cash and cash equivalents	21	199,700,305	-	-	-	-	-	199,700,305
Restricted reserve deposits	22	73,473,096	-	-	-	-	-	73,473,096
Non-pledged trading assets	23	877,906	667,735	578,672	48,529	110,475	638,041	2,921,358
Derivative assets held	24	-	-	-	-	1,697,606	-	1,697,606
Loans and advances to customers	25	79,273,683	77,847,519	54,579,431	49,321,081	167,973,751	21,537,500	450,532,965
Investment securities	26	65,786,995	12,206,353	10,927,718	45,058,210	7,488,901	22,170,059	163,638,236
Assets pledged as collateral	27	6,026,238	5,092,235	315,719	4,073,788	22,082,364	12,926,560	50,516,904
Other assets	33	-	-	9,325,783	-	6,994,337	2,331,446	18,651,566
Total financial assets		425,138,223	95,813,842	75,727,323	98,501,608	206,347,434	59,603,606	961,132,036
Financial liabilities								
Derivative liabilities held	24	-	-	-	-	1,355,634	-	1,355,634
Deposits from customers	36	592,231,955	114,382,081	6,880,125	1,720,031	-	-	715,214,192
Deposits from banks	35	-	-	-	-	-	-	-
Borrowings	37	-	-	-	11,736	53,275,952	5,956,542	59,244,230
Other liabilities	40	-	-	-	13,175,557	69,832,202	-	83,007,759
Total financial liabilities		592,231,955	114,382,081	6,880,125	14,907,324	124,463,788	5,956,542	858,821,815
Net Liquidity gap		(167,093,732)	(18,568,239)	68,847,198	83,594,284	81,883,646	53,647,064	102,310,221

2012

In thousands of Naira	Note	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	>1yr <5 yrs	Over 5 years	Total
Financial assets								
Cash and cash equivalents	21	123,451,740	-	-	-	-	-	123,451,740
Restricted reserve deposits	22	-	57,791,360	-	-	100,000	-	57,891,360
Non-pledged trading assets	23	484,044	685,664	-	-	-	-	1,169,708
Derivative assets held	24	-	-	-	-	1,980,135	-	1,980,135
Loans and advances to customers	25	67,315,983	60,909,902	42,704,351	38,590,083	131,426,985	16,851,494	357,798,798
Investment securities	26	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	39,854,220	244,525,619
Assets pledged as collateral	27	1,974,186	398,129	-	13,388,683	25,032,603	-	40,793,601
Other assets	33			9,096,816		6,822,612	2,274,204	18,193,632
Total financial assets		224,109,970	136,185,649	54,441,382	140,286,292	231,801,382	58,979,918	845,804,593
Financial liabilities								
Derivative liabilities held	24	-	-	-	-	1,980,135	-	1,980,135
Deposits from customers	36	509,693,123	122,134,143	12,668,809	1,720,692	-	-	646,216,767
Deposits from banks	35	52,000	-	-	-	-	-	52,000
Borrowings	37	-	-	-	5,833	23,966,598	2,960,587	26,933,018
Other liabilities	40	0	-	-	22,248,274	66,744,823	-	88,993,097
Total financial liabilities		509,745,123	122,134,143	12,668,809	23,974,799	90,711,421	2,960,587	764,175,017
Net liquidity gap		(285,635,153)	14,051,506	41,772,573	116,311,493	141,089,961	56,019,331	81,629,576

Notes to the consolidated financial statements

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

In thousands of Naira	Note	2013 CARRYING AMOUNT	2013 FAIR VALUE	2012 CARRYING AMOUNT	2012 FAIR VALUE
Balances with central banks	21	18,628,605	18,628,605	15,254,452	15,254,452
Cash and balances with other banks	21	181,071,700	181,071,700	108,197,288	108,197,288
Unencumbered debt securities issued by central banks	23,26(a)	132,311,280	123,308,901	214,405,230	207,976,875
Total liquidity reserve		**332,011,585**	**323,009,206**	**337,856,970**	**331,428,615**

Included in the unencumbered debt securities issued by central banks are; Federal Government of Nigeria (FGN) Bonds (N23.64billion), Asset Management Corporation of Nigeria (AMCON) Bonds (N34.99billion), Treasury Bills (N69.82billion) under note 27(a) for the reporting year.

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

2013

In thousands of Naira	Note	Encumbered: Pledged as Collateral	Encumbered: Other*	Unencumbered: Available as Collateral	Unencumbered: Other**	Total
Cash and Cash Equivalents	21	-	-	199,700,305	-	199,700,305
Restricted reserve deposits	22	-	73,473,096	-	-	73,473,096
Derivative assets held	24	-	-	-	1,697,606	1,697,606
Trading Assets	23	-	-	-	2,921,358	2,921,358
Loans and Advances	25	-	-	-	450,532,965	450,532,965
Assets pledged as collateral	27	50,516,904	-	-	-	50,516,904
Investment Securities	26	-	-	163,638,236	-	163,638,236
Other assets	33	-	-		24,492,358	24,492,358
Other non-financial assets	29,30,31,32,34	-	-	34,392,805	6,914,537	41,307,342
Total Assets		**50,516,904**	**73,473,096**	**397,731,346**	**486,558,824**	**1,008,280,170**

2012

In thousands of Naira	Note	Encumbered: Pledged as Collateral	Encumbered: Other*	Unencumbered: Available as Collateral	Unencumbered: Other**	Total
Cash and Cash Equivalents	21	-	-	123,451,740	-	123,451,740
Restricted reserve deposits	22	-	57,891,360	-	-	57,891,360
Derivative assets held	24	-	-	-	1,980,135	1,980,135
Trading Assets	23	-	-	-	1,169,708	1,169,708
Loans and Advances	25	-	-	-	357,798,798	357,798,798
Assets pledged as collateral	27	40,793,601	-	-	-	40,793,601
Investment Securities	26	-	-	244,525,619	-	244,525,619
Other assets	33	-	-		23,756,311	23,756,311
Other non-financial assets	29,30,31,32,34	-	-	38,225,955	18,952,529	57,178,484
Total Assets		**40,793,601**	**57,891,360**	**406,203,314**	**403,657,481**	**908,545,756**

*Represents assets which are not pledged but the group believes they are restricted (either by law or other reasons) from being used to secure funding.
** These are assets that are available i.e. not restricted as collateral to secure funding but the group would not consider them as readily available in the course of regular business.

(d) **MARKET RISK**

Market risk is the risk that changes in market prices such as interest rate, equity/commodity prices, 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. The Group 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 position taking, together with financial assets and liabilities that are managed on fair value basis

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

Overall authority for market risk is vested by the board in ALCO which sets up limits for each type of risk in aggregate. However, market risk unit 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 limit market risk exposures as detailed below:

MARKET RISK MEASURES:

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

2013

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 equivalent	21	199,700,305	-	199,700,305	2,150,389	-	2,150,389
Trading assets	23	2,921,358	2,921,358	-	-	-	-
Derivatives held	24	1,697,606	-	1,697,606	-	-	-
Loans and Advances to customers	25	450,532,965	-	450,532,965	-	-	-
Assets pledged as collateral	27	50,516,904	-	50,516,904	-	-	-
Investment securities	26	163,638,236	-	163,638,236	2,514,439	-	2,514,439
Liabilities subject to market risk:							
Derivatives held	24	1,355,634	-	1,355,634	-	-	-
Deposits from customers and banks	35,36	715,214,192	-	715,214,192	-	-	-
Borrowings	37	59,244,230		59,244,230	-	-	-

2012

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 equivalent	21	123,451,740	-	123,451,740	-	-	-
Trading assets	23	1,169,708	1,169,708	-	-	-	-
Derivatives held for risk management	24	1,980,135	-	1,980,135	-	-	-
Loans and Advances to customers	25	357,798,798	-	357,798,798	-	-	-
Assets pledged as collateral	27	40,793,601	-	40,793,601	-	-	-
Investment securities	26	244,525,619	-	244,525,619	-	-	-
Liabilities subject to market risk:							
Derivatives held for risk management	24	1,980,135	-	1,980,135	-	-	-
Deposits from customers and banks	35,36	646,268,767	-	646,268,767	-	-	-
Borrowings	37	26,933,018	-	26,933,018	-	-	-

Exposure to Interest Rate Risk – Non trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss arising from fluctuations in the future cash flow of fair values of financial instruments because of a change in the market interest rate. Interest rate risk is managed principally through active monitoring of gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by 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	Carrying Amount	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years
2013								
Assets subject to market risk:								
Cash and cash equivalent	21	199,700,305	199,700,305	-	-	-	-	-
Derivatives held for risk management	24	1,697,606	-	-	-	-	1,697,606	-
Loans and Advances to customers	25	450,532,965	79,273,683	77,847,519	54,579,431	49,321,081	167,973,751	21,537,500
Assets pledged as collateral	27	50,516,904	6,026,238	5,092,235	315,719	4,073,788	22,082,364	12,926,560
Investment securities	26	163,638,236	65,786,995	12,206,353	10,927,718	45,058,210	7,488,901	22,170,059
		866,086,016	**350,787,221**	**95,146,107**	**65,822,868**	**98,453,079**	**199,242,622**	**56,634,119**
Liabilities subject to market risk:								
Derivatives held for risk management	24	1,355,634	-	-	-	-	1,355,634	-
Deposits from customers and banks	35,36	715,214,192	592,231,955	114,382,081	6,880,125	1,720,031	-	-
Borrowings	37	59,244,230	-	-	-	11,736	53,275,952	5,956,542
		775,814,056	**592,231,955**	**114,382,081**	**6,880,125**	**1,731,767**	**54,631,586**	**5,956,542**

2012	Note	Carrying Amount	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years
Assets subject to market risk:								
Cash and cash equivalent	21	123,451,740	123,451,740	-	-	-	-	-
Derivatives held for risk management	24	1,980,135	-	-	-	-	1,980,135	-
Loans and Advances to customers	25	357,798,798	67,315,983	60,909,902	42,704,351	38,590,083	131,426,985	16,851,494
Assets pledged as collateral	27	40,793,601	1,974,186	398,129	-	13,388,683	25,032,603	-
Investment securities	26	244,525,619	30,884,017	16,400,594	2,640,215	88,307,526	66,439,047	39,854,220
		768,549,893	**223,625,926**	**77,708,625**	**45,344,566**	**140,286,292**	**224,878,770**	**56,705,714**
Liabilities subject to market risk:								
Derivatives held for risk management	24	1,980,135	-	-	-	-	1,980,135	-
Deposits from customers and banks	35,36	646,268,767	509,745,123	122,134,143	12,668,809	1,720,692	-	-
Borrowings	37	26,933,018	-	-	-	5,833	23,966,598	2,960,587
		675,181,920	**509,745,123**	**122,134,143**	**12,668,809**	**1,726,525**	**25,946,733**	**2,960,587**

Sensitivity of projected net interest income

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

Notes to the consolidated financial statements

GROUP

2013

In thousands of Naira	Note	Gross amount	Weighted average interest rate	Interest due at current weighted average rate	50bps	(50bps)	100bps	Total (100bps)
Loans & Advances	25	462,370,884	22%	99,919,737	102,206,208	97,633,266	104,492,680	95,346,794
Deposits	36	715,214,192	6%	46,298,351	49,901,817	42,694,885	53,505,282	39,091,420
				53,621,386	52,304,391	54,938,381	50,987,398	56,255,374
Impact on net interest income					(1,316,995)	1,316,995	(2,633,988)	2,633,988

2012

In thousands of Naira	Note	Gross amount	Weighted average interest rate	Interest due at current weighted average rate	50bps	(50bps)	100bps	(100bps)
Loans & Advances	25	364,865,215	24%	87,021,261	88,810,255	85,232,267	90,599,249	83,443,273
Deposits	36	646,216,767	7%	43,681,950	46,913,034	40,450,866	50,144,118	37,219,782
				43,339,311	41,897,221	44,781,401	40,455,131	46,223,491
Impact on net interest income					(1,442,090)	1,442,090	(2,884,180)	2,884,180

Exposure to other Market Risk non trading portfolios

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

Foreign Exchange risk

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

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

GROUP

2013

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
Assets							
Cash and cash equivalent	21	141,360,312	50,269,274	3,174,523	4,704,961	191,235	199,700,305
Restricted reserve deposit	22	73,473,096	-	-	-	-	73,473,096
Non-pledged trading assets	23	2,921,358	-	-	-	-	2,921,358
Derivative assets held	24	-	1,697,606	-	-	-	1,697,606
Loans and advances (net)	25	277,825,251	172,222,369	485,345	-	-	450,532,965
Investment securities	26	159,550,286	4,087,950	-	-	-	163,638,236
Investment in subsidiaries and associates	28, 29	568,512	-	-	-	-	568,512
Intangible assets	31	7,580,528	-	-	-	-	7,580,528
Asset Pledged as Collateral	27	50,516,904	-	-	-	-	50,516,904
Asset Classified as Held for Sale	34	-	-	-	-	-	-
Deferred tax assets	32	6,346,025	-	-	-	-	6,346,025
Other assets	33	1,263,300	21,577,361	921,199	728,648	1,850	24,492,358
Property and equipment	30	26,812,277	-	-	-	-	26,812,277
Total assets		**748,217,849**	**249,854,560**	**4,581,067**	**5,433,609**	**193,085**	**1,008,280,170**

Notes to the consolidated financial statements

	Note						
Liabilities							
Deposits from customers	36	581,720,035	129,013,936	2,981,490	1,498,725	6	715,214,192
Deposits from banks	35	-	-	-	-	-	-
Liabilities classified as held for sale	34	-	-	-	-	-	-
Borrowings	37	5,238,056	54,006,174	-	-	-	59,244,230
Derivative Liability Held	24	-	1,355,634	-	-	-	1,355,634
Current income tax liabilities	20	4,333,353	-	-	-	-	4,333,353
Other liabilities	40	39,193,857	42,079,661	378,364	1,343,882	11,995	83,007,759
Deferred taxation	32	35,282	-	-	-	-	35,282
Retirement benefit obligations	38	124,674	-	-	-	-	124,674
Other long term benefits	39	1,258,317	-	-	-	-	1,258,317
Total Liabilities		**631,903,574**	**226,455,405**	**3,359,854**	**2,842,607**	**12,001**	**864,573,441**
Net on-balance sheet financial position		116,314,275	23,399,155	1,221,213	2,591,002	181,084	143,706,729
Off-balance sheet financial position		**55,717,301**	**41,976,248**	**11,074**	**7,191,224**	**199,190**	**105,095,037**

2012

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
Assets							
Cash and cash equivalent	21	62,644,538	55,476,764	2,032,115	-	3,298,323	123,451,740
Restricted reserve deposit	22	57,891,360	-	-	-	-	57,891,360
Non-pledged trading assets	23	1,169,708	-	-	-	-	1,169,708
Derivative assets held	24	-	1,980,135	-	-	-	1,980,135
Loans and advances (net)	25	232,885,776	124,588,034	73,932	251,056	-	357,798,798
Investment securities	26	242,963,694	1,561,925	-	-	-	244,525,619
Investment in subsidiaries and associates	28, 29	467,456	-	-	-	-	467,456
Intangible assets	32	11,894,789	-	-	-	-	11,894,789
Asset Pledged as Collateral	33	40,793,601	-	-	-	-	40,793,601
Asset Classified as Held for Sale	31	13,547,417	-	-	-	-	13,547,417
Deferred tax assets	30	4,937,656	-	-	-	-	4,937,656
Other assets	31	9,707,651	14,034,556	6,759	7,345	-	23,756,311
Property and equipment	34	25,513,580	817,586	-	-	-	26,331,166
Total financial assets		**704,417,226**	**198,459,000**	**2,112,806**	**258,401**	**3,298,323**	**908,545,756**
Liabilities							
Deposits from customers	36	498,499,131	143,649,131	1,280,278	2,726,094	62,133	646,216,767
Deposits from banks	35	52,000	-	-	-	-	52,000
Liabilities classified as held for sale	34	9,038,589	-	-	-	-	9,038,589
Borrowings	37	9,017,344	17,915,674	-	-	-	26,933,018
Derivative Liability Held	24	-	1,980,135	-	-	-	1,980,135
Current income tax liabilities	20	2,850,275	-	-	-	-	2,850,275
Other liabilities	40	67,539,253	20,836,578	130,728	486,538	-	88,993,097
Deferred taxation	32	22,067	-	-	-	-	22,067
Retirement benefit obligations	38	109,008	-	-	-	-	109,008
Other long term benefits	39	335,397	-	-	-	-	335,397
Total financial Liabilities		**587,463,064**	**184,381,518**	**1,411,006**	**3,212,632**	**62,133**	**776,530,353**
Net on-balance sheet financial position		**116,954,162**	**14,077,482**	**701,800**	**(2,954,231)**	**3,236,190**	**132,015,403**
Off-balance sheet financial position		75,561,110	56,358,696	11,074	(11,715,887)	199,190	**120,414,183**

(e) **Operational Risk Management**

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

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

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

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

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

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

Operational risk losses are periodically collated and analyzed by the Risk Management & Compliance Division. The analyzed loss experience enables the Group to determine causal factors and put in place new controls/processes to mitigate the risk of re-occurrence. In addition, the loss collation and analysis process provides the Group with the basis for justifying the cost of new/improved controls and assessing the effectiveness of controls. The Group's loss experience is escalated to the Board Audit & Risk Management Committee supported by clearly defined remedial action plans to correct the causes leading to the losses. Periodic operational risk meetings are held across the Group to boost risk awareness and improve risk management culture. 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 Audit & Risk Management 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 total of 9 insurance policies have been undertaken by the Group to minimize the loss in the event of an operational risk incident while provision is also made for expected operational risk losses.

Capital is reserved for unexpected operational risks losses based on Basel II standardized approach. Existing processes for operational risk management enables the Group to fully comply with the recent CBN circular which requires all banks to adopt the basic approach for the computation of operational risk capital, however, efforts will be sustained towards building capability for compliance with the Basel II Advanced Measurement Approach (AMA).

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

OPERATIONAL RISK LOSS EXPERIENCE

The Group's operational risk loss experience as at December, 2013 was within the Board approved risk appetite and all the operational risk losses have been fully recognized in the financial results for the year.

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

Following the recent trend observed in internet banking and mobile banking fraud, the Group took the following measures in the course of the 2013 financial year:

- · E-mail One Time Password (OTP) was taken-off/disabled for Retail Internet Banking while customers are also being encouraged to use the hardware token
- · Controls around the on-boarding process have been strengthened on the bank's mobile banking application
- · Staff access to customer information on both processing and view only systems have been reviewed
- · Information security campaign has been heightened in the Group
- · Activities around the major areas of vulnerabilities have been reviewed in order to strengthen the controls in these areas

Notes to the consolidated financial statements

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 organization and ensure that there is significant improvement in the risk management culture.

Group Operational Risk Practices

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

(f) **CAPITAL MANAGEMENT**

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

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

- Ensuring the 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 Banking group 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.

- 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.

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

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

The table below shows the break-down of the Banking group regulatory capital for the year ended 31 December 2013 and period ended 31 December 2012:

CAPITAL ADEQUACY COMPUTATION:

	BANKING GROUP	
In thousands of Naira	**2013**	**2012**
TIER 1 CAPITAL		
Share Capital	2,000,000	9,520,534
Share Premium	100,846,691	108,747,612
Treasury Shares	-	(775,381)
Statutory Reserves	14,258,793	11,973,809
Other reserves	4,755,900	1,776,359
Retained Earnings	5,718,711	765,475
Less: Goodwill	(5,993,863)	(11,590,807)
Deferred Tax Assets	(6,310,454)	(4,937,656)
Total qualifying tier 1 Capital	**115,275,778**	**115,479,945**

Notes to the consolidated financial statements

TIER 2 CAPITAL		
Translation Reserve	12,509	6,995
Total qualifying tier 2 Capital	**12,509**	**6,995**
Total regulatory Capital	**115,288,287**	**115,486,940**
RISK WEIGHTED ASSETS		
On-Balance Sheet	637,546,236	467,281,000
Off-Balance sheet	21,146,135	30,488,000
	658,692,371	**497,769,000**
Capital adequacy ratio	**18%**	**23%**

Note on capital adequacy ratio

The Banking group capital adequacy ratio was 18% as at December 31, 2013 (Dec. 2012: 23%) which was significantly above CBN capital adequacy requirement of 15% for bank of international authorisation. .

The Group embarked on Internal Capital Adequacy Assessment Process (ICAAP) project in order to ensure that all material risk exposures in the Group are adequately covered by capital and improve the capital management practices in the **Group.**

Notes to the consolidated financial statements

5 Use of estimates and judgments

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

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

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

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

Key sources of estimation uncertainty

(a) Impairment

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

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired 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 allowable is established for:
- groups of homogeneous loans that are not considered individually significant; and
- goups of assets that are individually significant but that were not found to be individually impaired (IBNR).

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

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

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

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

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

(b) Fair value

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

The groups accounting policy on fair value measurement is discussed in Note 3 of the accounting policy

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at 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.

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 securities 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 of model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

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

In thousands of Nigerian Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
2013					
ASSETS					
Trading assets	23	2,921,358	-	-	2,921,358
Derivative assets held	24	1,697,606	-	-	1,697,606
Investment securities	26	2,853,128	-	-	2,853,128
		7,472,092	-	-	7,472,092
LIABILITIES					
Trading liabilities		-	-	-	-
Derivative liabilities held		1,355,634	-	-	1,355,634
		1,355,634	-	-	1,355,634
2012					
Trading assets	23	1,169,708	-	-	1,169,708
Derivative assets held	24	1,980,135	-	-	1,980,135
Investment securities	26	2,527,855	-	-	2,527,855
		5,677,698	-	-	5,677,698
LIABILITIES					
Derivative liabilities held	24	1,980,135	-	-	1,980,135
		1,980,135	-	-	1,980,135

There was no financial instrument measured in Level 3 of the fair value hierarchy, hence there is 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 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.

In thousands of Nigerian Naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Loans and advances to customers	25	-	-	447,282,700	447,282,700	450,532,965
Assets pledged as collateral	27	-	43,852,922	-	43,852,922	50,516,904
Investment securities	26(a)(b)	-	169,713,242	-	169,713,242	163,638,236
LIABILITIES						
Deposits from banks	35	-	-	-	-	-
Deposits from customers	36	-	-	712,359,418	712,359,418	715,214,192
Borrowings	37	-	-	59,244,230	59,244,230	59,244,230

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. These includes expected lifetime credit losses, interest rates, estimated repayments. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party, and information obtained from other market participants.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Fair value disclosures were provided for unquoted equity investment securities that are measured at cost. The investments are neither redeemable nor transferable and there is no market for them. The Group does not intend to dispose of these investments.

(c) Depreciation and carrying value of property and equipment

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

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

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

(e) Income Taxes

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

(f) Defined benefit plan

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

(g) Determination of regulatory risk reserves

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

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

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

- Prudential Provisions 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 comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained reserve account

Notes to the consolidated financial statements

(ii) The non-distributable 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 2013

In thousands of Naira	Note	GROUP December 2013	GROUP December 2013
Loans & advances:			
Specific impairment allowances on loans to customers			
Collective impairment allowances on loans to customers	25(b)	3,206,245	
Total impairment allowances on loans	25(c)	8,631,674	
			11,837,919
Other financial assets:			
Specific impairment allowances on investment in subsidiaries	28	-	
Specific impairment allowances on unquoted equity securities	26(e)	1,122,578	
Specific impairment allowances on other assets	33(a)	11,909,052	
Operational risk provision	40	2,520,887	
Total impairment allowances on other financial assets			**15,552,517**
Total impairment allowances by the Bank (a)			**27,390,436**
Total regulatory impairment based on prudential gudielines (b)			**30,121,141**
Required balance in regulatory risk reserves (c = b - a)			**2,730,705**
Balance, 1 January 2013			**2,381,532**
Addition during the year			**349,173**
Balance, 31 December 2013			**2,730,705**

Prudential adjustments for the year ended 31 December 2012

In thousands of Naira		December 2012	December 2012

Notes to the consolidated financial statements

Loans & advances:			
Specific impairment allowances on loans to customers	25(c)	4,462,115	
Collective impairment allowances on loans to customers	25(d)	1,713,098	
Total impairment allowances on loans			**6,175,213**
Other financial assets:			
Specific impairment allowances on investment in subsidiaries	28	7,688,201	
Specific impairment allowances on unquoted equity securities	26(f)	1,028,997	
Specific impairment allowances on other assets	33(a)	13,553,510	
Operational risk provision		4,360,781	
AFS measured at fair value		720,387	
Total impairment allowances on other financial assets			**27,351,876**
Total impairment allowances by the Bank (a)			**33,527,089**
Total regulatory impairment based on prudential gudielines (b)			**35,908,621**
Required balance in regulatory risk reserves (c = b - a)			**2,381,532**
Balance, 1 January 2012			**8,491,563**
Addition / (Reduction) during the year			**(6,110,031)**
Balance, 31 December 2012			**2,381,532**

Notes to the consolidated financial statements

6 Operating segments

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

Retail Banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages. Small and Medium Enterprises (SME) with an annual turnover of less than N2.5 billion are included in the retail banking segment.

Corporate & Commercial Banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The corporate and commercial banking business unit caters for the specific needs of companies with an annual turnover in excess of N2.5billion.

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

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

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

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

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

Information about operating segments

(i) The business segment results are as follows:

Group - 2013						
In thousands of Naira	**Investment Banking**	**Corporate & Commercial Banking**	**Retail Banking**	**Institutional Banking**	**Treasury & Financial Markets**	**TOTAL**
External revenues:						
Net interest income	478,427	13,498,372	32,000,525	9,793,902	362,365	**56,133,591**
Net fee and commission income	1,707,938	4,362,822	4,774,928	876,243	2,259,462	**13,981,393**
Net trading income	-	-	-	-	480,484	**480,484**
Net income from other financial instruments at fair value through profit or loss	127,590	-	-	-	296,473	**424,063**
Other revenue	97,480	1,350,706	6,630,949	2,079,422	3,071,630	**13,230,187**
Inter-segment revenue	-	(161,698)	55,398	134,266	(27,966)	**-**
Total segment revenue	**2,411,435**	**19,050,202**	**43,461,800**	**12,883,833**	**6,442,448**	**84,249,718**
Other material non-cash items:						
Impairment losses on financial assets	54,118	4,396,313	2,747,124	785,004	-	**7,982,559**
Reportable segment profit before income tax	185,215	4,221,875	3,279,029	4,022,489	6,475,791	**18,184,399**
Reportable segment assets	14,193,153	313,023,331	258,431,299	105,436,094	200,718,249	**891,802,126**
Reportable segment liabilities	4,261,755	174,388,772	285,554,148	262,562,512	130,698,994	**857,466,181**

Group - 2012

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

Notes to the consolidated financial statements

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

In thousands of Naira	GROUP 2013	2012
Revenues		
Total revenue for reportable segments	84,249,718	72,552,898
Unallocated amounts	-	-
Elimination of inter-segment revenue	-	-
Consolidated revenue	84,249,718	72,552,898
Profit or loss		
Total profit or loss for reportable segments	18,184,399	16,248,019
Unallocated amounts	-	-
Consolidated profit before income tax	18,184,399	16,248,019
Assets		
Total assets for reportable segments	891,802,126	668,044,037
Other unallocated amounts	116,478,044	240,501,719
Consolidated total assets	1,008,280,170	908,545,756
Liabilities		
Total liabilities for reportable segments	857,466,181	762,194,882
Other unallocated amounts	7,107,260	14,335,471
Consolidated total liabilities	864,573,441	776,530,353

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.

(iv) The Geographical information result for 31 December 2013 is as follows:

In thousands of Naira	NIGERIA	GAMBIA	EUROPE	TOTAL
External revenues	83,524,315	346,283	379,120	84,249,718
Non-current assets	33,712,866	648,114	31,825	34,392,805

(v) The Geographical information result for 31 December 2012 is as follows:

In thousands of Naira	NIGERIA	GAMBIA	EUROPE	TOTAL
External revenues	72,244,810	150,537	157,551	72,552,898
Non-current assets (note 6 (vi))	37,625,799	576,204	23,952	38,225,955

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

7 Financial assets and liabilities

Accounting classification measurement basis and fair values

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

31 December 2013

In thousands of Naira	Note	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	199,700,305	-	199,700,305	199,700,305
Non-pledged trading assets	23	2,921,358	-	-	-	-	2,921,358	2,921,358
Derivative assets held	24	-	1,697,606	-	-	-	1,697,606	1,697,606
Loans and advances to customers	25	-	-	-	450,532,965	-	450,532,965	447,282,700
Assets pledged as collateral	27	-	-	50,516,904	-	-	50,516,904	43,852,922
Investment securities	26	-		153,104,085	-	10,534,151	163,638,236	169,713,242
		2,921,358	**1,697,606**	**203,620,989**	**650,233,270**	**10,534,151**	**869,007,374**	**865,168,133**
Derivative liabilities held	24	-	1,355,634	-	-	-	1,355,634	1,355,634
Deposits from banks	35	-	-	-	-	-	-	-
Deposits from customers	36	-	-	715,214,192	-	-	715,214,192	712,359,418
Borrowings	37	-	-	59,244,230	-	-	59,244,230	59,244,230
		-	**1,355,634**	**774,458,422**	**-**	**-**	**775,814,056**	**772,959,282**

31 December 2012

In thousands of Nigerian Naira	Note	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Total carrying amount	Fair value
Cash and cash equivalents	21	-	-	-	123,451,740	-	123,451,740	123,451,740
Non-pledged trading assets	23	1,169,708	-	-	-	-	1,169,708	1,169,708
Derivative assets held	24		1,980,135	-	-	-	1,980,135	1,980,135
Loans and advances to customers	25	-	-	-	357,798,798	-	357,798,798	358,892,095
Assets pledged as collateral	27	-	-	40,793,601	-	-	40,793,601	35,690,559
Investment securities	26	-	-	233,765,644	-	10,759,975	244,525,619	274,611,450
		1,169,708	**1,980,135**	**274,559,245**	**481,250,538**	**10,759,975**	**769,719,601**	**795,795,687**
Derivative liabilities held	24	-	1,980,135	-			1,980,135	1,980,135
Deposits from banks	35	-	-	52,000	-	-	52,000	52,000
Deposits from customers	36	-	-	646,216,767	-	-	646,216,767	646,216,767
Borrowings	37	-	-	26,933,018	-	-	26,933,018	26,933,018
		-	**1,980,135**	**673,201,785**	**-**	**-**	**675,181,920**	**675,181,920**

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 N4.94billion (2012: N8.23billion) of equity investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured. The investments are neither redeemable nor transferable and there is no market for them. The Group does not intend to dispose of these investments

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira		GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
8	**Interest income**				
	Loans and advances to banks	**3,210,459**	5,697,322	-	-
	Loans and advances to customers (see note (a) below)	**67,093,880**	55,395,040	-	-
	Investments in government & other securities	**31,336,099**	25,928,899	-	-
		101,640,438	87,021,261	-	-
(a)	Included in this amount is N2.5billion interest income accrued on impaired loans and advances.				
9	**Interest expense**				
	Deposits from banks	**3,601,255**	5,192,404	-	-
	Deposits from customers	**40,399,481**	36,435,103	-	-
	Borrowings	**1,506,111**	2,054,443	-	-
		45,506,847	43,681,950	-	-
10	**Net impairment loss on financial assets**				
(a)	**Loans and advances to customers**				
	Increase in specific impairment (see Note 25 (c))	**2,039,744**	10,744,875	-	-
	Increase in collective impairment (see Note 25 (d))	**7,370,136**	7,542,962	-	-
	Reversal of specific impairment (see Note 25 (c))	**(837,665)**	(150,882)	-	-
	Income received on claims previously written off	**(2,956,103)**	(7,912,828)	-	-
		5,616,112	10,224,127	-	-
(b)	**Other assets**				
	Increase in impairment (see Note 33 (a))	**2,272,866**	2,473,795	-	-
		2,272,866	2,473,795	-	-
(c)	**Investment securities avaliable for sale**				
	Impairment for investment securities avaliable for sale (see Note 26 (e))	**93,581**	-	-	-
		93,581	-	-	-
		7,982,559	12,697,922	-	-
11	**Net fee and commission income**				
	Commisions on turnover	**5,008,981**	5,446,559	-	-
	Letters of credit commission	**2,233,023**	3,575,273	-	-
	Commission on off-balance sheet transactions	**1,215,841**	828,878	-	-
	Service charges fees and commissions	**6,762,422**	5,059,147	-	-
	Gross fee and commission income	**15,220,267**	14,909,857	-	-
	Credit card expenses	**(120,748)**	(48,385)	-	-
	Other banks charges	**(1,118,126)**	(549,090)	-	-
	Fee and commission expense	**(1,238,874)**	(597,475)	-	-
	Net fee and commission income	**13,981,393**	14,312,382	-	-
12	**Net trading income**				
	Bonds trading income	**108,618**	483,622	-	-
	Treasury bills trading income	**371,866**	5,119,880	-	-
		480,484	5,603,502	-	-

13	**Net gains / (losses) from other financial instruments at fair value through profit or loss**				
	Net gains / (losses) arising on:				
	Fair value instruments held for trading	**137,809**	105,659	-	-
	Gains / (Losses) on investment securities	**-**	67,487	-	-
	Fair value gain on derivative financial instruments held	**286,254**	-	-	-
	Impairment for investment securities avaliable for sale	**-**	(217,673)		
		424,063	(44,527)	-	-
14	**Other income**				
	Dividends on equity investment securities in the subsidiaries (See note 14 (a))	-	810,000	**6,370,000**	-
	Dividends on unquoted equity securities at cost	**449,145**	1,313,018	-	-
	Foreign exchange gains	**6,905,050**	4,191,146	-	-
	Profit on disposal of equity investments	**1,861,197**	-	-	-
	Profit on sale of property and equipment	**31,880**	1,446,639	-	-
	Other income	**3,982,915**	1,581,427	-	-
		13,230,187	9,342,230	**6,370,000**	-

(a) This comprises dividend received from First City Monument Bank Limited of N6bn and FCMB Capital Markets Limited of N370m.

15	**Personel expenses**				
	Wages and salaries (see Note 45 (b))	**18,864,791**	14,445,011	**70,329**	-
	Contributions to defined contribution plans (see note 38)	**480,653**	318,427	-	-
	Contribution to other long term defined benefit (see note 39 (iii))	**1,518,073**	707,429	-	-
	Other staff cost	**3,291,935**	3,074,467	**50**	-
		24,155,452	18,545,334	**70,379**	-
16	**Depreciation and Amortisation**				
	Amortisation of Intangibles (see Note 31 (a))	**192,866**	258,447	**80**	-
	Depreciation of property and equipment (see Note 30)	**3,114,324**	3,874,127	**459**	-
		3,307,190	4,132,574	**539**	-
17	**General and administrative expenses**				
	Communication, stationery and postage	**1,300,270**	915,769	**569**	-
	Business travel expenses	**1,028,178**	748,521	**449**	-
	Advert, promotion and corporate gifts	**2,266,108**	1,407,342	**810**	-
	Business premises and equipment costs	**2,990,485**	2,473,160	**932**	-
	Directors' emoluments and expenses (see Note 45 (e))	**719,511**	658,082	**53,350**	-
	IT expenses	**2,223,332**	1,948,581	**547**	-
	Contract Services	**4,098,618**	1,992,211	-	-
		14,626,502	10,143,666	**56,656**	-

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
18 Other expenses				
Vehicles maintenance expenses	**886,212**	701,938	**9**	-
Security expenses	**1,803,567**	1,825,005	0	-
NDIC Insurance Premium & other insurances	**3,846,213**	3,186,821	0	-
Auditors' remuneration	**240,412**	176,525	**20,000**	-
Consulting expenses	**2,179,383**	1,438,729	**40,658**	-
AMCON Expenses	**4,581,038**	2,492,159	0	-
Others	**2,525,047**	1,126,006	**93,730**	-
	16,061,872	10,947,183	**154,396**	-

19 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of N16billion (2012: N15.29billion) and a weighted average number of ordinary shares outstanding of 19.80billion, which was applied restropectively (2012: 19.04billion), calculated as follows:

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Profit attributable to equity holders	**16,001,155**	15,292,372	**6,027,752**	-
Weighted average number of ordinary shares in issue (in '000s)	**19,802,710**	19,802,710	**19,802,710**	-
	0.81	0.77	**0.30**	-

Group does not have dilutive potential ordinary shares as at 31 December 2013 (December 2012: nil).

20 Tax expense

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(i) **Minimum and Current tax expense:**				
Dividend tax	**1,800,000**	-	**-**	-
Minimum tax	**-**	906,832	**-**	-
National Information Technology Development Agency (NITDA) levy	**262,891**	-	**60,277**	
Income tax expense	**1,758,806**	1,272,909	**-**	-
	3,821,697	2,179,741	60,277	-
Deferred tax expense:				
Origination of temporary differences (see note 32(b))	**(1,638,453)**	(1,053,426)	**-**	-
	(1,638,453)	(1,053,426)	-	-
Total	**2,183,244**	1,126,315	60,277	-

Reconciliation of effective tax rate

	GROUP		COMPANY	
	2013			
Profit before tax		**18,184,399**		**6,088,029**
Income tax using the domestic corporation tax rate	30.0%	**5,455,320**	**0.0%**	**-**
National Information Technology Development Agency (NITDA) levy	1.4%	**262,891**	**1.0%**	**60,277**
Balancing charge	0.1%	**25,177**	**0.0%**	**-**
Non-deductible expenses	19.3%	**3,508,311**	**0.0%**	**-**
Tax exempt income	-48.8%	**(8,868,455)**	**0.0%**	**-**
Impact of excess dividend tax (see note iv below)	9.9%	**1,800,000**	**0.0%**	**-**
Total tax expense	12.0%	**2,183,244**	**1.0%**	60,277

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

	GROUP		COMPANY	
	2012			
Profit before tax		16,248,019		-
Income tax using the domestic corporation tax rate	30.0%	4,874,406	0.0%	-
Balancing charge	3.8%	616,812	0.0%	-
Non-deductible expenses	59.1%	9,596,877	0.0%	-
Tax exempt income	-97.4%	(15,831,934)	0.0%	-
Impact of minimum tax	11.5%	1,870,154	0.0%	-
Total tax expense	7%	1,126,315	0.0%	-

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

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

A significant portion of the banking subsidiary's income derives from short-term securities and government bonds, and as a result, the banking subsidiary'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 mandate a minimum tax assessment, where a tax payer does not have any tax liability arising from its tax assessment.

(iv) Excess dividend tax in line with Section 15A of Companies Income Tax Act which stipulates that where a company pays dividend on which 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 the is the total profit of the company. During the year, the banking subsidiary was liable to excess dividend tax of N1.8billion, representing 30% of N6billion dividend paid as the Nigerian tax laws requires companies to pay tax calculated at 30% of the higher of axable profit and dividend paid, (2012: nil).

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(v) **Current income tax liability**				
Beginning of the year	**2,850,275**	1,783,422	**-**	-
Acquired Subsidiary	**-**	330,110	**-**	-
Tax paid	**(2,338,619)**	(1,442,998)	**-**	-
Dividend tax (see note 20(i))	**1,800,000**		**-**	-
Minimum tax (see note 20(i))	**-**	906,832	**-**	-
National Information Technology Development Agency (Nitda) levy	**262,891**		**60,277**	
Income tax expense (see note 20(i))	**1,758,806**	1,272,909		-
	4,333,353	2,850,275	60,277	-
Current	**4,333,353**	2,850,275	**60,277**	-
Non-current	**-**	-	**-**	-
	4,333,353	2,850,275	**60,277**	-

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
21 Cash and cash equivalents				
Cash	**18,892,038**	15,660,594	**-**	-
Current balances within Nigeria	**2,731,075**	3,627,443	**2,150,389**	-
Current balances outside Nigeria	**49,461,078**	50,982,793	**-**	-
Placements with local banks	**102,683,127**	33,349,359	**-**	-
Placements with foreign banks	**7,304,382**	4,577,099	**-**	-
Unrestricted balances with Central banks	**18,628,605**	15,254,452	**-**	-
	199,700,305	123,451,740	**2,150,389**	-
Current	**199,700,305**	123,451,740	**2,150,389**	-
Non-current	**-**	-	**-**	-
	199,700,305	123,451,740	**2,150,389**	-

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

Balance with banks outside Nigeria include N7.60billion (December 2012: N13.56billion) 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 40).

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
22 Restricted reserve deposits				
Restricted mandatory reserve deposits with central banks (see note 22 (a) below)	**73,473,096**	57,891,360	**-**	-
	73,473,096	57,891,360	-	-
Current	**73,473,096**	57,891,360	-	-
Non-current	**-**	-	-	-
	73,473,096	57,891,360	-	-

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

23 Trading assets

Non-pledged trading assets

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Federal Government of Ngeria Bonds	**87,616**	-	**-**	-
Treasury bills	**2,408,665**	823,626	**-**	-
Equity securities	**425,077**	346,082	**-**	-
	2,921,358	1,169,708	-	-
Current	**2,921,358**	1,169,708	**-**	-
Non-current	**-**	-	**-**	-
	2,921,358	1,169,708	-	-

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

24 Derivative assets and liabilities held

Instrument type

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Assets: - customer transactions	**1,577,459**	1,980,135	**-**	-
- interest rate swap	**120,147**	-	**-**	-
	1,697,606	1,980,135	-	-
Current	**-**	-	-	-
Non-current	**1,697,606**	1,980,135	-	-
	1,697,606	1,980,135	-	-
Liabilities - market transactions	**1,219,618**	1,980,135	**-**	-
- interest rate swap	**136,016**	-	**-**	-
	1,355,634	1,980,135	-	-
Current	-	-	-	-
Non-current	**1,355,634**	1,980,135	-	-
	1,355,634	1,980,135	-	-

Customer Transactions: The banking subsidiary has entered into options on Dated Brent with customers to allow those customers to hedge their exposure to the oil price
Market Transactions: The banking subsidiary has entered into back to back options on Dated Brent with regard to the customer transactions with market counterparties to mitigate the market risk exposure on the customer transactions

The banking subsidiary has not applied hedge accounting.
The fair value gains and losses have been presented in consolidated statement of comprehensive income

25 Loans and advances to customers

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(a) Loans and advances to customers at amortised cost	**450,532,965**	357,798,798	**-**	-
	450,532,965	357,798,798	-	-
Current	**261,021,714**	209,520,319	**-**	-
Non-current	**189,511,251**	148,278,479	**-**	-
	450,532,965	357,798,798	-	-

At 31 December 2013 N287.30billion (December 2012: N202.21 billion) of loans and advances to customers are expected to be recovered less than 12 months after the reporting date.

Group	Gross Amount (2013)	Impairment Allowance (2013)	Carrying Amount (2013)	Gross Amount (2012)	Impairment Allowance (2012)	Carrying Amount (2012)
Loans and advances at amortised cost	**462,370,884**	**(11,837,919)**	**450,532,965**	364,865,215	(7,066,417)	357,798,798

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(b) Movement in allowances for impairment				
i Specific allowances for impairment				
Balance at 1 January	**4,462,115**	7,555,092	**-**	-
Impairment loss for the year:	**-**	-	**-**	-
Charge for the year	**2,039,744**	10,744,875	**-**	-
Impairment reversals	**(837,665)**	(150,882)	**-**	-
Write offs	**(2,457,949)**	(13,686,970)	**-**	-
	3,206,245	4,462,115	-	-
ii Collective allowances for impairment				
Balance at 1 January	**2,604,302**	1,365,005	**-**	-
Acquired during the year	**-**	3,612,549	**-**	-
Impairment loss for the year:	**-**	-	**-**	-
Charge for the year	**7,370,136**	7,542,962	**-**	-
Write offs (see note (e) below)	**(1,342,764)**	(9,916,214)	**-**	-
	8,631,674	2,604,302	-	-
	11,837,919	7,066,417	**-**	-
(c) Finance lease				
Loan and advances to customer at amortised cost include the following finance lease:				
Gross investment:				
Less than one year	**2,768,631**	619,146	**-**	-
Between one and five years	**12,642,762**	6,829,569	**-**	-
More than five years	**927,461**	-	**-**	-
	16,338,854	7,448,715	**-**	-
Unearned finance income	**(5,145,493)**	(2,473,971)	**-**	-
	11,193,361	4,974,744	-	-
(d) Net investment in finance leases				
Net investment in finance leases, receivables:				
Less than on year	**2,275,368**	498,107	**-**	-
Between one and five years	**8,239,012**	4,476,637	**-**	-
More than five years	**678,981**	-	**-**	-
	11,193,361	4,974,744	-	-

(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

(f) The loans written off during the year had been fully provisioned in the books.

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
26 Investment securities				
Held-to-maturity (see note (a) below)	**153,104,085**	233,765,644	**-**	-
Available-for-sale (see note (b) below)	**10,534,151**	10,759,975	**2,514,439**	-
	163,638,236	244,525,619	**2,514,439**	-
Current	**133,979,276**	138,232,352	**-**	-
Non-current	**29,658,960**	106,293,267	**2,514,439**	-
	163,638,236	244,525,619	**2,514,439**	-
(a) Held-to-maturity investment securities				
Federal Government of Nigeria (FGN) Bonds	**24,089,628**	32,421,143	**-**	-
Asset Management Corporation of Nigeria (AMCON) Bonds	**34,989,350**	144,639,798	**-**	-
State Government Bonds	**11,829,214**	10,478,530	**-**	-
Treasury Bills	**70,310,944**	36,174,581	**-**	-
Corporate bonds	**11,884,949**	10,051,592	**-**	-
	153,104,085	233,765,644	-	-
(b) Available-for-sale investment securities				
Equity securities measured at fair value (see note (c) below)	**2,853,128**	2,527,855	**-**	-
Unquoted equity securities measured at cost (see note (d) and (g) below)	**7,681,023**	8,232,120	**2,514,439**	-
	10,534,151	10,759,975	**2,514,439**	-
(c) Equity securities measured at fair value under available-for-sale investments				
HTM Private Placement Underwriting	**1,681,495**	1,058,985	**-**	-
African Petroleum Plc (Forte Oil)	**-**	61,511	**-**	-
DAAR Communications Underwriting	**37,277**	37,278	**-**	-
Environmental Remediation Holiding Company Plc	**419,431**	655,161	**-**	-
Unity Bank Plc	**560**	560	**-**	-
UTC Nigeria Plc	**15**	10	**-**	-
Standard Alliance Co Plc	**714,350**	714,350	**-**	-
	2,853,128	2,527,855	-	-

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(d) Unquoted equity securities at cost under available-for-sale investments			-	
Kakawa Discount House Limited	22,800	22,800	-	-
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	-	-
Rivers State Microfinance Agency	1,000,000	1,000,000	-	-
Private Equity Funds	2,514,439	2,514,439	2,514,439	-
SME Investments	1,095,483	1,113,742	-	-
Africa Export-Import Bank, Cario	144,805	144,805	-	-
Central Securities Clearing System	87,500	87,500	-	-
Express Discount House	64,415	64,415	-	-
Smartcard Nigeria Plc	22,804	22,804	-	-
ATSC Investment	50,000	50,000	-	-
Currency Sorting Co	24,640	24,640	-	-
IMB Energy Master Fund	100,000	100,000	-	-
First City Asset Management (FCAM)	-	40,000	-	-
Industrial and General Insurance Plc	85,000	85,000	-	-
Food Concept Limited	11,700	11,700	-	-
Financial Derivative Limited	10,000	10,000	-	-
Hygeia Nigeria Limited	602	602	-	-
CSCS Limited	3,500	3,500	-	-
Legacy Fund	76,000	76,000	-	-
Others	767,444	1,731,417	-	-
	8,803,601	9,825,833	2,514,439	-
Specific impairment for equities (note (e) below)	(1,122,578)	(1,593,713)	-	-
Carrying amount	7,681,023	8,232,120	2,514,439	-

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of naira	Group 2013	Group 2012	Company 2013	Company 2012
(e) Specific allowances for impairment against available-for-sale				
Balance at 1 January	**1,593,713**	514,408	**-**	-
Acquired during the year	**-**	982,574	**-**	-
Written off during the year	**(564,716)**	(19,680)	**-**	-
Charge for the year	**93,581**	116,411	**-**	-
Balance at 31 December	**1,122,578**	1,593,713	-	-

(f) Bonds issued by AMCON are fully guaranteed by The Federal Government of Nigeria. The bonds were issued in exchange for impaired loans
(g) The fair value of AFS investment was not disclosed because the fair value could not be reliably measured.
(h) All debt securities have fixed coupons

27 Assets pledged as collateral

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

In thousands of naira	Group 2013	Group 2012	Company 2013	Company 2012
Treasury Bills	**15,934,482**	2,372,315	**-**	-
Federal Government of Nigeria (FGN) Bonds	**34,582,422**	38,421,286	**-**	-
	50,516,904	40,793,601	-	-
Current	**4,073,788**	15,760,998	**-**	-
Non-current	**46,443,116**	25,032,603	**-**	-
	50,516,904	40,793,601	-	-

As at 31 December 2013, the Group held no collateral, which it was permitted to sell or re -pledge in the absence of default by the owner of the collateral (31 December 2012: N40.79Billion).

28 Investment in Subsidiaries

(a) Investment in subsidiaries comprises:

In thousands of naira	Group 2013	Group 2012	Company 2013	Company 2012
First City Monument Bank Limited (see note (c) below)	-	-	**115,422,326**	-
FCMB Capital Markets Limited (see note (d) below)	-	-	**240,000**	-
CSL Stockbrokers Limited (CSLS) (see note (e) below)	-	-	**3,053,777**	-
	-	-	**118,716,103**	-
Specific allowances for impairment	**-**	-	**-**	-
Carrying amount	**-**	-	**118,716,103**	-

(b) **Group entities**

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

Company Name	Country of incorporation	Nature of Business	Percentage of equity capital held (Direct holdings)	Financial year end
(1) First City Monument Bank Limited	Nigeria	Banking	100%	31-Dec-2013
(2) FCMB Capital Markets Limited	Nigeria	Capital Market	100%	31-Dec-2013
(3) CSL Stockbrokers Limited (CSLS)	Nigeria	Stockbroking	100%	31-Dec-2013

(c) 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

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

(e) 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. The Bank acquired the total holding in the company in May, 2009

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
29 Investment in associates				
(a) Investment in associate company:				
Balance at 1 January 2013	**467,456**	230,656		-
Share of profit transfer out of reserve	**68,256**	161,800	**-**	-
Transferred on reconstruction	**-**	-	**375,000**	-
Additions during the year	**32,800**	75,000	**32,800**	-
At 31 December 2013	**568,512**	467,456	**407,800**	-
(b) Summarised financial information of the Group principal associates are as follows:				
Assets	**2,316,635**	1,998,094	**-**	-
Liabilities	**286,234**	128,270	**-**	-
Net assets	**2,030,401**	1,869,824		
Revenues	**1,601,231**	1,289,196	**-**	-
Profit	**717,443**	647,201	**-**	-

(c) This represents the Company's 28% (2012: 25%) equity interest holding in Legacy Pension Fund Limited, a pension fund manager licensed to carry on the business of fund and pension management. The company was incorporated in April 2005 and commenced operations in May 2005. The Group acquired its 25% equity holding in February 2008.

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Nigerian Naira

30 Property and equipment

Group

	Leasehold improvement and buildings	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost						
Balance at 1 January 2013	21,571,967	5,683,806	11,848,203	9,075,465	6,948,991	55,128,432
Addition during the year	1,075,830	937,513	1,806,577	1,002,855	768,419	5,591,194
Reclassifications	122,196	48,300	1,115,629	445,301	-	1,731,426
Disposal during the year	(17,580)	(686,032)	(354,023)	(82,776)	(3,216,610)	(4,357,021)
Items written-off	-	-	-	-	(74,839)	(74,839)
Balance at 31 December 2013	**22,752,413**	**5,983,587**	**14,416,386**	**10,440,845**	**4,425,961**	**58,019,192**
Depreciation and impairment losses						
Balance at 1 January 2013	4,364,578	4,394,866	9,881,115	8,055,207	2,101,500	28,797,266
Charge for the year	715,623	556,377	1,202,159	641,334	-	3,115,493
Eliminated on Disposals	(14,382)	(428,536)	(253,865)	(9,061)	-	(705,844)
Balance at 31 December 2013	5,065,819	4,522,707	10,829,409	8,687,480	2,101,500	31,206,915
Carrying amounts:						
Balance at 31 December 2013	17,686,594	1,460,880	3,586,977	1,753,365	2,324,461	26,812,277
Balance at 31 December 2012	17,207,389	1,288,940	1,967,088	1,020,258	4,847,491	26,331,166

Company

	Leasehold improvement and buildings	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost						
Balance at 1 January 2013	-	-	-	-	-	-
Addition during the year	4,806	-	4,629	824	-	10,260
Balance at 31 December 2013	4,806	-	4,629	824	-	10,260
Depreciation and impairment losses						
Balance at 1 January 2013	-	-	-	-	-	-
Charge for the year	160	-	279	19	-	459
Balance at 31 December 2013	160	-	279	19	-	459
Carrying amounts:						
Balance at 31 December 2013	4,646	-	4,350	805	-	9,801
Balance at 31 December 2012	-	-	-	-	-	-

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2012: nil)

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
31 Intangible assets				
(a) **Software**				
Cost				
Beginning of the year	**2,135,493**	2,127,024	**-**	-
Addition during the year	**476,034**	8,469	**3,851**	-
End of the year	**2,611,527**	2,135,493	**3,851**	-
Amortization				
Beginning of the year	**1,831,511**	1,599,106	**-**	-
Classification	**1,692**	(26,042)	**-**	-
Charge for the year	**192,866**	258,447	**80**	-
End of the year	**2,026,069**	1,831,511	**80**	-
Carrying amount	**585,458**	303,982	**3,771**	-
(b) **Goodwill**				
Beginning of the year	**11,590,807**	6,074,045	**-**	-
Acquired during the year (see note (c) below)	**-**	5,993,863	**-**	-
Group Restructuring (see note (d) below)	**(4,595,737)**	-	**-**	-
Transfer to assets held for sale	**-**	(477,101)	**-**	-
At end of the year	**6,995,070**	11,590,807	**-**	-
	7,580,528	11,894,789	**3,771**	-

(c) On February 9, 2012, the Bank acquired FINBANK. The acquisition gave rise to the above goodwill acquired during the year ended 31 December, 2012

(d) The Group discontinued the operation of City Securities (Registrars) Limited (CSRL), hence the associated goodwill was part of the value of the entity when it was disposed.

(e) The book value of CSL Stockbrokers Limited was restructured on transfer of the investment from the bank to FCMB Group Plc. This resulted in the write down of the book value by N5.59bn.

(f) Goodwill is reviewed annually or more frequently for impairment when there are objective indicators that impairment may have occurred by comparing the carrying value to its recoverable amount. No impairment was identified in 2013 (2012:nil).

(g) There were no capitalised borrowing costs related to the acquisition to any internal development of software during the year (2012: nil)

32 **Deferred tax assets and liabilities**

(a) **Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

Group	Assets	Liabilities	Net	Assets	Liabilities	Net
	2013			2012		
Property and equipment	741,855	-	741,855	3,345,842	-	3,345,842
Intangibles assets (software)	-	-	-	(72,578)	-	(72,578)
Investment securities at fair value through other comprehensive income	-	-	-	216,116	-	216,116
Defined benefits	256,588	-	256,588	53,113	-	53,113
Allowances for loan losses	1,684,784	-	1,684,784	513,929	-	513,929
Unrelieved loss carried forward	3,524,069	-	3,524,069	881,234	-	881,234
Other	138,729	(35,282)	103,447	-	(22,067)	(22,067)
	6,346,025	(35,282)	6,310,743	4,937,656	(22,067)	4,915,589

(b) **Movements in temporary differences during the year ended 31 December 2013;**

GROUP	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December
Balance transferred to Holdco	-	13,215	-	(152,697)
Property and equipment	1,282,340	(387,788)	-	894,552
Intangibles assets (software)	(72,579)	72,579	-	-
Investment securities at fair value through other comprehensive income	216,116	-	(216,116)	-
Defined benefits	59,612	196,976	-	256,588
Allowances for loan losses	526,076	1,158,708	-	1,684,784
Unrelieved loss carried forward	2,926,091	597,978	-	3,524,069
Other	(22,067)	(13,215)	-	(35,282)
	4,915,589	1,638,453	(216,116)	6,310,743

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

Movements in temporary differences during the year ended 31 December 2012;

	GROUP			
	Balance at 1 January	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December**
Property and equipment	(608,808)	1,891,148	-	1,282,340
Intangibles assets (software)	-	(72,579)	-	(72,579)
Investment securities at fair value through other comprehensive income	-	-	216,116	216,116
Defined benefits	429,047	(379,110)	9,675	59,612
Allowances for loan losses	971,027	(444,951)	-	526,076
Unrelieved loss carried forward	2,702,853	223,238	-	2,926,091
Revaluation losses	84,717	(84,717)	-	-
Other	(26,388)	4,321	-	(22,067)
	3,552,448	1,137,350	225,791	4,915,589

	GROUP		COMPANY	
In thousands of Nigerian Naira	**2013**	**2012**	**2013**	**2012**
(c) **Unrecognised deferred tax assets**				
Deferred tax assets have not been recognised in respect of the following items:				
Unrelieved losses	**3,895,133**	3,895,133	162	-
Property and equipment (untilised capital allowance)	**4,036,272**	6,408,771	102,428	-
	7,931,405	10,303,904	**102,591**	-

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

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Nigerian Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
33 Other assets				
Prepayments	**5,159,923**	4,769,676	**1,868**	-
Accounts receivable	**30,560,618**	32,021,404	**7,678,019**	-
Consumables	**680,869**	793,003	-	-
	36,401,410	37,584,083	**7,679,886**	-
Less specific allowances for impairment (note (a) below)	**(11,909,052)**	(13,827,772)	-	-
	24,492,358	23,756,311	**7,679,886**	-
Current	**6,989,370**	5,939,078	**7,679,886**	-
Non-current	**17,502,988**	17,817,233	**-**	-
	24,492,358	23,756,311	**7,679,886**	-
(a) Movement in impairment on other assets				
At start of year	**13,827,772**	1,208,341	**-**	-
Acquired during the preceding year	**-**	10,167,776	**-**	-
Increase in impairment	**2,272,866**	2,473,795	**-**	-
Amounts written off	**(4,191,586)**	(22,140)	**-**	-
At end of year	**11,909,052**	13,827,772	-	-

34 Assets and liabilities classified as held for sale

During the year ended 31 December 2013, the Group disposed the companies classified as held for sale; City Securities (Registrars) Limited (CSRL); Fin Securities Limited; Fin Capital Limited; Fin Insurance Limited and Fin Registrars Limited. These companies were classified as held for sale and discontinued operation as at 31 December 2012 and the comparative condensed consolidated statement of comprehensive income has been represented to show the discontinued operation separately from continuing operation.

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(i) Results of discontinued operation				
Interest income	**-**	473,666	**-**	-
Interest expense	**-**	(2,410)	**-**	-
Fee and commission income	**-**	218,966	**-**	-
Other revenue	**-**	19,159	**-**	-
Net impairment loss on financial assets	**-**	(4,458)	**-**	-
Personnel expenses	**-**	(375,554)	**-**	-
Depreciation & amortisation expenses	**-**	(27,450)	**-**	-
General and administrative expenses	**-**	(71,592)	**-**	-
Other expenses	**-**	(6,000)	**-**	-
Results from operating activities	**-**	224,327	**-**	-
Income tax	**-**	(53,659)	**-**	-
Results from operating activities, net of income tax	**-**	170,668	**-**	-
(ii) Cash flows effect of discontinued operation				
Cash flows from (used in) discontinued operation;				
Net cash used in operating activities	**-**	1,006,503	**-**	-
Net cash from investing activities	**-**	418,572	**-**	-
Net cash from financing activities	**-**	(2,410)	**-**	-
Effect on cash flow	**-**	1,422,665	**-**	-

(iii) Non-current assets and non-current liabilities held for sale

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

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

35 Deposits from banks

Other deposits from banks	**-**	52,000	**-**	-
	-	52,000	**-**	-
Current	**-**	52,000	**-**	-
Non-current	**-**	-	**-**	-
	-	52,000	**-**	-

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

36 Deposits from customers

Retail customers:				
Term deposits	**108,629,829**	117,156,779	**-**	-
Current deposits	**261,088,038**	213,404,739	**-**	-
Savings	**71,928,563**	55,565,804	**-**	-
	441,646,430	386,127,322	-	-
Corporate customers:				
Term deposits	**78,130,411**	92,856,616	**-**	-
Current deposits	**157,323,654**	140,504,657	**-**	-
Other	**38,113,697**	26,728,172	**-**	-
	273,567,762	260,089,445	-	-
	715,214,192	646,216,767	**-**	-
Current	**715,214,192**	646,216,767	**-**	-
Non-current	**-**	-	**-**	-
	715,214,192	646,216,767	**-**	-

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
37 Borrowings				
Borrowing comprise:				
Standard Bank, London (see note (a) (i) below)	-	7,826,185	-	-
Standard Bank, London (see note (a) (ii) below)	8,013,916	-	-	-
Standard Bank, London (see note (a) (iii) below)	4,016,910	-	-	-
Standard Chartered Bank, London (see note (a) (iv) below)	15,894,171	-	-	-
Standard Chartered Bank, London (see note (a) (v) below)	7,919,505	-	-	-
United Bank for Africa, New York (see note (a) (vi) below)	3,207,533	-	-	-
International Finance Corporation (IFC) (see note (a) (vii) below)	6,038,471	7,206,778	-	-
International Finance Corporation (IFC) (see note (a) (viii) below)	2,415,388	2,882,711	-	-
Citibank Nigeria (see note (a) (ix) below)	479,970	781,322	-	-
Citibank N.A (see note (a) (x) below)	1,404,245	2,343,249	-	-
Africa Finance Corporation (see note (a) (xi) below)	4,319,730	-	-	-
Bank of Industry (see note (a) (xii) below)	164,822	5,892,773	-	-
First City Asset Management (FCAM) (see note (a) (xiii) below)	3,658,878	-	-	-
Engr. Tajudeen Amoo (see note (a) (xiv) below)	1,448,837	-	-	-
Financial Derivatives Company Limited (see note (a) (xv) below)	161,222	-	-	-
Supra Finance Limited (see note (a) (xvi) below)	50,422	-	-	-
Doreo Partners (see note (a) (xvii) below)	50,210	-	-	-
	59,244,230	26,933,018	**-**	-
Current	**5,381,305**	5,833	**-**	-
Non-current	**53,862,925**	26,927,185	**-**	-
	59,244,230	26,933,018	**-**	-

(a) (i) The represents a facilty that has been repaid as at 31 December 2013 nil, (December 2012: N7,826,185,000 (USD 50,000,000) granted by Standard Bank, London repayable after a tenor of 5 years with an interest rate of 3.3% above LIBOR payable semi-annually . The facility is secured with pledged bonds.

(ii) The amount of N8,013,916,000 (USD 50,000,000) represents the renewed facility granted by Standard Bank, London repayable after a tenor of 5 years with an interest rate of 3.0% above LIBOR payable quaterly. The facility is secured with pledged bonds.

(iii) The amount of N4,016,910,000 (USD 25,000,000) represents the facility granted by Standard Bank, London repayable after a tenor of 2 years with an interest rate of 2.0% above LIBOR payable quaterly. The facility is secured with pledged bonds.

(iv) The amount of N15,894,171,000 (USD 100,000,000) represents the outstanding balance of the facility granted by Standard Chartered Bank, London repayable after a tenor of 2 years with an interest rate of 3.65% above LIBOR payable quaterly. The facility is not secured.

(v) The amount of N7,919,505,000 (USD 50,000,000) represents the outstanding balance of the facility granted by Standard Chartered Bank, London repayable after a tenor of 2 years with an interest rate of 3.65% above LIBOR payable quaterly. The facility is not secured.

(vi) The amount of N3,207,533 (USD 20,000,000) represents the outstanding balance of the facility granted by UBA New york repayable after a tenor of 90 days with an interest rate of 3% on each rollover within the tenor.The facility is not secured.

vii) The amount of N6,038,471,000 (December 2012: N7,206,778,000 (USD 50,000,000) represents the outstanding balance of the facility granted by International Finance Corporation (IFC) repayable after a tenor of 7 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually. The facility is not secured.

(viii) The amount of N2,415,388,000, (December 2012: N2,882,711,000, USD 20,000,000) represents the outstanding balance of the convertible facility granted by International Finance Corporation (IFC) repayable after a tenor of 7 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually. The facility is not secured.

(ix) The amount of N479,970,000 (December 2012: N781,322,000, USD 5,000,000) represents the outstanding balance of the facility granted by Citibank Nigeria repayable after a tenor of 3 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable quaterly. The facility is not secured.

(x) The amount of N1,404,245,000 (December 2012: N2,343,249,000 (USD15,000,000) represents the outstanding balance of the facility granted by Citibank NA repayable after a tenor of 3 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable quaterly. The facility is not secured.

(xi) The amount of N4,319,730,000 (USD 27,000,000) (December 2012: nil) represents the outstanding balance of the facility granted by Africa Finance Corporation (AFC) repayable after a tenor of 62 days with an interest rate of 2.75% on each rollover within the tenor.The facility is not secured.

(xii) The amount of N164,822,000 (December 2012: N5,892,773,486.49 relates to Bank of Industry (BOI) related loans for manufacturing / SME funds for 10 to 15 year term. The facility is secured with pledged bonds.The facility is an on-lending loan from CBN. The facility has an all-inclusive interest rate of 7% and the Group earns 1% management fee per annum on the facilities.

(xiii) The amount of N3,658,878,000 (December 2012:nil) represents the outstanding balance of the facilities granted by third parties through First City Asset Management (FCAM) at average nominal interest of 15.42% maturing in 2014. The facility is not secured.

(xiv) The amount of N1,448,837,000 (December 2012:nil) represents the outstanding balance of the facilities granted by Engr. Tajudeen Amoo at average nominal interest of 14.73% maturing in 2014. The facility is not secured.

(xv) The amount of N161,222,000 (December 2012:nil) represents the outstanding balance of the facilities granted by Financial Derivatives Company Limited at average nominal interest of 14.73% maturing in 2014. The facility is not secured.

(xvi) The amount of N50,422,000 (December 2012:nil) represents the outstanding balance of the facility granted by Supra Finance Limited at nominal interest of 15.56% maturing in 2014. The facility is not secured.

(xvii) The amount of N50,210,000 (December 2012:nil) represents the outstanding balance of the facility granted by Doreo Partners at nominal interest of 14.17% maturing in 2014. The facility is not secured.

(xviii) The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

(b) Movement in borrowings account during the year was as follows:

Balance, beginning of the year	**26,933,018**	19,167,000	**-**	-
Acquired during the year	**-**	5,892,773	**-**	-
Additions during the year	**48,741,334**	3,208,268	**-**	-
Repayments during the year	**(16,909,586)**	(911,123)	**-**	-
Translation difference	**479,464**	(423,900)	**-**	-
	59,244,230	26,933,018	**-**	-

(c) The secured loans are secured over pledged bonds with a carrying amount of N25.3billion.

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
38 Retirement benefit obligations				
Defined contribution scheme				
The group and its employees make a joint contribution of 15% basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators				
Total contributions to the scheme for the year were as follows:				
Balance at start of year	**109,008**	12,971	**-**	-
Balance transferred	**(3,772)**	-	**-**	-
Charged to profit or loss	**480,653**	318,427	**-**	-
Employee contribution	**545,169**	320,954	**-**	-
Total amounts remitted	**(1,006,384)**	(543,344)	**-**	-
At end of year	**124,674**	109,008	**-**	-
Current	**124,674**	109,008	**-**	-
Non-current	**-**	-	**-**	-
	124,674	109,008	**-**	-

39 Other long term benefits

The Group has a non-contributory long service compensation policy for employees that have spent five years and above up till the end of service in the Group. The entitlement for qualified staff is calculated at the rate of 15% of annual total of basic salary, transport, housing and house maintenance allowance or as determined by the management and Board of the Group from time to time.

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
(i) The amounts recognised in the statements of financial position are as follows:				
Present value of unfunded obligations	**-**	-	**-**	-
Present value of funded obligations	**3,203,189**	2,335,397	**-**	-
Total present value of obligations	**3,203,189**	2,335,397	**-**	-
Fair value of plan assets	**(1,944,872)**	(2,000,000)	**-**	-
Present value of net obligations	**1,258,317**	335,397	**-**	-
Unrecognised actuarial losses	**-**	-	**-**	-
Recognised liability for non-contributory defined benefits obligations	**1,258,317**	335,397	**-**	-
(ii) Plan assets consist of the following;				
Federal Government of Nigeria (FGN) Bonds	**1,944,872**	2,000,000	**-**	-
	1,944,872	2,000,000	**-**	-
(iii) Movement in the present value of defined benefit obligations;				
Liability for defined benefit obligations at the beginning of the reporting year	**335,397**	1,668,104	**-**	-
Contribution to the plan assets	**(103,272)**	(2,000,000)	**-**	-
Actuarial losses /(Gains)	**(283,960)**	225,854	**-**	-
Benefits paid by the plan	**(366,321)**	(189,979)	**-**	-
Current service costs and interest (see note 41 (v) below)	**1,518,073**	631,418	**-**	-
Fair value loss on plan assets	**158,400**	-	**-**	-
Liability for defined benefit obligations at 31 December 2013	**1,258,317**	335,397	**-**	-
(iv) Movement in plan assets;				
Fair value of plan assets at the beginning of the reporting year	**2,000,000**	-	**-**	-
Contribution paid into the plan	**103,272**	2,000,000	**-**	-
Actuarial (losses)/gains	**-**	-	**-**	-
Fair value losses	**(158,400)**	-	**-**	-
Fair value of plan assets at 31 December 2013	**1,944,872**	2,000,000	**-**	-

(v) Expense recognised in profit and loss;

Current service costs	**839,870**	434,341	**-**	-
Interest on obligation	**308,783**	197,077	**-**	-
Past service cost	**369,420**	-	**-**	-
	1,518,073	631,418	**-**	-

(vi) Expense recognised in other comprehensive income;

Fair value loss on plan assets	**158,400**	-	**-**	-
Actuary losses/(Gains)	**(168,978)**	32,251	**-**	-
	(10,578)	32,251	**-**	-

(vii) Actuarial assumptions;

The principal actuarial assumptions at the reporting date, expressed as weighted averages, were;

Discount rate at 31 December	**13%**	13%	**-**	-
Future salary increases	**12%**	12%	**-**	-
Rate of inflation	**10%**	10%	**-**	-

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

40 Other liabilities

Customers' deposit for letters of credits (see Note 21)	**7,604,906**	13,555,672	**-**	-
Bank cheques/drafts	**4,384,959**	3,577,056	**-**	-
Deferred income	**298,920**	135,265	**-**	-
Proceeds from public offers	**81,976**	82,049	**-**	-
Accounts payable	**63,630,351**	59,677,188	**19,036**	-
Accrued expenses	**4,485,760**	7,605,086	**81,355**	-
Provision (see note (a) below)	**2,520,887**	4,360,781	**-**	-
	83,007,759	88,993,097	**100,391**	-
Current	**13,175,557**	22,248,274	**100,391**	-
Non-current	**69,832,202**	66,744,823	**-**	-
	83,007,759	88,993,097	**100,391**	-

(a) The amounts above for provision represents the amount reserved for pending probable legal cases that may crystallize.

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

In thousands of Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
41 Share capital				
(a) **Authorised**				
30billion ordinary shares of 50k each (2012: 20billion) (see 41 (c) below	**15,000,000**	10,000,000	**15,000,000**	-
(b) **Issued and fully paid**				
19.8billion ordinary shares of 50k each (2012: 19.04billion)	**9,901,355**	9,520,534	**9,901,355**	-
The movement on the issued and fully paid-up share capital account during the year was as follows:				
Balance at 1 January	**9,520,534**	8,135,596	**-**	-
Bonus capitalised (see 41 (d) below)	**380,821**	1,241,809	**-**	-
Issue of new shares	**-**	143,129	**-**	-
Capital reduction	**-**	-	**-**	-
At 31 December	**9,901,355**	9,520,534	-	-

GROUP

	Number of shares (thousands)	Ordinary shares (N'000)	Share premium (N'000)	Treasury shares (N'000)
Balance at 1 January 2013	19,041,068	9,520,534	108,747,612	(775,381)
Bonus capitalised (see 41 (d) below)	761,642	380,821	(380,821)	-
Group Restructuring/Capital Reconstruction	-	-	7,025,623	766,756
At 31 December 2013	19,802,710	9,901,355	115,392,414	(8,625)

COMPANY

	Number of shares (thousands)	Ordinary shares (N'000)	Share premium (N'000)	Treasury shares (N'000)
At 1 January 2013 (See 41 (f) below	19,041,068	9,520,534	115,773,235	-
Bonus capitalised	761,642	380,821	(380,821)	-
Issue of new shares	-	-	-	-
Purchase / (Sale) of treasury shares	-	-	-	-
Balance at 1 January 2013	19,802,710	9,901,355	115,392,414	-
Issue of new shares	-	-	-	-
At 31 December 2013	19,802,710	9,901,355	115,392,414	-

(c) The authorised share capital of the company was increased from N10bn(Ten Billion Naira) 20 Billion units of ordinary shares of 50kobo each to N15bn (Fifteen Billion Naira) 30 Billion units of ordinary shares of 50kobo each.

(d) This represents capitalisation of bonus shares of 761,643,920 ordinary share of 50kobo from share premium account in the proportion of one new shares for every 25 held. This was approved at the Annual General Meeting held during the year.

(e) This represents 286,258,258 units issued at N6.16 per share in settlement of FINBANK shareholders' (that opted for share settlement) following FCMB's acquisition of FinBank Plc.

(f) **Group restructuring**

In compliance with Regulation 3 of the CBN circular issued in September 2010, where banks operating under the Universal Banking system in Nigeria were required to restructure, by:

(i) Separating the non-permissible banking subsidiaries from the commercial bank;

(ii) Re-organizing the non-permissible banking businesses within a Holding Company arrangement; or

(iii) Divesting fully from non-permissible banking businesses.

The restructuring required to seed the opening Capital of FCMB Group Plc was as follow:

• Transfer of Share Capital of (N9.5bn) from FCMB Plc to to the FCMB Group Plc.

• Transfer of Share Premium of (N108.7bn) from FCMB Plc to FCMB Group Plc.

• The statement of the assumed assets (FCMB Plc, CSLS Ltd and FCMB Capital Market Ltd) at their respective book value with share premium updated to reflected the net premium on the nominal share price and adjustments to assets

Prior to the reorganization, the Bank had a total shareholders' fund of N130.89billion. The shareholders' funds was reduced by N15.42billion which comprises a reduction in share capital from N9.52billion to N2billion, while the Bank's share premium was reduced from N108.75billion to N100.85billion.

The reduction in the Bank's shareholders' funds was via a transfer of its equity interests in Permissible Non-banking Subsidiaries and Investments to the FCMB Group Plc. This credit to FCMB Group Plc funded the capital of FCMB Group Plc in furtherance to the group restructuring. The bank's interest in CSL Stockbrokers(N8.65billion), FCMB Capital Markets(N240million), Legacy Pension(N375million), Private Equity Fund(N2.51billion), Fin Capital(N473million) and Fin Insurance(N3.17billion) were also transferred to FCMB Group Plc

42 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 However, the Group transferred 15% of its 'profit after tax to statutory reserves as at year end (2012: 30%).

(c) **SSI reserve**: The SSI reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 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.

(d) **Treasury shares**: Treasury shares represents the Group's shares held by the Bank on behalf of the staff under the staff share scheme. However, during the period the shares were redistributed to the Holding company of the Bank, hence the nil balance for the year (December 2012: N776million).

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

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

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

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

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

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

Notes to the consolidated and separate financial statements
For the year ended 31 December 2013

43 Contingencies, claims and litigation

(a) Legal Proceedings

The Group in its ordinary course of business is presently involved in 168 cases as a defendant (Dec. 2012: 68) and 19 cases as a plaintiff (Dec. 2012: 41). The total amount claimed in the 168 cases against the Group is estimated at N31.71billion (Dec. 2012: N23.13billion) while the total amount claimed in the 19 cases instituted by the Group is N30.24billion (Dec. 2012: N6.85billion). 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.

(b) Contingent liabilities and commitments

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

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. Other contingent liabilities include transaction related customs and performances bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed 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 off -financial position risk.

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

	GROUP		COMPANY	
In thousands of Naira	**2013**	**2012**	**2013**	**2012**
Performance bonds and guarantees	**69,682,910**	86,744,701	**-**	-
Clean line letters of credit	**35,412,127**	33,669,482	**-**	-
Other commitments	**635,636**	667,151	**-**	-
	105,730,673	121,081,334	**-**	-

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

44 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 44 (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 2013 are shown below.

Entity (Direct and Indirect Subsidiaries)	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%	115,422,326	Nigeria	Banking
(2) FCMB Capital Markets Limited	Direct	100%	240,000	Nigeria	Capital Market
(3) CSL Stockbrokers Limited (CSLS)	Direct	100%	3,053,777	Nigeria	Stockbroking
(4) Credit Direct Limited (CDL)	Indirect	100%	366,210	Nigeria	Micro-lending
(5) FCMB (UK) Limited (FCMB UK)	Indirect	100%	7,791,147	United Kingdom	Banking
(6) Arab Gambian Islamic Bank Limited (AGIB)	Indirect	100%	1,311,830	Gambia	Banking

(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 the entities operate. The carrying amounts of banking subsidiaries' assets and liabilities are N1,008.37billion and N864.57billion respectively (2012: N908.54billion and N776.53billion respectively).

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

(d) Transactions with key management personnel

Key management personnel compensation for the year comprised;

In thousands of Nigerian Naira	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Key management personnel				
Salaries and other short-term benefits	**463,787**	333,532	**24,700**	-
Contributions to defined contribution plans	**6,844**	5,524	**1,147**	-
Contribution to other long term defined benefit	**131,192**	107,551	**9,633**	-
	601,823	446,607	**35,480**	-
Loans and advances				
At start of the year	**13,944,735**	14,179,101	**-**	-
Granted during the year	**11,181,262**	34,530,908	**-**	-
Repayment during the year	**(13,563,318)**	(34,765,274)	**-**	-
At end of of the year	**11,562,679**	13,944,735	**-**	-
Interest earned	**2,163,119**	2,016,950	**-**	-

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefits plan on their behalf. Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favorable than those given to other staff. No impairment has been recognized in respect of loans granted to key management (2012: Nil). Mortgage loans amounting to N507.07million (December 2012: N321.07million) are secured by the underlying assets. All loans are unsecured and interest rates charged on the related parties are at arm's length transaction.

Interest rates charged on the related parties are at arm's length transaction. 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 period 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 the Group loans and advances is an amount of N11.56billion (December 2012:N13.94 billion)representing credit facilities to companies in which certain Directors have interests. The balances as at 31 December 2013 and 31 December 2012 were as follows:

In thousands of Nigerian Naira

Name of company / Individual	***Relationship***	***Facility type***	**Name of Directors related to the companies**	***31 Dec 2013***	***31 Dec 2012***	***Status***	***Security Status***
Dynamic Industries Limited	Directors-Shareholders	Overdraft	Alhaji Mustapha Damcida	277,664	145,061	Performing	Perfected
Dynamic Industries Limited	Directors-Shareholders	Term loan	Alhaji Mustapha Damcida	247,052	177,208	Performing	Perfected
Primrose Property Investment Ltd.	Directors-Shareholders	Overdraft	Otunba M. O Balogun	83,193	-	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Overdraft	Alhaji Mustapha Damcida	8,137	22,834	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Term loan	Alhaji Mustapha Damcida	159,577	197,870	Performing	Perfected
Financial Derivatives Company	Directors-Shareholders	Overdraft	Mr. Bismarck Rewane	-	248,338	Performing	Perfected
S & B Printers Limited	Directors-Shareholders	Overdraft	Mr. Mobolaji Balogun	30,299	1,864	Performing	Perfected
S & B Printers Limited	Directors-Shareholders	Term loan	Mr. Mobolaji Balogun	55,757	61,183	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Overdraft	Mr. Mobolaji Balogun	482,326	480,956	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Term loan	Mr. Mobolaji Balogun	300,000	600,000	Performing	Perfected
Helios Towers Nigeria Limited	Directors-Shareholders	Term loan	Mr. Temitope Lawani	3,398,426	3,212,609	Performing	Perfected
Helios Towers Nigeria Limited	Directors-Shareholders	Overdraft	Mr. Temitope Lawani	2	-	Performing	Perfected
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Term loan	Mr. Mobolaji Balogun	-	414,349	Performing	Perfected
Credit Direct Limited	Subsidiary	Overdraft	-	5,714,649	7,905,888	Performing	Perfected
Credit Direct Limited	Subsidiary	Term loan	-	83,928	476,575	Performing	Perfected
Gulvaris Capital Partners	Directors-Shareholders	Term loan	Mr. Ladi Balogun	659,550	-	Performing	Perfected
Poly Products Nigeria Plc	Directors-Shareholders	Term loan	Mr. Olusegun Odubogun	62,119	-	Performing	Perfected
				11,562,679	**13,944,735**		

Notes to the consolidated and separate financial statements

Deposits outstanding

Included in deposit is an amount of N2.94billion (December 2012: N8.81billion) representing deposits from companies in which certain Directors have interests. The balances as at 31 December 2013 and 31 December 2012 were as follows:

In thousands of Nigerian Naira

Name of company / Individual	***Relationship***	***Type of deposit***	***31 Dec. 2013***	***31 Dec. 2012***
ATSC International Limited	Shareholder	Current Account	5,081	384
Blue-Chip Holdings Limited	Shareholder	Current Account	6,685	2,943
Blue-Chip Holdings Limited	Shareholder	Time Deposit	35,649	-
Chapel Hill Advisory Partners	Shareholder	Current Account	-	703
Chellarams Plc	Directors-Shareholders	Time Deposit	12,415	12,415
City Securities (Registrar) Limited	Former Subsidiary	Current Account	-	358,820
City Securities (Registrar) Limited	Former Subsidiary	Time Deposit	-	1,870,535
City Securities Limited	Subsidiary	Current Account	14,696	43,908
Credit Direct Limited	Subsidiary	Current Account	10,512	12,795
CSL Nominees Limited	Directors-Shareholders	Current Account	-	5
CSL Stockbrokers Limited	Subsidiary	Current Account	236,966	362,505
CSL Stockbrokers Limited	Subsidiary	Time Deposit	100,000	319,026
Dynamic Industries Limited	Subsidiary	Current Account	-	127
FCMB Capital Markets Limited	Subsidiary	Current Account	132,234	153,359
FCMB Capital Markets Limited	Subsidiary	Time Deposit	-	650,000
FCMB UK Limited	Subsidiary	Placement	-	2,318,701
FDC Consulting Limited	Directors-Shareholders	Current Account	212	1,805
Fin Registrars Limited	Former Subsidiary	Current Account	-	8,890
Fin Registrars Limited	Former Subsidiary	Time Deposit	-	656,233
Financial Derivatives Company	Directors-Shareholders	Current Account	26,040	459,785
Financial Derivatives Company	Directors-Shareholders	Time Deposit	-	-
Finbank Insurance Brokers Limited	Former Subsidiary	Current Account	-	69,428
Finbank Insurance Brokers Limited	Former Subsidiary	Current Account	-	13,146
Finbank Insurance Brokers Limited	Former Subsidiary	Time Deposit	-	544,717
First City Asset Management Limited	Subsidiary	Current Account	148,261	42,232
First City Asset Management Limited	Subsidiary	Time Deposit	10,086	-
Helios Towers Nigeria Limited	Directors-Shareholders	Current Account	1,432,601	450,397
Helios Investment Partners	Directors-Shareholders	Current Account	3,969	-
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current Account	549,899	195,001
Lana Securities Limited	Shareholder	Current Account	232	101
Gulvaris Capital Partners	Directors-Shareholders	Current Account	44	-
Poly Products Nigeria Plc	Directors-Shareholders	Current Account	41,027	-
Primrose Development Company Limitec	Shareholder	Current Account	840	6,084
Primrose Development Company Limitec	Shareholder	Time Deposit	4,078	-
Primrose Investments Limited	Shareholder	Current Account	54	195,730
Primrose Investments Limited	Shareholder	Time Deposit	146,326	-
Primrose Nigeria Limited	Shareholder	Current Account	17,427	-
Primrose Property Investment Limited	Shareholder	Current Account	126	65,909
S & B Printers Limited	Directors-Shareholders	Current Account	13,466	358
			2,948,926	**8,816,042**

Notes to the consolidated and separate financial statements

		GROUP		COMPANY	
45	**EMPLOYEES AND DIRECTORS**				
	EMPLOYEES	**2013**	**2012**	**2013**	**2012**
(a)	The average number of persons employed during the year by category:	**Number**	**Number**	**Number**	**Number**
	Executive directors	10	6	1	-
	Management	793	833	8	-
	Non-management	3,399	2,184	3	-
		4,202	3,023	12	-
(b)	Compensation for the above persons (excluding executive directors):				
	In thousands of Nigerian Naira				
	Salaries and wages	18,864,791	14,445,011	70,329	-
	Contributions to defined contribution plans	480,653	318,427	-	-
	Contribution to other long term defined benefit	1,518,073	707,429	-	-
	Other staff cost	3,291,935	3,074,467	50	-
		24,155,452	18,545,334	70,379	-
(c)	The number of employees of the Group, including executive directors, who received emoluments in the following ranges were:	**2013**	**2012**	**2013**	**2012**
		Number	**Number**	**Number**	**Number**
	Less than N1,800,000.00	1242	71	3	-
	N1,800,001 - N2,500,000	37	3	-	-
	N2,500,001 - N3,500,000	1,294	1381	-	-
	N3,500,001 - N4,500,000	21	4	1	-
	N4,500,001 - N5,500,000	450	388	1	-
	N5,500,000 and above	1,158	1176	7	-
		4,202	3,023	12	-

(d) DIVERSITY IN EMPLOYMENT

i). A total of 1,440 women were employed by the Group during the financial year ended 31 December 2013 (2012: 1,217), which represents 34% of the total workforce (2012: 40%).

ii). A total of 23 women were in the top management position as at the year ended 31 December 2013 (2012: 20), which represents 28% of the total top management workforce in this position (2012: 26%). There was no woman on the Board of Directors as executive director.

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

	2013			2012		
GRADE LEVEL	**MALE**	**FEMALE**	**TOTAL**	MALE	FEMALE	TOTAL
Assistant General Manager (AGM)	30	11	**41**	33	9	42
Deputy General Manager (DGM)	20	9	**29**	17	8	25
General Manager (GM)	9	3	**12**	7	3	10
TOTAL	**59**	**23**	**82**	57	20	77
Executive Director (ED)	**4**	**-**	**4**	4	-	4
Deputy Managing Director (DMD)	**1**	**-**	**1**	1	-	1
Group Managing Director/Chief Executive Officer (GMD / CEO)	**4**	**-**	**4**	1	-	1
Non - Executive Directors	**15**	**4**	**20**	9	-	9
TOTAL	**24**	**4**	**29**	15	-	15

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 Nigerian Naira	**2013**	**2012**	**2013**	**2012**
Fees and sitting allowances	155,566	85,000	28,650	-
Executive compensation	463,787	333,532	24,700	-
	619,353	418,532	53,350	-
Directors' other expenses	100,158	239,550	-	-
	719,511	658,082	53,350	-
The Directors' remuneration shown above includes:				
The Chairman	**5,250**	5,900	**5,250**	-
Highest paid director	**94,860**	89,568	**24,700**	-
The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:				
Below N1,000,000	6	1	5	-
N1,000,001 - N5,000,000	2	1	1	-
N5,000,001 - N10,000,000	5	7	4	-
N10,000,001 and above	16	7	1	-
	29	16	**11**	-

Notes to the consolidated and separate financial statements

46 Compliance With Banking Regulations

During the year, a subsidiary of the Group, First City Monument Bank Limited contravened the following sections of the provision of the Banks and Other Financial Institutions Act and relevant CBN circulars and was penalised as follow:

Section	Nature	No of times	Penalties
Section 15(iv) of the CACS Guidelines	The Banking subsidiary First City Monument Bank Limited delayed disbursement for 20days to the beneficiary under the CACS scheme.	1	4,110
CBN circular ref: TED/AD/54/2006 dated 28 March 2006	The Banking subsidiary First City Monument Bank Limited rended failed to inform the Director, Trade & Exchange Department of CBN of the 24 cleanline facilities with various correspondent banks when they were secured.	1	2,000

All the penalties totalling N6.1million were paid during the year.

47 Subsequent events

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2013 or the profit for the year ended on that date that have not been adequately provided for or disclosed (2012:none).

Other Information

FCMB GROUP PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Nigerian Naira	GROUP 2013	%	GROUP 2012	%	COMPANY 2013	%	COMPANY 2012	%
GROSS INCOME	130,995,439		116,832,323		6,370,000		-	
GROUP'S SHARE OF ASSOCIATE'S PROFIT	68,256		161,800		-		-	
PROFIT/ (LOSS) FROM DISCONTINUED OPERATION (NET OF TAX)	-		170,668		-		-	
INTEREST EXPENSE & CHARGES	(46,745,721)		(44,279,425)		-		-	
	84,317,974		72,885,366		6,370,000		-	
IMPAIRMENT LOSSES	(7,982,559)		(12,697,922)		-		-	
ADMINISTRATIVE OVERHEAD	(30,688,374)		(21,090,849)		(211,053)		-	
VALUE ADDED	45,647,041	100	39,096,595	100	6,158,947	100	-	-
D I S T R I B U T I O N								
EMPLOYEES								
Wages, salaries, pensions, gratuity and other employee benefits	24,155,452	53%	18,545,334	47%	70,379	1%	-	-
GOVERNMENT								
Taxation	2,183,244	5%	1,126,315	3%	60,277	1%	-	-
THE FUTURE								
Replacement of property and equipment / intangible assets	3,307,190	7%	4,132,574	11%	539	0%	-	-
Profit For the Year (including statutory and regulatory risk Reserves)	16,001,155	35%	15,292,372	39%	6,027,752	98%	-	-
VALUE ADDED	45,647,041	100%	39,096,595	100%	6,158,947	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.

FCMB GROUP PLC

FIVE YEARS FINANCIAL SUMMARY

GROUP

In thousands of Nigerian Naira	DEC. 31, 2013	DEC. 31, 2012	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2009*
ASSETS EMPLOYED					
Cash and cash equivalents	199,700,305	123,451,740	48,416,681	67,977,072	128,824,517
Restricted reserve deposits	73,473,096	57,891,360	21,963,780	2,802,980	1,972,579
			-	-	-
Non-pledged trading assets	2,921,358	1,169,708	3,119,799	20,128,310	-
Loans and advances to banks	-	-	-	-	-
Derivative assets held	1,697,606	1,980,135	-	-	-
Loans and advances to customers	450,532,965	357,798,798	323,353,706	330,818,648	239,897,986
Assets pledged as collateral	50,516,904	40,793,601	27,253,832	26,281,274	-
Investment securities	163,638,236	244,525,619	137,333,793	50,299,811	49,984,594
Assets classified as held for sale	-	13,547,417	-	-	-
Investment in subsidiaries	-	-	-	-	-
Investment in associates	568,512.28	467,456	230,656	145,000	300,000
Investment property	-	-	131,778	131,778	-
Property and equipment	26,812,277	26,331,166	18,785,380	19,320,073	21,817,923
Intangible assets	7,580,528	11,894,789	6,601,963	6,560,531	6,074,045
Deferred tax assets	6,346,025	4,937,656	3,578,836	572,053	1,107,267
Other assets	24,492,358	23,756,311	10,846,290	12,555,569	13,662,332
	1,008,280,170	908,545,756	601,616,494	537,593,099	463,641,243
FINANCED BY					
Share capital	9,901,355	9,520,534	8,135,596	8,135,596	8,135,596
Share premium	115,392,414	108,747,612	108,369,199	108,369,199	108,369,199
Treasury shares	(8,625)	(775,381)	(851,234)	(1,691,714)	-
Retained earnings	13,109,779	765,475	(16,779,856)	(1,177,917)	3,464,803
Other reserves	5,311,806	13,757,163	18,519,823	19,769,275	9,623,446
Derivative liabilities held	1,355,634	1,980,135	-	-	-
Deposits from banks	-	52,000	-	580,844	13,681,208
Deposits from customers	715,214,192	646,216,767	410,683,355	335,129,902	266,012,607
Liabilities classified as held for sale	-	9,038,589	-	-	-
Borrowings	59,244,230	26,933,018	19,264,434	25,233,558	30,178,530
Retirement benefit obligations	124,674	109,008	12,971	8,994	39,338
Other long term benefits	1,258,317	335,397	1,668,104	1,502,390	252,335
Current income tax liabilities	4,333,353	2,850,275	1,783,422	1,867,603	2,451,430
Deferred tax liabilities	35,282	22,067	26,388	20,192	1,104,447
Other liabilities	83,007,759	88,993,097	50,784,292	39,845,177	20,328,304
	1,008,280,170	908,545,756	601,616,494	537,593,099	463,641,243
Acceptances and guarantees	105,730,673	121,081,334	97,260,519	65,249,741	50,492,799

PROFIT AND LOSS ACCOUNT	***12months Dec 2013***	*12months Dec 2012*	*12months Dec 2011*	*12months Dec 2010*	*8months Dec 2009**
Gross earnings	**130,995,439**	116,832,323	74,761,462	62,686,096	35,789,264
Profit / (loss) before tax	**18,184,399**	16,248,019	(10,682,803)	9,025,742	856,600
Tax	**(2,183,244)**	(1,126,315)	3,000,587	(1,090,771)	(292,262)
Profit / (loss) after tax	**16,001,155**	15,121,704	(7,682,216)	7,934,971	564,338
Transfer to reserves	**16,001,155**	15,292,372	(9,243,550)	7,934,971	564,338
Earnings per share - basic and diluted (naira)	**0.81**	0.77	(0.57)	0.49	0.05

Note*: The balances for December 2009 are NGAAP balances.

FCMB GROUP PLC

FIVE YEARS FINANCIAL SUMMARY

COMPANY

In thousands of Nigerian Naira	DEC. 31, 2013	DEC. 31, 2012	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2009*
ASSETS EMPLOYED					
Cash and cash equivalents	2,150,389	-	-	-	-
Restricted reserve deposits	-	-	-	-	-
Non-pledged trading assets	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-
Derivative assets held	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Assets pledged as collateral	-	-	-	-	-
Investment securities	2,514,439	-	-	-	-
Assets classified as held for sale	-	-	-	-	-
Investment in subsidiaries	118,716,103	-	-	-	-
Investment in associates	407,800	-	-	-	-
Property and equipment	9,801	-	-	-	-
Intangible assets	3,771	-	-	-	-
Deferred tax assets	-	-	-	-	-
Other assets	7,679,886	-	-	-	-
	131,482,189	-	-	-	-
FINANCED BY					
Share capital	9,901,355	-	-	-	-
Share premium	115,392,414	-	-	-	-
Treasury shares	-	-	-	-	-
Retained earnings	6,027,752	-	-	-	-
Other reserves	-	-	-	-	-
Derivative liabilities held	-	-	-	-	-
Deposits from banks	-	-	-	-	-
Deposits from customers	-	-	-	-	-
Liabilities classified as held for sale	-	-	-	-	-
Borrowings	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Other long term benefits	-	-	-	-	-
Current income tax liabilities	60,277	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	100,391	-	-	-	-
	131,482,189	-	-	-	-
Acceptances and guarantees	-	-	-	-	-
PROFIT AND LOSS ACCOUNT	***12months Dec 2013***	*12months Dec 2012*	*12months Dec 2011*	*12months Dec 2010*	*8months Dec 2009**
Gross earnings	**6,370,000**	-	-	-	-
Profit / (loss) before tax	**6,088,029**	-	-	-	-
Tax	**-**	-	-	-	-
Profit / (loss) after tax	**6,088,029**	-	-	-	-
Transfer to reserves	**6,027,752**	-	-	-	-
Earnings per share - basic and diluted (naira)	**0.30**	-	-	-	-

Note*: The balances for December 2009 are NGAAP balances.

Key impact of the nature of main adjustments that would make the Dec 2009 figures comply with IFRS are summarized as follows:

Classification of financial instruments

Under IFRSs, financial assets and liabilities are required to be classified as held-for-trading financial instruments at fair value through profit or loss,

Financial assets at fair value through profit or loss

Under IFRS, these are assets held for trading, which are not pledged as collateral, comprising treasury bills and quoted equities. Under NGAAP they were carried at cost less provision for impairment determined on the basis of market related prices.

Assets held as collateral

Under NGAAP pledged assets are not required to be separately recognized on the face of the financial statements rather they are to be addressed by way of notes to the account. However IFRS requires that assets pledged as collateral should be disclosed.

Loans and receivables

Measurement

The Bank's loans and advances are measured at gross loan disbursed less any repayment. Under IFRS, the loans and advances are measured at amortized cost using effective interest rate, in which all integral credit-related fees have been incorporated. Also, in line with IFRS, loans issued at interest rates below market rate are adjusted for the fair value loss.

Impairment

Under Nigerian GAAP, loans and advances are measured at costs net of provisions determined based on Prudential Guidelines issued by the Central Bank of Nigeria. A general reserve of at least 1% is also made for all performing accounts to recognize losses in respect of risks inherent in any credit portfolio while all interest accruing to specifically impaired loans are held in suspense.

Under IFRS, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before the financial position date. IFRS also allows for the recognition of a credit impairment loss for incurred but not reported losses in order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired. IFRS does not allow suspension of interest on specifically impaired loans.

Held-to-maturity investments (HTM)

The investments in this category under IFRS are measured at amortized cost while under the Nigerian GAAP, they are measured at face value.

Available-for-sale financial assets (AFS)

Under IFRS, financial assets designated as available-for-sale are measured at fair value through other comprehensive income, except those whose fair values cannot be reliably measured. Under Nigerian GAAP, some of these financial instruments were not measured at fair value but carried at historical cost.

Interest and fee income and expense

Under IFRSs, interest income and expense on financial instruments are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the present value of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Under Nigerian GAAP, interest income and expense are recognized in accordance with the contractual terms of the related facility on an accrual basis.