First City Monument Bank Plc and Subsidiary Companies

Group Financial Statements - 31 December 2011
Together With Directors' and Auditor's Reports

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their annual report on the affairs of First City Monument Bank Plc ("the Bank") and its subsidiaries ("the Group"), together with the financial statements and auditor's report for the year ended 31 December, 2011.

a. ***Legal Form***

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

b. ***Principal Activity and Business Review***

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

The Bank has five wholly-owned subsidiaries, FCMB Capital Markets Limited (FCMB CM), Credit Direct Limited (CDL), FCMB UK Limited (FCMB UK), CSL Stockbrokers Limited (CSLS) and City Securities (Registrars) Limited (CSRL) whose results have been consolidated in these financial statements.

At General Meetings separately held by ordinary shareholders of FCMB Plc and FinBank Plc on the 29th of September 2011, shareholders of both banks separately approved FCMB's acquisition of FinBank Plc. Effective February 9, 2012, FCMB Plc acquired all the ordinary shares of FinBank Plc (including all its subsidiaries) for a total consideration of N6 billion, via a Special Purpose Vehicle, FCMB Investments Limited.

FCMB Plc's acquisition of FinBank Plc followed the restoration of FinBank Plc's negative capital by the Asset Management Corporation of Nigeria ("AMCON"), through the injection of AMCON bonds, which entitled AMCON to a share of the total consideration for the transaction. As a result of the acquisition, FinBank Plc became a wholly owned subsidiary of FCMB. Dilution to FCMB shareholding was 1.7%. FinBank achieves Capital Adequacy Ratio on a Capital See Through basis to FCMB's capital. FCMB is currently integrating the business and operations of FinBank into FCMB, with a target completion date of second quarter 2012.

The Bank prepares consolidated financial statements.

c. ***Operating Results***

Gross earnings increased by 28% and loss before tax of N11.4billion was recorded by the Group.The Directors affirm that the Bank is strategically poised for continued growth and development. The directors did not recommend the payment of dividend for the year ended 31 December 2011, (2010: 35kobo). Highlights of the Group's operating results for the year ended under review are as follows:

	Group **31 December 2011** **N'000**	Group 31 December 2010 N'000
Gross earnings	**80,398,043**	62,686,096
(Loss) / profit before tax	**(11,354,401)**	9,025,742
Tax credit / (charge)	**1,439,253**	(1,090,771)
(Loss) / profit after tax	**(9,915,148)**	7,934,971
(Loss) / profit attributable to the group	**(9,915,148)**	7,934,971
Appropriations:		
Transfer to statutory reserve	**-**	1,098,348
Transfer to retained earnings	**(9,915,148)**	6,836,623
	(9,915,148)	7,934,971
Total non-performing loans and advances	**9,584,646**	19,298,201
Total non-performing loans to total gross loans and advances (%)	**2.86%**	5.52%

d. ***Bonus***

The Board of Directors recommended to the shareholders the creation of additional 2,440,678,830units of ordinary shares by the capitalization of N1,220,339,415 from the retained earnings account to pay for bonus shares, which shall be appropriated at the ratio of three (3) new shares for every twenty (20) shares held by shareholders.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)

e. ***Directors' shareholding***

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

	Direct Shareholding	
	Number of 50k Ordinary Shares Held	
	31-12-2011	31-12-2010
Dr. Jonathan AD Long (Chairman)	9,322,092	8,880,292
Mr. Ladipupo O Balogun (Group Managing Director /CEO)	141,611,000	141,611,000
Mr. Segun Odusanya (Deputy Managing Director) (Appointed on 01-Sep-2011)	-	-
Mr. Peter Obaseki (Executive Director)	4,489,921	2,572,375
Mr. Nabeel Malik (Executive Director)	22,117	-
Mr. Olufemi Bakre (Executive Director) (Appointed on 14-Feb-2011)	-	-
Mr. Henry Semenitari (Executive Director) (Resigned on 03-Jan-2011)	350,000	350,000
Dr. John Udofa	938,533	938,533
Mr. Bismarck Rewane	930,000	930,000
Mr. Peter Nigel Kenny	-	-
Mr. Tope Lawani	-	-
Mr.Olusegun Odubogun (Appointed on 26-Jul-2010)	-	-
Mr. Stephen O. Alashi (Appointed on 07-Mar-2011)	5,000	-
Alhaji Mustapha Damcida (Appointed on 11-May-2011)	-	-
Otunba Olutola Senbore (Appointed on 29-Apr-2011)	-	-
Mr. Olutola O. Mobolurin (Appointed on 29-Apr-2011)	-	-
Mr. Godwin TS Adokpaye (Retired on 10-Feb-2011)	-	29,145,000
Mr. Ladi Jadesimi (Retired on 10-Feb-2011)	-	159,250,000
Alhaji Ibrahim Damcida (Retired on 10-Feb-2011)	-	138,066,689

Mr. Tope Lawani represents the interest of HIP Samurai Limited and Samurai Parallel LP (being funds managed by Helios Investment Partners LLP) with shareholdings amounting to 879,411,176 (December 2010: 879,411,176)

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 Bank during the year.

g. ***Property and Equipment***

Information relating to changes in property and equipment is given in Note 23 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 the Bank as at 31 December 2011 was as stated below:

Share Range			**No. Of Shareholders**	**% Of Shareholders**	**No. Of Holdings**	**% Of Shareholdings**
10,000	-	50,000	150,036	96.19	813,388,382	5.00
50,001	-	100,000	3,193	2.05	260,008,202	1.60
100,001	-	500,000	2,059	1.32	475,601,852	2.92
500,001	-	1,000,000	299	0.19	243,442,188	1.50
1,000,001	-	5,000,000	235	0.15	539,174,553	3.31
5,000,001	-	10,000,000	53	0.03	379,639,773	2.33
10,000,001	-	50,000,000	68	0.04	1,452,908,345	8.93
50,000,001	-	100,000,000	16	0.01	1,168,751,356	7.18
100,000,001	-	500,000,000	24	0.02	5,854,197,435	35.98
500,000,001	-	1,000,000,000	1	0.00	585,249,103	3.60
1000,000,001	-	10,000,000,000	2	0.00	4,498,831,013	27.65
TOTAL			**155,986**	**100.00**	**16,271,192,202**	**100.00**

i. ***Substantial interest in Shares***

The Bank's authorised share capital is N10billion divided into 20billion ordinary shares of 50kobo each of which 16,271,192,202 ordinary shares are issued and fully paid. According to the register of members no shareholders other than the under-mentioned held more than 5% of the issued share capital of the Bank as at 31 December 2011:

	Number of shares	% Holding
1. Capital IRG Trustees Limited	1,210,360,000	7.44
2. Stanbic Nominees Nig. Limited - Trading	3,288,471,013	20.21

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011 (Continued)

j. Donations and Charitable Gifts

The Bank made contributions to charitable and non-political organisations amounting to N82,285,221 (December 2010: N77,612,056) during the year.

BENEFICIARY	AMOUNT
St. Saviour's School, Lagos	20,000,000
Corporate Social Responsibility: Priceless Gift Of Sight	12,000,000
The Federal Ministry of Agricultural Resources (FMAR)	11,655,000
Public-Private Partnership: Lagos State Ministry Of Finance	9,900,000
Sponsorship for Festivals of Nigeria Photography Book	6,000,000
Tuition & Books For 10 Bethesda Beneficiaries	3,000,000
Inside Business Alumni Speaker Programme	2,622,096
Ojude Oba Festival	2,500,000
Sponsorship For The Technical Workshop on Power Sector Privatization	2,500,000
Association Of Nigeria Bankers	2,500,000
The Chartered Institute Of Bankers Of Nigeria (CIBN)	2,145,000
Lagos Preparatory School (LPS) Foundation	2,000,000
Rose Of Sharon Foundation	2,000,000
Professor Elebute's Book Presentation	1,000,000
Ministry of Local Government & Chieftaincy Affairs	1,000,000
SIFE :Evergreen Project	853,125
Others	610,000
Total	**82,285,221**

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 2011 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 Bank continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees. Currently, the Group has one person on its staff list with physical disability.

Health, Safety and Welfare at Work

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

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 Bank.

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

n. *Auditors*

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

BY ORDER OF THE BOARD

Mrs. Olajumoke Bakare
Company Secretary
17A Tinubu Street
Lagos State
Nigeria

29 February 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 8 to 57 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria regulations.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY

Dr. Jonathan AD Long	**Ladi O Balogun**
Chairman	**GMD/CEO**
29 February 2012	29 February 2012

Report of the Audit Committee

For the Financial period ended December 31, 2011 to the members of First City Monument Bank Plc.

In compliance with Section 359(6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, we have reviewed the Audit report for the year ended December 31, 2011 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion;
2. The account and reporting policies of the Bank conformed with the statutory requirements and agreed ethical practices;
3. The internal control system was being constantly and effectively monitored; and
4. The external auditors' management controls report received satisfactory response from Management.

Dated: February 28, 2012

Alhaji S.B Daranijo
Chairman, Audit Committee

Members of the Audit Committee are:

1. Alhaji S.B. Daranijo
2. Mr. Stephen Alashi
3. Alhaji B.A. Batula
4. Mr. Johnnie Udofa
5. Evangelist P.A. Soares
6. Mr. Bismarck Rewane

KPMG Professional Services
22a Gerrard Road, Ikoyi
PMB 40014, Falomo
Lagos, Nigeria

Telephone 234 (1) 271 8955
234 (1) 271 8599
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Internet www.ng.kpmg.co

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of First City Monument Bank Plc ("the Bank") and its subsidiary companies (together "the Group"), which comprise the balance sheets as at 31 December, 2011, and the profit and loss accounts, statements of cash flows and value added statements for the year then ended, and the statement of accounting policies, notes to the financial statements and the five year financial summaries, as set out on pages 8 to 57.

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 Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, 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 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 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 First City Monument Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December, 2011, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's balance sheet and profit and loss account are in agreement with the books of account.

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

i. The Bank paid penalties in respect of contraventions of the Banks and Other Financial Institutions Act during the year ended 31 December 2011. Details of these contraventions and penalties paid are as disclosed in note (40) to the financial statements.

ii. Related party transactions and balances are disclosed in note (35) of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

KPMG

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 110645

Lagos, Nigeria

5 March 2012

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a. **Basis of preparation**

These financial statements are the separate and consolidated financial statements of First City Monument Bank Plc, ("the Bank") and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention modified by the revaluation of certain investment securities and comply with Nigerian Statements of Accounting Standards (SAS), the provisions of the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institution Act of Nigeria and relevant Central Bank of Nigeria Circulars. The financial statements are presented in the functional currency, Nigerian Naira (N), rounded to the nearest thousand.

The preparation of financial statements in conformity with accounting principles generally accepted in Nigeria requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b. **Consolidation**

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half the voting rights or otherwise has power to control have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. The accounting policies of the subsidiaries are consistent with those of the Bank. Separate disclosure is made for non-controlling interest.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Associates are those entities in which the Bank has significant influence, but not control over the financial and operating policies. The consolidated financial statements includes the Bank's share of the total recognised gains and losses of associates on an equity accounted basis from the date significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associates, the Group's carrying amount is reduced to nil and recognition of further losses are discontinued except to the extent that the Group has incurred legal or contructive obligations or made payments on behalf of associates.

c. **Recognition of interest income**

Interest income is recognised on an accrual basis, except for interest overdue for more than 90 days, which is suspended and recognised only to the extent that cash is received. Recoveries made are credited to the profit and loss account as collected. Interest accruing on non-performing accounts is not credited to the profit and loss account until the debt is recovered. Interest income accruing on advances under finance lease is amortised over the lease period to achieve a constant rate of return on the outstanding net investment.

d. **Recognition of fees, commissions and other income**

i Fees and commissions relating to credit, where material, are amortised over the life of the related service. Otherwise fees, commissions and other income are recognised as earned upon completion of the related service.

ii Non credit related fee income is recognised at the time the service or the related transactions are provided.

iii Dividend income is recognised when the right to receive income is established.

e. **Provision against credit risk**

Loans and advances are stated net of provision for bad and doubtful loans. Classification and provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facilities as follows:

Non-specialized Loans

Interest and / or Principal outstanding for over	Classification	Provision
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
Over 360 days	Lost	100%

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specialized loans

Loans are treated as specialized loans in accordance with the criteria specified in the Prudential Guidelines for Deposit Money Banks in Nigeria. The classifications and provisioning for specialized loans take into consideration the cash flows and gestation periods of the different loan types. Specialized loans as defined by the Prudential Guidelines for Deposit Money Banks in Nigeria include:

i. Agriculture Finance (including farm and non-farm credits)
ii. Mortgage Loan
iii. Margin Loan
iv. Object Finance
v. Project Finance
vi. Income Producing Real Estate
vii. Commercial Real Estate
viii. SME loan

Provision in respect of non-performing specialised loans are determined as follows:

Project financing

Classification	% of outstanding obligation to amount due	Days past due for aggregate instalments	% of Provision on total outstanding balance
Watchlist	Between 60% and 75%	> 180 days	0%
Substandard	< 60%	180 days to 2years	25%
Doubtful	< 60%	2 years to 3 years	50%
Very Doubtful	< 60%	3 years to 4 years	75%
Lost	< 60%	more than 4 years	100%

Object Financing, Income Producing Real Estate and Commercial Real Estate Financing.

Classification	% of outstanding obligation to amount due	Days past due for aggregate instalments	% of Provision on total outstanding balance
Watchlist	Between 60% and 75%	> 180 days	0%
Substandard	< 60%	180 days to 1 year	25%
Doubtful	< 60%	1 year to 2 years	50%
Very Doubtful	< 60%	2 years to 3 years	75%
Lost	< 60%	more than 3 years	100%

Mortgage loans

Classification	Days past due for mark-up / interest for short term facilities	% of provision on outstanding balance
Watchlist	> 90 days	0%
Substandard	> 180 days	10%
Doubtful	> I year	The un-provided balance should not exceed 50% of estimated net realisable value of the security.
Lost	> 2 years	100%

SME Financing – Short term loans

Classification	Days past due for mark-up / interest or principal	% of provision on outstanding balance
Watchlist	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 1.5 years	50%
Very Doubtful	1.5 years to 2 years	75%
Lost	> 2 years	100%

SME Financing - Long term loans

Classification	Days past due for mark-up / interest or principal	% of provision on outstanding balance
Watchlist	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 2 years	50%
Very Doubtful	2 years to 3 years	75%
Lost	> 3 years	100%

Agricultural Financing – Short term loans

Classification	Days past due for mark-up / interest or principal	% of provision on outstanding balance
Watchlist	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 1.5 years	50%
Very Doubtful	1.5 years to 2 years	75%
Lost	> 2 years	100%

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agricultural Financing - Long term loans

Classification	Days past due for mark-up / interest or principal	% of provision on outstanding balance
Watchlist	90 days	0%
Substandard	90 days to 1 year	25%
Doubtful	1 year to 2 years	50%
Very Doubtful	2 years to 3 years	75%
Lost	> 3 years	100%

Unrealized mark-up/interest in respect of non-performing loans and advances are reversed from revenue account and credited into interest in suspense account until they are realised in cash. Future interests charged on the accounts are credited to the same account until such facilities becomes performing.

Margin Financing:
All margin facilities are included in performing loans balances and are assessed for impairment by marking the underlying securities to market. The excess of loan amounts above the market value of the underlying securities is provisioned and charged to profit loss account to accommodate actual and expected losses on the facility amounts and is reported in specific provisions for margin loans.

Hair cut adjustments:
The Bank adjusts the value of any qualified collateral held in respect of loans and advances classified as lost to take account of any possible future fluctuations in the value of the collateral, occasioned by market movement.

The following hair cut adjustments are applicable on all loan types classified as lost:

Description of Collateral	Haircut adjustments weightings
Cash	0%
Treasury Bills and government securities e.g. bonds	0%
Quoted equities and other traded securities	20%
Bank Guarantees and Receivables of blue chip companies	20%
Residential legal mortgage	50%
Commercial legal mortgage	50%

Haircut adjustment on lost facilities are made for only one year. Thereafter, the collaterals are realised or the shortfall in provision recognised.

Bad debts are written off against the related provision for bad and doubtful debts when it is determined that they are uncollectible. Bad debts in respect of which a previous provision was not made are written off directly to the profit and loss account when they are deemed to be uncollectible. Subsequent recoveries on bad debts written off are credited to the profit and loss account.

General Provision
A minimum of 1% general allowance is made on all loans and advances, which have not been specifically provided for.

f. **Property and equipment**

Property and equipment are stated at historical costs less depreciation except where there is a permanent significant change in the value of the asset. Costs relating to property and equipment under construction or in the course of implementation are disclosed as work in progress; the attributable cost of each asset is transferred to the relevant category of property and equipment immediately the asset is put to use and depreciated accordingly.

Depreciation is calculated on a straight line basis to write-off Property and equipment to their residual values at the following annual rates:

Motor vehicles	25%
Furniture and fittings	20%
Equipment	20%
Computer equipment	25%
Leasehold land and buildings	2% for leases of 50 years and above; or over the tenor of the lease for leases under 50 years.

g.(i) **Deferred taxation**

Deferred income tax is provided using the liability method for all timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.
The principal timing differences arise from depreciation of property and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the timing differences can be utilised.

(ii) **Taxation**

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which the related profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that taxable profits will be available against which these losses can be utilised.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. **Foreign currency translation**

i. Reporting currency

The consolidated financial statements are presented in Nigerian naira, which is the Bank's reporting currency.

ii. Transactions and balances

Foreign currency transactions are translated into the reporting currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

iii. Group companies

The results and financial position of all Group entities that have a currency different from the reporting currency are translated into the reporting currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each profit and loss are translated at closing exchange rates; and

- all resulting exchange differences are recognised as a separate component of reserves

On consolidation, exchange differences arising from the translation of the investment in foreign entities are taken to shareholders' funds. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and other adjustments (e.g. previously unrecognised deferred tax asset) arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

i. **Advances under finance leases**

Finance lease transactions are recorded in the books of the Bank at the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. Gross investment in the lease is the sum of the minimum lease payments plus any residual value payable on the lease. The discount on the lease is defined as the difference between the gross investment in the lease and the present value of the asset under lease. This discount is recognised as unearned in the books of the Bank and amortised to income as earned over the life of the lease.

In accordance with the prudential Guidelines for licensed banks, specific allowance is made on finance leases that are non-performing and a general provision of a minimum of 1% is made on the aggregate investment in the finance lease.

j. **Business combination**

The acquisition method of accounting is adopted in accounting for business combinations.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of an acquired entity at the date of acquisition.

k. **Investment securities**

Investment securities are classified as either short-term or long-term. Investment securities are initially recognised at cost and management determines the classification at initial investment.

Short-term investments comprise investments in marketable securities like bonds and treasury bills issued by the Federal Government of Nigeria. In addition, management intends to hold such securities for not more than one year. Short-term investments are carried at net realizable value. Gains or losses resulting from market valuation are recognised in the profit and loss account. The original cost is disclosed.

Treasury bills not held for trading are presented net of unearned discount. Unearned discount is deferred and amortised as earned. Unearned discount is not recognised on treasury bills held for trading. Interest earned while holding short term securities is reported as interest income.

Long-term investments comprise investment in marketable securities and unquoted securities. Investments in marketable securities are carried at the lower of cost and net realisable value. The market value of quoted securities is disclosed. Investments in unquoted securities are carried at cost. Provisions are made for permanent diminution in the value of such investments. Income earned as dividend on equity securities held as long-term investments is reported as other income, while interest earned on bonds is reported as interest income.

Any discount or premium arising on acquisition of bonds is included in the original cost of the investment and is amortised over the period of purchase to maturity.

l. **Investments in subsidiaries**

Investments in subsidiaries are carried in the Bank's balance sheet at cost less provisions for impairment. Where, in the opinion of the directors, there has been an impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

m. **Provisions, contingent liabilities and contingent assets**

Provisions are liabilities that are uncertain in timing or amount.

Provisions 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is never recognised rather they are disclosed in the the financial statements when they arise.

n. **Retirement benefits**

The Bank makes contributions on behalf of qualifying employee to a mandatory scheme under the provisions of Pension Reform Act 2004. Employer contributions are charged to the profit and loss account and the employer's liability is limited to any unremitted contributions under the scheme.

o. **Other long term Benefits**

The Bank 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 Bank from time to time.

p. **Cash and cash equivalents**

For the purposes of the statement of cash flow, cash and cash equivalents include cash and balances with the Central Bank of Nigeria, Due from other banks (local and foreign) other than the Central Bank of Nigeria and placements with foreign and local banks.

q. **Borrowings**

Borrowed funds are recognised initially at their issue proceeds and subsequently stated at cost less any repayments.
Transaction costs where immaterial, are recognized immediately in the profit and loss account. Where transaction costs are material, they are capitalized and amortised over the life of the loan. Interest paid on borrowings is recognised in the profit and loss account for the year.

r. **Off - balance sheet engagements**

Transactions that are not recognised as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks; contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credits. Outstanding and unexpired commitments at balance sheet date in respect of these transactions are shown by way of note to the financial statements.

(i) Acceptances

Acceptances are undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers.

Acceptances, which meet the conditions, set out in Central Bank of Nigeria (CBN) Guidelines on the treatment of bankers acceptances and commercial papers are accounted for and disclosed as contingent liabilities. The income and expense relating to these acceptances are recognised and reported net in the financial statements.

(ii) Guarantees and performance bonds

The Bank provides financial guarantees and bonds to third parties on behalf of customers in connection with advance payments, financial bids and project performance.

The amount stated in the financial statements for unsecured bonds and guarantees represent the maximum loss that would be recognised at the balance sheet date should the customers fail to perform as agreed with the third parties.

(iii) Letters of credit

The Bank provides letters of credit to guarantee the performance of customers to third parties.These are accounted for as off-balance sheet engagements. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognised at the time the services are provided.

s. **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular ecconomic environment (geographical segment), which is subject to risks and rewards that are different from other segments of the group.

The Group's primary format for segment reporting is based on geographical and business segments. The geographical and business segments are determined by management based on the Group's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

t. **Deposit liabilities**

Deposit liabilities are the Bank's sources of debt funding. Deposit liabilities are carried at cost.

u. **Investment property**

An Investment Property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the enterprise. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Group, an occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to owners' equity as revaluation surplus. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account. An increase on revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account, is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business.

v. **Sale of loans or securities**

A sale of loans or securities without recourse to the seller is accounted for as a disposal and the assets excluded from the balance sheet.
Profits or losses on sale of loans or securities without recourse to the seller is recognised by the seller when the transaction is completed.
The Group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse.

- control over the economic benefits of the asset must be passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there must not be any repurchase obligations.

A sale or transfer of loans or securities with recourse where there is an obligation to, or an assumption of, repurchase is not treated as a sale, and the asset remains in the Group's balance sheet, with any related cash received recognised as a liability.

Profit arising from sale or transfer of loan or securities without recourse to the seller is amortised over the remaining life. However, losses are recognised as soon as they can be reasonably estimated.

Where there is no obligation to or assumption of repurchase, the sale is treated as a disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

w. **Dividend**

Dividends on ordinary shares are appropriated from retained earnings and recognised as a liability in the period in which they are declared. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

x. **Earnings per share**

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for any bonus shares issued.

y. **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

z. **Intangible assets**

(i) Software
Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses.

Purchased software is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the software can be measured reliably. Expenditure that forms part of the cost of software that meets the recognition criteria are capitalized as part of the software. Software is accounted for using the cost model. After initial recognition, the software is carried at cost less accumulated amortization and any accumulated impairment losses.

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

Amortization is recognized 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 estimated useful life of software is three to five years.

Amortization method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(ii) Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of the Group's share of the separable net assets of subsidiaries acquired, at the date of the acquisition.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might have been impaired. Impairment losses are recognised in the profit and loss account in the year in which they arise.

This is a new policy in line with the Statement of Accounting Standard number 31: On Intangible Assets issued by the Financial Reporting Council of Nigeria (formerly Nigerian Accounting Standards Board), which is effective for annual periods beginning on or after 1 January 2011. See Notes 23(e) and 24 for reclassifications made to the balance sheet on implementation of the new accounting policy. There was no effect on either the profit and loss account or retained earnings.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

		GROUP		BANK	
		2011	**2010**	**2011**	**2010**
	Note	**N'000**	**N'000**	**N'000**	**N'000**
Gross earnings		**80,398,043**	62,686,096	**74,236,855**	57,835,577
Interest income	3	**57,683,316**	43,631,945	**53,748,587**	40,702,524
Interest expense	4	**(25,620,635)**	(21,698,007)	**(25,619,558)**	(21,699,307)
Net interest income		**32,062,681**	21,933,938	**28,129,029**	19,003,217
Fee and commission income	5	**14,403,630**	10,175,894	**12,745,538**	9,042,026
Fee and commission expense		**(935,413)**	(961,225)	**(935,413)**	(961,225)
Net fee and commission income		**13,468,217**	9,214,669	**11,810,125**	8,080,801
Foreign exchange earnings		**3,947,203**	2,645,835	**3,947,203**	2,645,835
Income from investments	6	**3,248,336**	3,699,359	**2,895,386**	3,494,728
Income from disposal of investments		**-**	1,289,580	**-**	1,289,580
Other income	7	**1,115,558**	1,243,483	**900,141**	660,884
Net operating income		**53,841,995**	40,026,864	**47,681,884**	35,175,045
Operating expenses	8	**(32,857,320)**	(31,491,391)	**(29,648,123)**	(28,369,962)
Allowance for losses	15	**(32,452,704)**	439,415	**(31,969,727)**	759,805
Share of post tax result of associate	20	**113,628**	50,854	**-**	-
(Loss) / profit before tax		**(11,354,401)**	9,025,742	**(13,935,966)**	7,564,888
Tax credit / (charge)	9(a)	**1,439,253**	(1,090,771)	**2,368,222**	(242,566)
(Loss) / profit after tax attributable to group shareholders		**(9,915,148)**	7,934,971	**(11,567,744)**	7,322,322
The (loss) / profit for the year is appropriated as follows:					
Transfer to statutory reserve	33	**-**	1,098,348	**-**	1,098,348
Transfer to retained earnings	33	**(9,915,148)**	6,836,623	**(11,567,744)**	6,223,974
		(9,915,148)	7,934,971	**(11,567,744)**	7,322,322
(Loss) / earnings per share in kobo (basic)	38	**(61)k**	49k	**(71)k**	45k
(Loss) / earnings per share in kobo (diluted)	38	**(60)k**	**49k**	**(70)k**	**45k**

The accompanying notes and significant accounting policies form an integral part of these financial statements.

BALANCE SHEETS

		GROUP		BANK	
	Note	DEC. 31, 2011 N'000	DEC. 31, 2010 N'000	DEC. 31, 2011 N'000	DEC. 31, 2010 N'000
ASSETS					
Cash and balances with central bank	10	**34,934,115**	13,406,893	**34,933,865**	13,406,438
Treasury bills	11	**12,019,605**	22,588,314	**12,019,605**	22,588,314
Due from other banks	12	**35,376,959**	57,311,736	**28,654,265**	50,361,306
Loans and advances	13	**319,434,207**	326,899,532	**315,101,376**	323,531,060
Advances under finance lease	16	**3,067,760**	3,521,022	**3,067,760**	3,521,022
Deferred tax assets	29	**3,578,836**	572,053	**3,482,998**	433,047
Investment securities	17	**155,042,282**	74,188,921	**153,414,566**	71,916,099
Investment in subsidiaries	18	**-**	-	**11,005,868**	11,005,868
Investment in associates	20	**230,656**	145,000	**300,000**	300,000
Other assets	21	**12,375,864**	13,818,756	**12,231,591**	13,483,357
Investment property	22	**131,778**	131,778	**-**	-
Property and equipment	23	**19,092,716**	19,291,248	**18,640,557**	18,886,370
Intangible assets	24	**6,495,640**	6,715,629	**421,014**	640,607
		601,780,418	538,590,882	**593,273,465**	530,073,488
LIABILITIES					
Customer deposits	25	**409,231,355**	334,821,192	**410,578,646**	334,897,851
Due to other banks	26	**-**	580,784	**-**	580,784
Borrowings	27	**19,167,000**	25,116,189	**19,167,000**	25,116,189
Tax payable	9(b)	**1,783,422**	1,867,603	**951,402**	1,200,495
Other liabilities	28	**52,398,055**	40,813,679	**43,785,316**	33,078,675
Deferred tax liabilities	29	**26,388**	20,192	**-**	-
Retirement benefit obligations	30	**12,971**	8,994	**9,447**	5,096
Other long term benefits	31	**1,464,716**	591,739	**1,408,493**	558,576
		484,083,907	403,820,372	**475,900,304**	395,437,666
EQUITY					
Share capital	32	**8,135,596**	8,135,596	**8,135,596**	8,135,596
Share premium		**108,369,199**	108,369,199	**108,369,199**	108,369,199
Reserves	33	**1,191,716**	18,265,715	**868,366**	18,131,027
Shareholders' funds		**117,696,511**	134,770,510	**117,373,161**	134,635,822
LIABILITIES AND EQUITY		**601,780,418**	538,590,882	**593,273,465**	530,073,488
ACCEPTANCES AND GUARANTEES	34	**97,260,519**	65,249,741	**97,260,519**	65,249,741

The financial statements and the accompanying notes and significant accounting policies were approved by the Board of Directors on February 29, 2012 and signed on its behalf by:

Dr. Jonathan A.D. Long
Chairman

Ladi O Balogun
GMD/CEO

The accompanying notes and significant accounting policies form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
OPERATING ACTIVITIES					
Cash generated from/(used up in) operations	37	**67,280,988**	(6,876,336)	**67,619,474**	(12,251,555)
Tax paid	9(b)	**(1,645,515)**	(2,223,639)	**(930,822)**	(1,354,134)
Vat paid		**(493,666)**	(302,409)	**(493,666)**	(302,409)
Net cashflow from operating activities		**65,141,807**	(9,402,384)	**66,194,986**	(13,908,098)
FINANCING ACTIVITIES					
Dividend paid	33	**(5,694,917)**	(813,560)	**(5,694,917)**	(813,560)
Repayment of short term borrowing	27(c)	**(17,515,564)**	(15,221,700)	**(17,515,564)**	(15,221,700)
Long term borrowing	27(c)	**11,180,750**	9,914,939	**11,180,750**	9,914,939
Net cashflow from financing activities		**(12,029,731)**	(6,120,321)	**(12,029,731)**	(6,120,321)
INVESTING ACTIVITIES					
Investment in subsidiaries		**-**	-	**-**	(140,400)
Dividend income	6	**1,561,006**	1,594,490	**1,283,796**	1,360,582
Proceeds from disposal of investment securities		**4,641,290**	2,116,690	**3,601,853**	2,145,967
Purchase of Investments securities		**(86,795,212)**	(35,903,031)	**(85,658,139)**	(34,591,365)
Proceeds / (purchase) of short-term securities		**(76,303)**	3,085,381	**(940,000)**	2,527,635
Proceeds from disposal of property and equipment		**80,599**	121,697	**72,946**	99,730
Purchase of investment property		**-**	131,778	**-**	-
Purchase of property and equipment	23	**(2,660,520)**	(2,465,912)	**(2,434,834)**	(2,031,794)
Net cashflow from investing activities		**(83,249,140)**	(31,318,907)	**(84,074,378)**	(30,629,645)
NET DECREASE IN CASH & CASH EQUIVALENTS		**(30,137,064)**	(46,841,612)	**(29,909,123)**	(50,658,064)
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR					
Balance at beginning of the year		**90,503,963**	137,345,575	**83,553,078**	134,211,142
Balance at end of year	39	**60,366,899**	90,503,963	**53,643,955**	83,553,078
DECREASE IN CASH & CASH EQUIVALENTS		**(30,137,064)**	(46,841,612)	**(29,909,123)**	(50,658,064)

The accompanying notes and significant accounting policies form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

1 THE BANK

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

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

At general meetings separately held by ordinary shareholders of FCMB Plc and FinBank Plc on the 29th of Sept 2011, shareholders of both banks separately approved FCMB's acquisition of FinBank Plc. Effective February 9, 2012, FCMB Plc acquired all the ordinary shares of FinBank Plc (including all its subsidiaries) for a total consideration of N6 billion, via a Special Purpose Vehicle, FCMB Investments Limited.

FCMB Plc's acquisition of FinBank Plc followed the restoration of FinBank Plc's negative capital by the Asset Management Corporation of Nigeria ("AMCON"), through the injection of AMCON Bonds, which entitled AMCON to a share of the total consideration for the transaction. As a result of the acquisition, FinBank Plc became a wholly owned subsidiary of FCMB. Dilution to FCMB shareholding was 1.7%. FinBank achieves Capital Adequacy Ratio on a Capital See Through basis to FCMB's capital. FCMB is currently integrating the business and operations of FinBank into FCMB, with a target completion date of second quarter 2012.

2 SEGMENT ANALYSIS

(a) By business segment

The Group's business is organised along the following 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 N500 million 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.

Transactions between the business segments are on a transfer pricing basis to reflect the cost and allocation of assets and liabilities. There are no other material items of income and expense between the segments. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

(a) (i) The business segment result for 31 December 2011 is as follows:

	Investment Banking N'000	Corporate & Commercial Banking N'000	Retail Banking N'000	Institutional Banking N'000	Treasury & Financial Markets N'000	TOTAL N'000
External revenues	3,135,002	38,186,530	14,483,621	3,840,243	20,752,647	**80,398,043**
Revenue from other segments	-	(10,165,707)	12,187,985	11,584,163	(13,606,441)	**-**
Total revenue	**3,135,002**	**28,020,823**	**26,671,606**	**15,424,406**	**7,146,206**	**80,398,043**
Net operating income	**3,133,925**	**14,770,185**	**20,652,193**	**10,176,310**	**5,109,382**	**53,841,995**
Operating Profit before Head Office Overhead	1,597,803	(2,877,655)	4,098,433	(4,740,368)	3,863,662	**1,941,875**
Head Office Overhead	-	(2,496,752)	(6,824,219)	(2,795,547)	(1,179,758)	**(13,296,276)**
(Loss) / profit before tax	**1,597,803**	**(5,374,407)**	**(2,725,786)**	**(7,535,915)**	**2,683,904**	**(11,354,401)**
Assets and Liabilities:						
Segment assets	11,734,592	244,980,524	84,988,217	45,739,192	214,337,893	**601,780,418**
Unallocated assets	-	-	-	-	-	**-**
Total Assets	**11,734,592**	**244,980,524**	**84,988,217**	**45,739,192**	**214,337,893**	**601,780,418**
Segment liabilities	7,342,195	89,808,468	178,768,851	149,149,766	59,014,627	**484,083,907**
Unallocated liabilities	-	-	-	-	-	**-**
Total liabilities	**7,342,195**	**89,808,468**	**178,768,851**	**149,149,766**	**59,014,627**	**484,083,907**
Net assets	**4,392,397**	**155,172,056**	**(93,780,634)**	**(103,410,574)**	**155,323,266**	**117,696,511**
Other segment items						
Depreciation	**128,008**	**262,458**	**1,674,189**	**559,771**	**132,886**	**2,757,312**
Amortisation of intangible assets - softwares	**9,112**	**11,289**	**110,010**	**78,900**	**10,678**	**219,989**

(a) (ii) The business segment result for 31 December 2010 is as follows:

	Investment Banking N'000	Corporate & Commercial Banking N'000	Retail Banking N'000	Institutional Banking N'000	Treasury & Financial Markets N'000	TOTAL N'000
External revenues	2,343,080	23,511,200	11,884,306	15,476,564	9,470,946	**62,686,096**
Revenue from other segments	-	(12,150,885)	4,207,203	7,223,535	720,147	**-**
Total revenue	**2,343,080**	**11,360,315**	**16,091,509**	**22,700,099**	**10,191,093**	**62,686,096**
Net operating income	**2,344,380**	**9,478,805**	**14,275,696**	**9,049,411**	**4,878,572**	**40,026,864**
Operating Profit before Head Office Overhead	(295,650)	7,998,480	2,495,724	7,065,862	3,294,873	**20,559,289**
Head Office Overhead	-	(2,547,533)	(5,340,970)	(3,329,252)	(315,792)	**(11,533,547)**
Profit before tax	**(295,650)**	**5,450,947**	**(2,845,246)**	**3,736,610**	**2,979,081**	**9,025,742**
Assets and Liabilities:						
Segment assets	3,589,765	229,184,060	50,327,084	76,085,098	179,404,875	**538,590,882**
Unallocated assets	-	-	-	-	-	**-**
Total Assets	**3,589,765**	**229,184,060**	**50,327,084**	**76,085,098**	**179,404,875**	**538,590,882**
Segment liabilities	4,487,167	52,329,259	156,459,559	163,512,298	27,032,089	**403,820,372**
Unallocated liabilities	-	-	-	-	-	**-**
Total liabilities	**4,487,167**	**52,329,259**	**156,459,559**	**163,512,298**	**27,032,089**	**403,820,372**
Net assets	**(897,402)**	**176,854,801**	**(106,132,475)**	**(87,427,200)**	**152,372,786**	**134,770,510**
Other segment items						
Depreciation	**137,298**	**364,624**	**1,858,836**	**412,143**	**152,172**	**2,925,073**
Amortisation of intangible assets - softwares	**9,112**	**11,289**	**110,010**	**78,900**	**10,678**	**219,989**

(b) By geographical segments

The Group's business is organised along two (2) main geographical areas
Nigeria
Europe

	NIGERIA		EUROPE		TOTAL	
	DEC. 2011 N'000	DEC. 2010 N'000	DEC. 2011 N'000	DEC. 2010 N'000	DEC. 2011 N'000	DEC. 2010 N'000
External revenues	80,057,592	62,463,969	340,451	222,127	80,398,043	62,686,096
Revenue from other	-	-	-	-	-	-
Total revenue	**80,057,592**	**62,451,477**	**340,451**	**222,127**	**80,398,043**	**62,686,096**
Net operating income	**53,501,544**	**39,804,737**	**340,451**	**222,127**	**53,841,995**	**40,026,864**
Operating profit before head office overhead	1,941,875	20,559,289	-	-	1,941,875	20,559,289
Head office overhead	(13,296,276)	(11,533,547)	-	-	(13,296,276)	(11,533,547)
(Loss) / profit before tax	**(10,795,271)**	**9,512,694**	**(559,130)**	**(486,952)**	**(11,354,401)**	**9,025,742**
Segment assets	601,288,163	537,945,452	492,255	645,430	601,780,418	538,590,882
Unallocated assets	-	-	-	-	-	-
Total Assets	**601,288,163**	**537,945,452**	**492,255**	**645,430**	**601,780,418**	**538,590,882**
Segment liabilities	483,952,248	403,742,786	131,659	77,586	484,083,907	403,820,372
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	**483,952,248**	**403,742,786**	**131,659**	**77,586**	**484,083,907**	**403,820,372**
Net assets	**117,335,915**	**134,202,666**	**360,596**	**567,844**	**117,696,511**	**134,770,510**
Other segment items						
Depreciation	**2,721,397**	**2,901,150**	**35,915**	**23,923**	**2,757,312**	**2,925,073**
Amortisation of intangible assets - softwares	**219,989**	**219,989**	**-**	**-**	**219,989**	**219,989**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

		GROUP		BANK	
		2011	2010	2011	2010
		N'000	N'000	N'000	N'000
3	***INTEREST INCOME***				
	Loans and advances	**41,259,261**	36,279,148	**37,479,585**	33,448,767
	Placements and short term funds	**3,041,707**	2,741,414	**2,886,654**	2,642,374
	Interest on bonds	**11,354,794**	3,554,784	**11,354,794**	3,554,784
	Advances under finance lease	**2,027,554**	1,056,599	**2,027,554**	1,056,599
		57,683,316	43,631,945	**53,748,587**	40,702,524
	Analysis by source				
	Bank	**3,041,707**	2,741,414	**2,886,654**	2,642,374
	Non-bank	**54,641,609**	40,890,531	**50,861,933**	38,060,150
		57,683,316	43,631,945	**53,748,587**	40,702,524
	Interest income earned outside Nigeria amounted to N1.9million (December 2010: N6.0million)				
4	***INTEREST EXPENSE***				
	Current accounts	**587,646**	549,769	**587,646**	549,769
	Savings accounts	**394,182**	398,057	**394,182**	398,057
	Term and other deposit accounts	**21,499,019**	19,179,623	**21,497,942**	19,180,923
	Inter-bank takings	**2,266,321**	651,144	**2,266,321**	651,144
	Borrowed funds	**873,467**	919,414	**873,467**	919,414
		25,620,635	21,698,007	**25,619,558**	21,699,307
	Interest expense paid outside Nigeria amounted to N873million (December 2010: N919million).				
5	***FEE AND COMMISSION INCOME***				
	Credit related fees	**5,331,594**	4,435,379	**3,673,502**	3,301,511
	Commission on turnover	**2,921,246**	2,227,172	**2,921,246**	2,227,172
	Letters of Credit commissions and fees	**2,387,074**	1,179,304	**2,387,074**	1,179,304
	Facility management fee	**666,755**	263,817	**666,755**	263,817
	Commission on off-balance sheet transactions	**866,677**	668,246	**866,677**	668,246
	Other fees and commissions	**2,230,284**	1,401,976	**2,230,284**	1,401,976
		14,403,630	10,175,894	**12,745,538**	9,042,026
6	***INCOME FROM INVESTMENTS***				
	Securities trading income	**1,687,330**	2,104,869	**1,611,590**	2,134,146
	Dividend income	**1,561,006**	1,594,490	**1,283,796**	1,360,582
		3,248,336	3,699,359	**2,895,386**	3,494,728
7	***OTHER INCOME***				
	Rental income	**7,500**	62,707	**7,500**	18,292
	Profit on disposal of property and equipment	**9,569**	12,492	**8,051**	11,094
	Other income	**1,098,489**	1,168,284	**884,590**	631,498
		1,115,558	1,243,483	**900,141**	660,884
8	**OPERATING EXPENSES**				
	Staff cost (Note 36)	**14,768,645**	14,278,154	**13,097,119**	12,649,278
	Depreciation (Note 23)	**2,757,312**	2,925,073	**2,582,258**	2,779,059
	Amortisation of intangible assets - softwares (Note 24(a))	**219,989**	219,989	**219,593**	219,593
	Auditors' remuneration	**129,794**	127,011	**100,000**	100,000
	Directors' emoluments (Note 36)	**601,392**	627,947	**404,931**	376,164
	Other operating expenses	**14,380,188**	13,313,217	**13,244,222**	12,245,868
		32,857,320	31,491,391	**29,648,123**	28,369,962

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

		GROUP		BANK	
		2011 N'000	**2010 N'000**	**2011 N'000**	**2010 N'000**
9	***TAX***				
	(a) Charge				
	Current tax	**1,477,691**	1,414,260	**681,729**	736,379
	Education tax	**55,433**	128,580	**-**	87,315
	Information technology tax	**28,210**	96,972	**-**	75,649
	Income tax expenses	**1,561,334**	1,639,812	**681,729**	899,343
	Deferred tax charge/(credit) (Note 29)	**(3,000,587)**	(549,041)	**(3,049,951)**	(656,777)
		(1,439,253)	1,090,771	**(2,368,222)**	242,566
	(b) Payable				
	Beginning of the year	**1,867,603**	2,451,430	**1,200,495**	1,655,286
	Tax paid	**(1,645,515)**	(2,223,639)	**(930,822)**	(1,354,134)
	Charge for the year (see (a) above)	**1,561,334**	1,639,812	**681,729**	899,343
		1,783,422	1,867,603	**951,402**	1,200,495

(c) The Bank had no taxable profit for the year ended 31 December 2011 and has consequently been subjected to minimum tax. Education tax has not been charged because the Bank had no assessable profit for the year.

		GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
10	***CASH AND BALANCE WITH CENTRAL BANK***				
	Cash	**11,323,268**	7,663,861	**11,323,018**	7,663,406
	Operating account with the Central Bank of Nigeria	**1,647,067**	2,940,052	**1,647,067**	2,940,052
	Mandatory reserve deposits	**21,963,780**	2,802,980	**21,963,780**	2,802,980
		34,934,115	13,406,893	**34,933,865**	13,406,438
	Mandatory reserve deposits are not available for use in the Bank's day to day operations.				
11	***TREASURY BILLS***				
	Federal Government Of Nigerian Treasury Bills	**12,019,605**	22,588,314	**12,019,605**	22,588,314
		12,019,605	22,588,314	**12,019,605**	22,588,314
	(a) These comprise:				
	Treasury bills - trading	**2,750,000**	20,088,314	**2,750,000**	20,088,314
	Treasury bills - others (see (b) below)	**9,269,605**	2,500,000	**9,269,605**	2,500,000
		12,019,605	22,588,314	**12,019,605**	22,588,314
	(b) Treasury bills - others are stated as follows:				
	Face value (see (c) below)	**9,499,229**	2,609,269	**9,499,229**	2,609,269
	Unearned income	**(229,624)**	(109,269)	**(229,624)**	(109,269)
	Net investments	**9,269,605**	2,500,000	**9,269,605**	2,500,000

(c) Included in treasury bills are bills amounting to N3.4billion (2010:N2.5billion) held by third parties as collateral for various transactions
(d) The original cost of treasury bills is N12.5billion (2010: N24.0billion).

		GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
12	**DUE FROM OTHER BANKS**				
	Current balances within Nigeria	**9,590,086**	10,057,918	**4,218,165**	3,899,830
	Current balances outside Nigeria	**22,733,543**	23,105,118	**22,705,001**	22,911,476
	Placements within Nigeria	**1,143,575**	24,148,700	**-**	23,550,000
	Placements outside Nigeria	**1,909,755**	-	**1,731,099**	-
		35,376,959	57,311,736	**28,654,265**	50,361,306

Balances with banks outside Nigeria include N14.0billion (December 2010: N10.7billion) which represents the naira value of foreign currency amounts held by the Bank on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see note 28).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
13 LOANS AND ADVANCES				
The loans and advances are analysed as follows:				
(a) Specialised loans (See Note (b) below) -	**100,489,670**	83,313,970	**100,489,670**	83,313,970
Non-specialised	**231,169,299**	262,883,577	**226,243,220**	259,324,669
	331,658,969	346,197,547	**326,732,890**	342,638,639
Specific provisions	**(8,215,446)**	(12,465,256)	**(7,711,212)**	(12,323,346)
General provisions	**(3,254,295)**	(48,526)	**(3,165,281)**	-
Specific mark to market allowance	**(17,617)**	(2,025,304)	**(17,617)**	(2,025,304)
Interest in suspense	**(737,404)**	(4,758,929)	**(737,404)**	(4,758,929)
	319,434,207	326,899,532	**315,101,376**	323,531,060
(b) Specialised Loans comprise:				
Project finance	**49,657,126**	18,869,312	**49,657,126**	18,869,312
Object finance	**3,977,401**	6,528,008	**3,977,401**	6,528,008
Agriculture finance	**4,476,093**	3,688,936	**4,476,093**	3,688,936
Real Estate finance	**39,533,259**	46,197,136	**39,533,259**	46,197,136
Mortgage finance	**1,965,265**	5,090,780	**1,965,265**	5,090,780
	99,609,144	80,374,172	**99,609,144**	80,374,172
Margin loans	**880,526**	2,939,798	**880,526**	2,939,798
	100,489,670	83,313,970	**100,489,670**	83,313,970

c) (i) Classification of other specialised loans by performance for 31 December 2011 was:

	Project finance N'000	Object finance N'000	Agriculture finance N'000	Real Estate finance N'000	Mortgage finance N'000	Total N'000
Performing	49,657,126	3,977,401	4,476,093	39,533,259	1,283,777	98,927,656
Watchlist	-	-	-	-	379,661	379,661
	49,657,126	**3,977,401**	**4,476,093**	**39,533,259**	**1,663,438**	**99,307,317**
Other Classification						
Substandard	-	-	-	-	237,783	237,783
Doubtful	-	-	-	-	17,649	17,649
Very doubtful	-	-	-	-	-	-
Lost	-	-	-	-	46,395	46,395
(a)	**-**	**-**	**-**	**-**	**301,827**	**301,827**
(b)	**49,657,126**	**3,977,401**	**4,476,093**	**39,533,259**	**1,965,265**	**99,609,144**
Percentage to total loans (a/b)	**0%**	**0%**	**0%**	**0%**	**15%**	**0%**

c) (ii) Classification of other specialised loans by performance for 31 December 2010 was:

	Project finance N'000	Object finance N'000	Agriculture finance N'000	Real Estate finance N'000	Mortgage finance N'000	Total N'000
Performing	17,793,101	6,528,008	3,688,936	46,197,136	2,450,461	76,657,642
Watchlist	-	-	-	-	-	-
	17,793,101	**6,528,008**	**3,688,936**	**46,197,136**	**2,450,461**	**76,657,642**
Other Classification						
Substandard	-	-	-	-	320,380	320,380
Doubtful	1,076,211	-	-	-	160,796	1,237,007
Very doubtful	-	-	-	-	-	-
Lost	-	-	-	-	2,159,143	2,159,143
(a)	**1,076,211**	**-**	**-**	**-**	**2,640,319**	**3,716,530**
(b)	**18,869,312**	**6,528,008**	**3,688,936**	**46,197,136**	**5,090,780**	**80,374,172**
Percentage to total loans (a/b)	**6%**	**0%**	**0%**	**0%**	**52%**	**5%**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
(c) (iii) Allowance for specialised loans are as follows:				
Performing	**991,600**	-	**991,600**	-
Non-performing				
Sub-Standard	**31,320**	30,038	**31,320**	30,038
Doubtful	**14,111**	601,004	**14,111**	601,004
Very doubtful	**-**	-		-
Lost	**46,396**	1,449,199	**46,396**	1,449,199
	1,083,427	2,080,241	**1,083,427**	2,080,241
Margin loans	**17,617**	2,025,304	**17,617**	2,025,304
	1,101,044	4,105,545	**1,101,044**	4,105,545

	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
(d) (i) Classification of non-specialised loans by performance was:				
Performing	**221,904,097**	249,414,130	**217,482,252**	246,068,089
Non-performing				
Sub-Standard	**1,016,197**	241,989	**1,016,197**	241,989
Doubtful	**737,189**	1,876,555	**232,955**	1,663,688
Lost	**7,511,816**	11,350,903	**7,511,816**	11,350,903
	231,169,299	262,883,577	**226,243,220**	259,324,669
(ii) Allowance for non-specialised loans are as follows:				
Performing	**2,262,695**	48,526	**2,173,681**	-
Non-performing				
Sub-Standard	**181,625**	32,963	**181,625**	32,963
Doubtful	**623,925**	1,272,521	**119,691**	1,075,730
Lost	**7,318,069**	9,134,412	**7,318,069**	9,134,412
	10,386,314	10,488,422	**9,793,066**	10,243,105

	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
(e) Analysis by security				
Secured against real estate	**91,653,379**	94,685,474	**86,727,300**	94,685,474
Secured by shares of quoted companies	**1,288,945**	6,651,456	**1,288,945**	6,651,456
Otherwise secured	**209,362,695**	224,533,576	**209,362,695**	220,974,668
Unsecured	**29,353,950**	20,327,041	**29,353,950**	20,327,041
	331,658,969	346,197,547	**326,732,890**	342,638,639
(f) Analysis by maturity				
0 - 30 days	**91,884,040**	88,166,493	**86,957,961**	84,607,585
1 - 3 months	**68,455,545**	82,602,996	**68,455,545**	82,602,996
3 - 6 months	**11,201,802**	17,286,466	**11,201,802**	17,286,466
6 -12 months	**24,154,722**	24,373,557	**24,154,722**	24,373,557
Over 12 months	**135,962,860**	133,768,035	**135,962,860**	133,768,035
	331,658,969	346,197,547	**326,732,890**	342,638,639

14 *LOAN LOSS ALLOWANCE AND INTEREST IN SUSPENSE*

(a) MOVEMENT IN LOAN LOSS ALLOWANCE

	GROUP 2011	GROUP 2010	BANK 2011	BANK 2010
At beginning of year:				
-Non-performing	**14,490,560**	15,918,277	**14,348,650**	15,828,411
-performing	**48,526**	7,999	**-**	-
	14,539,086	15,926,276	**14,348,650**	15,828,411
Additional allowance:				
-Non-performing	**29,935,163**	6,096,442	**29,572,839**	6,044,399
-performing	**3,205,769**	40,527	**3,165,281**	-
Amounts written off	**(32,437,434)**	(519,873)	**(32,437,434)**	(519,874)
Allowance no longer required	**(3,755,226)**	(7,004,286)	**(3,755,226)**	(7,004,286)
At end of year:				
-Non-performing	**8,233,063**	14,490,560	**7,728,829**	14,348,650
-performing	**3,254,295**	48,526	**3,165,281**	-
	11,487,358	14,539,086	**10,894,110**	14,348,650

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

		GROUP		BANK	
		2011	2010	2011	2010
		N'000	N'000	N'000	N'000
	(b) MOVEMENT IN INTEREST IN SUSPENSE				
	Beginning of year	**4,758,929**	2,776,952	**4,758,929**	2,776,952
	Suspended during the year	**896,169**	3,341,284	**896,169**	3,341,284
	Amounts written back	**(4,526,906)**	(1,172,988)	**(4,526,906)**	(1,172,988)
	Amounts written off	**(390,788)**	(186,319)	**(390,788)**	(186,319)
	At end of year	**737,404**	4,758,929	**737,404**	4,758,929
15	**ALLOWANCE FOR LOSSES**				
	The charge for the year is analysed as follows;				
	Allowance on loans and advances - specific (see 14 (a))	**29,935,163**	6,096,442	**29,572,839**	6,044,399
	Allowance on loans and advances - general (see 14 (a))	**3,205,769**	40,527	**3,165,281**	-
	Write-back of allowances on loans and advances - specific (see 14 (a))	**(3,755,226)**	(7,004,286)	**(3,755,226)**	(7,004,286)
	Allowance on on advances under finance lease (see 16 (a))	**30,987**	-	**30,987**	-
	Allowances for diminution in investments (see 17 (c))	**4,808,995**	80,444	**4,754,208**	120,000
	Allowance for other assets (see 21 (b)) -	**354,728**	565,481	**329,350**	298,105
	Recovery from previously written off loans	**(2,127,712)**	(218,023)	**(2,127,712)**	(218,023)
		32,452,704	(439,415)	**31,969,727**	(759,805)
16	**ADVANCES UNDER FINANCE LEASE**				
(a)	Gross investment	**4,393,512**	9,118,511	**8,668,997**	9,118,511
	Less: unearned income	**(1,294,765)**	(5,597,489)	**(5,570,250)**	(5,597,489)
	Net investment	**3,098,747**	3,521,022	**3,098,747**	3,521,022
	General allowance for performing loans	**(30,987)**	-	**(30,987)**	-
		3,067,760	3,521,022	**3,067,760**	3,521,022
(b)	Analysis by performance				
	Performing	**3,098,747**	3,521,022	**3,098,747**	3,521,022
(c)	Analysis by maturity				
	0 - 30 days	**127,297**	84,424	**127,297**	84,424
	1 - 3 months	**286,263**	85,965	**286,263**	85,965
	3 - 6 months	**413,011**	137,746	**413,011**	137,746
	6 -12 months	**676,349**	239,757	**676,349**	239,757
	Over 12 months	**1,595,827**	2,973,130	**1,595,827**	2,973,130
		3,098,747	3,521,022	**3,098,747**	3,521,022
17	**INVESTMENT SECURITIES**				
(a)	**Long term investments**				
	Debt Securities				
	Listed				
	Federal Government of Nigeria (FGN) Bonds (see note (e) below)	**48,359,535**	46,390,861	**47,110,173**	45,320,028
	Unlisted				
	Corporate Bonds (see note (o) below)	**15,915,954**	7,000,000	**15,915,954**	7,000,000
	AMCON Bonds (see note (n) below)	**77,280,633**	5,522,259	**77,280,633**	5,522,259
	State Government Bonds (see note (m) below)	**4,119,200**	1,160,033	**4,119,200**	1,119,200
	Equity securities				
	Listed				
	African Petroleum Plc - ordinary shares	**-**	1,989,356	**-**	1,989,356

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GROUP		BANK	
	2011	**2010**	**2011**	**2010**
	N'000	**N'000**	**N'000**	**N'000**
Unlisted				
i) SME Investments (see note (h) below)				
SME Partnership Limited	**84,455**	85,362	**84,455**	85,362
Deebee Company Limited	**30,000**	30,000	**30,000**	30,000
S & B Printers Limited	**48,039**	48,039	**48,039**	48,039
Tinapa Business Resort Limited	**250,000**	250,000	**250,000**	250,000
American Hospital, Abuja	**50,000**	50,000	**50,000**	50,000
First SME Limited	**11,250**	11,250	**11,250**	11,250
EWA Pharm, Agric and Chemical Company Limited	**10,000**	10,000	**10,000**	10,000
Heron Holdings Limited	**9,835**	9,835	**9,835**	9,835
Emel Hospital Limited	**8,800**	8,800	**8,800**	8,800
Nigerian Automated Clearing Systems	**7,000**	7,000	**7,000**	7,000
Channel House Limited	**4,000**	4,000	**4,000**	4,000
ii) Others				
Fin Bank Plc - preference shares (see note (j) below)	**4,444,480**	4,444,480	**4,444,480**	4,444,480
Smartcard Nigeria Plc	**22,804**	22,804	**22,804**	22,804
Nigeria Inter-bank Settlement System Plc	**52,583**	52,583	**52,583**	52,583
Kakawa Discount House Limited	**22,800**	22,800	**22,800**	22,800
ATSC International Nigeria Limited	**50,000**	50,000	**50,000**	50,000
Credit Reference Company Limited	**61,111**	61,111	**61,111**	61,111
African Finance Corporation Limited (see note (f) below)	**1,287,000**	1,287,000	**1,287,000**	1,287,000
Private Equity Funds (see note (l) below)	**2,731,077**	2,537,411	**2,731,077**	2,537,411
Rivers State Microfinance Agency (see note (k) below)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
HTM Private Placement Underwriting (see note (i) below)	**3,337,212**	3,337,212	**3,337,212**	3,337,212
First City Asset Management (FCAM)	**40,000**	140,000	**-**	-
Food Concept Limited	**11,700**	11,700	**-**	-
Industrial and General Insurance	**95,000**	95,000	**-**	-
CSCS Limited	**500**	500	**-**	-
Hygeia Nigeria Limited	**602**	602	**-**	-
Financial Derivative Limited	**10,000**	10,000	**-**	-
Legacy Fund	**95,680**	-	**-**	-
CSL Trustees	**40,000**	-	**-**	-
	159,491,250	75,649,998	**157,948,406**	74,280,530
Allowance for diminution in value	**(5,493,521)**	(2,456,620)	**(5,473,840)**	(2,364,431)
	153,997,729	73,193,378	**152,474,566**	71,916,099
(b) **Short term investments**				
Equity Securities				
Listed				
Quoted equity securities (see note (g) below)	**159,883**	1,023,580	**-**	-
Debt securities				
Listed				
Federal Government of Nigeria (FGN) Bonds	**300,000**	-	**300,000**	-
Unlisted				
Corporate Bonds (see note (o) below)	**440,000**	-	**440,000**	-
State Government Bonds (see note (m) below)	**200,000**	-	**200,000**	-
	1,099,883	1,023,580	**940,000**	-
Allowance for diminution in value	**(55,330)**	(28,037)	**-**	-
	1,044,553	995,543	**940,000**	-
Total Investment securities	**155,042,282**	74,188,921	**153,414,566**	71,916,099
(c) **Movement in provision for diminution in investment securities**				
Beginning of the year	**2,484,657**	2,404,213	**2,364,431**	2,244,431
Allowance /(write back)	**4,808,995**	80,444	**4,754,208**	120,000
Amounts written-off	**(1,744,801)**	-	**(1,644,799)**	-
At end of the year	**5,548,851**	2,484,657	**5,473,840**	2,364,431
(d) **Movement in investment securities**				
Beginning of the year	**74,188,921**	38,378,155	**71,916,099**	37,456,555
Additions	**86,871,515**	35,903,031	**86,598,139**	34,591,365
Redemption	**(2,953,960)**	(11,821)	**(1,990,263)**	(11,821)
Allowance for diminution in value / amount written-off	**(3,064,194)**	(80,444)	**(3,109,409)**	(120,000)
At end of the year	**155,042,282**	74,188,921	**153,414,566**	71,916,099

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	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
(e) (i) The analysis of FGN Bonds - held to maturity was as follows:				
3rd FGN Bond Series 13/09/29/06 / 5Y / 12.99%	-	299,694	**-**	299,694
4th FGN Bond Series 10A /08/31/07 / 5Y / 9.50%	**1,783,418**	1,833,638	**1,783,418**	1,833,638
4th FGN Bond Series 11 /09/28/07/ 7Y / 9.25%	**1,825,257**	1,827,536	**1,825,257**	1,827,536
4th FGN Bond Series 3 /03/30/07/ 7Y / 10.75%	**1,080,428**	1,094,000	**1,080,428**	1,094,000
4th FGN Bond Series 5 /05/25/07 / 5Y / 9.23%	**3,505,329**	3,644,739	**3,505,329**	3,644,739
4th FGN Bond Series 6 /06/29/07/ 7Y / 9.20%	**5,286,056**	5,320,579	**5,286,056**	5,320,579
4th FGN Bond Series 9A /08/31/07/ 10Y / 9.35%	**520,957**	529,066	**520,957**	529,066
5th FGN Bond Series 1 /01/25/08 / 5Y / 9.45%	**8,046,232**	7,799,635	**8,046,232**	7,799,635
5th FGN Bond Series 2 /05/30/08/ 10Y / 10.70%	**22,696**	23,492	**22,696**	23,492
5th FGN Bond Series 3 /07/25/08/ 3Y / 10.50%	**-**	189,710	**-**	189,710
5th FGN Bond Series 4D /11/28/08 / 5Y / 10.50%	**4,529,881**	4,159,560	**4,529,881**	4,159,560
6th FGN Bond Series 2 /05/22/09 / 3Y / 10.50%	**5,703,223**	5,972,722	**5,703,223**	5,972,722
6th FGN Bond Series 4 /10/23/09/ 10Y / 7.00%	**835,226**	833,334	**835,226**	833,334
6th FGN Bond Series 1 /01/30/09 / 3Y / 9.92%	**602,418**	632,887	**602,418**	632,887
7th FGN Bond Series 2 /04/23/10/ 5Y / 4.00%	**3,789,924**	1,758,807	**3,789,924**	1,758,807
7th FGN Bond Series 1 /02/19/10 / 3Y / 5.50%	**10,828,490**	10,471,462	**9,579,128**	9,400,629
Total	**48,359,535**	46,390,861	**47,110,173**	45,320,028

(ii) The market value of the bonds was N43.0billion (2010: N43.0billion). An amount of N7.46billion (December 2010: N23.62billion) of these bonds is pledged with the Central Bank of Nigeria and other counter-parties as collateral for various transactions.

(f) This represents the Bank's 0.92% (December 2010: 0.92%) shareholding in African Finance Corporation Limited

(g) The market value of short term investments is N0.3billion (December 2010: N7.28billion) Bank and N0.46billion for Group.

(h) The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) per the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). Included in unlisted long term investments are the Bank's investment under the Small and Medium Industries Equity Investment Scheme (SMIEIS). A total of N513million (December 2010: N514million) have so far been invested under the scheme. Due to the effective percentage holding of the bank in these companies, some of them qualify as associates. However, they are not consolidated as the Bank is not expected to exercise influence, and control is temporary, as the investments are expected to be realised within 5 years.

(i) This represents the Bank's 5.99% (December 2010: 5.99%) shareholding in Helios Towers Mauritius.

(j) This represents the Bank's investment of 467,836,257 (31 December 2010: 467,836,257) Irredemable Non- cummulative convertible preference shares in Finbank Plc. A provision of N4billion has been made during the year on the irrecoverable portion of the investment.

(k) Investment in River state Microfinance Agency represents payments for shares in agency not yet allocated to the Bank as the investee company was still pre-operational as at year end.

(l) Investment in private equity funds comprise investments in Samba and Kili Private Equity Funds, managed by Helios Investment Partners.

(m) (i) The analysis of state government bonds was as follows:	Rate	Maturity Date	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
LAGOS STATE GOVERNMENT SERIES 1	13.00%	15-Jan-13	100,200	100,200	100,200	100,200
LAGOS STATE GOVERNMENT SERIES 2	10.00%	19-Apr-17	1,019,000	1,059,833	1,019,000	1,019,000
EDO STATE GOVERNMENT BOND	14.00%	31-Dec-17	2,000,000	-	2,000,000	-
BENUE STATE GOVERNMENT BOND	14.00%	30-Jun-16	800,000	-	800,000	-
DELTA STATE GOVERNMENT BOND	14.00%	30-Sep-18	200,000	-	200,000	-
			4,119,200	1,160,033	**4,119,200**	1,119,200
(n) The analysis of AMCON Bonds was as follows:						
AMCON Bonds - PHASE 1	10.13%	31-Dec-13	6,156,338	5,522,259	6,156,338	5,522,259
AMCON Bonds - PHASE 2	11.80%	31-Dec-13	49,550,732	-	49,550,732	-
AMCON Bonds - PHASE 3	12.29%	29-Dec-14	21,573,563	-	21,573,563	-
			77,280,633	5,522,259	**77,280,633**	5,522,259

AMCON Bond represents Initial Consideration Bonds issued by the Asset Management Corporation of Nigeria (AMCON) and fully guaranteed by the Federal Government of Nigeria. The Initial Consideration Bonds are three year zero coupon with yields to maturity of 10.125%, 11.80% and 12.29% for the first, second and third tranches respectively. The Initial Consideration Bonds were issued to banks in exchange for non-performing loans as part of the Nigerian Government's policy measures to reduce the negative impact of non-performing loans on the Nigerian banking industry and the economy as a whole. As at 31 December 2011, the Bank held AMCON Bonds with face value of N 105.49 billion and book value of N 77.28 billion.

During the year, the Bank received AMCON Bonds with face value of N95.52 billion and discounted amount of N66.95 billion in consideration for non-performing loans with gross value of N95.5 billion against which total provisions of N10.6 billion was made in the books.

The difference between the face value and the discounted amount of the AMCON Bond received amounting to N33.02 billion represents the unearned income to the Bank which will be recognized over the remaining periods of the respective tranches of the Bonds issued.

A loss of N17.9 billion representing the difference between the net amount (after provisions) of the loans acquired by AMCON during the year and the discounted amount of AMCON bonds issued in consideration was debited to the income statement for the year.

Based on the terms of the transaction, AMCON reserves the right to re-evaluate the valuation of the non-performing loans sold to it and to adjust the value of bonds issued.

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			GROUP		BANK	
			2011 N'000	2010 N'000	2011 N'000	2010 N'000
(o) The analysis of Corporate Bonds was as follows:						
CHELLARAMS PLC	14.00%	4-Jan-16	160,000	-	160,000	-
FLOUR MILLS NIGERIA PLC	12.00%	9-Dec-15	3,600,000	4,000,000	3,600,000	4,000,000
AFREN ENERGY RESOURCES LTD.	11.50%	1-Feb-16	7,905,954	-	7,905,954	-
UBA PLC	13.00%	30-Sep-17	3,000,000	3,000,000	3,000,000	3,000,000
DANA GROUP PLC	14.50%	9-Apr-18	250,000	-	250,000	-
TOWER FUNDING PLC	14.00%	9-Sep-18	1,000,000	-	1,000,000	-
			15,915,954	7,000,000	**15,915,954**	7,000,000

(p) The directors are of the opinion that adequate allowance has been made for the diminution in the value of long-term investments at the balance sheet date.

18 *INVESTMENT IN SUBSIDIARIES*

(a) Investment in subsidiaries comprises:

	GROUP 2011	GROUP 2010	BANK 2011	BANK 2010
FCMB Capital Markets Limited (see note (c) below)	**-**	-	**240,000**	240,000
Credit Direct Limited (see note (d) below)	**-**	-	**150**	150
FCMB (UK) Limited (see note (e) below)	**-**	-	**1,216,997**	1,216,997
CSL Stockbrokers Limited (CSLS) (see note (f) below)	**-**	-	**8,650,721**	8,650,721
City Securities (Registrars) Limited (CSRL) (see note (g) below)	**-**	-	**898,000**	898,000
	-	-	**11,005,868**	11,005,868

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

Company Name	Country of Incorporation	Nature of Business	Percentage of equity capital held (Direct holdings)	Percentage of equity capital held (Indirect holdings)	Financial year end
(1) FCMB Capital Markets Limited (FCMB CM)	Nigeria	Capital Market	100%	-	31-Dec-2011
(2) Credit Direct Limited (CDL)	Nigeria	Micro-lending	75%	25%	31-Dec-2011
(3) FCMB (UK) Limited (FCMB UK)	United Kingdom	Banking	100%	-	31-Dec-2011
(4) CSL Stockbrokers Limited (CSLS)	Nigeria	Stockbroking	100%	-	31-Dec-2011
(5) City Securities (Registrars) Limited (CSRL)	Nigeria	Registrar	100%	-	31-Dec-2011

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

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

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

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

(g) This represents the cost of the Bank's 100% equity holding in City Securities (Registrars) Limited. The Company was incorporated in April 2002 and commenced full operations in March 2007 when it obtained its registrars certificate. The Bank acquired the total holding in the Company in May, 2009.

NOTES TO THE FINANCIAL STATEMENTS
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19 CONDENSED FINANCIAL INFORMATION

(a) The condensed financial data of the consolidated entities as at 31 December 2011 were as follows:

	BANK	FCMB CAPITAL MARKETS LIMITED	CREDIT DIRECT LIMITED	FCMB UK LIMITED	CSLS	CSRL	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
RESULTS OF OPERATIONS	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Operating income	47,681,884	1,195,870	2,506,041	340,451	766,949	450,916	52,942,111	899,884	53,841,995
Operating expenses	(29,648,123)	(467,958)	(656,966)	(559,130)	(904,906)	(381,769)	(32,618,852)	(238,468)	(32,857,320)
Provision expense	(31,969,727)	(35,750)	(92,571)	-	(72,361)	27,947	(32,142,462)	(310,242)	(32,452,704)
Share of post tax result of associate	-	-	-	-	-	-	-	113,628	113,628
(Loss) / profit before tax	(13,935,966)	692,162	1,756,504	(218,679)	(210,318)	97,094	(11,819,203)	464,802	(11,354,401)
Tax	2,368,222	(184,565)	(675,282)	-	(57,780)	(11,342)	1,439,253	-	1,439,253
(Loss) / profit after tax	**(11,567,744)**	**507,597**	**1,081,222**	**(218,679)**	**(268,098)**	**85,752**	**(10,379,950)**	**464,802**	**(9,915,148)**
FINANCIAL POSITION									
Assets									
Cash and balances with central banks	34,933,865	250	-	-	-	-	34,934,115	-	34,934,115
Treasury bills	12,019,605	-	-	-	-	-	12,019,605	-	12,019,605
Due from other banks	28,654,265	1,263,039	4,389	255,175	1,220,759	5,326,622	36,724,249	(1,347,290)	35,376,959
Loans and advances	315,101,376	140,364	8,852,179	2,032	84,827	116,543	324,297,321	(4,863,114)	319,434,207
Advances under finance lease	3,067,760	-	-	-	-	-	3,067,760	-	3,067,760
Deferred tax asset	3,482,998	10,512	-	-	85,326	-	3,578,836	-	3,578,836
Investment securities	153,414,566	44	-	-	576,689	1,050,983	155,042,282	-	155,042,282
Investment in subsidiaries	11,005,868	366,060	-	-	-	-	11,371,928	(11,371,928)	-
Investment in associates	300,000	-	-	-	-	-	300,000	(69,344)	230,656
Other assets	12,231,591	267,801	278,479	178,570	105,182	385,151	13,446,774	(1,070,910)	12,375,864
Investment property	-	-	-	-	-	131,778	131,778	-	131,778
Property and equipment	18,640,557	47,153	202,408	56,478	101,507	44,613	19,092,716	-	19,092,716
Intangibles assets	421,014	581			-	-	421,595	6,074,045	6,495,640
	593,273,465	**2,095,804**	**9,337,455**	**492,255**	**2,174,290**	**7,055,690**	**614,428,959**	**(12,648,541)**	**601,780,418**
Financed by:									
Customer deposits	410,578,646	-	-	-	-	-	410,578,646	(1,347,291)	409,231,355
Due to other banks	-	-	4,863,115	-		-	4,863,115	(4,863,115)	-
Borrowed funds	19,167,000	-	-	-	-	-	19,167,000	-	19,167,000
Income tax payable	951,402	158,368	621,307	-	39,247	13,098	1,783,422	-	1,783,422
Other liabilities	43,785,316	737,541	2,370,239	131,659	152,055	6,292,140	53,468,950	(1,070,895)	52,398,055
Deferred income tax liabilities	-	-	20,983	-	-	5,405	26,388	-	26,388
Retirement benefit obligations	9,447	3,524	-	-	-	-	12,971	-	12,971
Other long term benefits	1,408,493	56,223	-	-	-	-	1,464,716	-	1,464,716
Share capital and reserves	117,373,161	1,140,148	1,461,811	360,596	1,982,988	745,047	123,063,751	(5,367,240)	117,696,511
	593,273,465	**2,095,804**	**9,337,455**	**492,255**	**2,174,290**	**7,055,690**	**614,428,959**	**(12,648,541)**	**601,780,418**
Acceptances And Guarantees	**97,260,519**	**-**	**-**	**-**	**-**	**-**	**97,260,519**	**-**	**97,260,519**
CASH FLOWS									
Cash flows from:									
Operating Activities	66,194,986	638,692	(2,311,611)	(187)	(792,340)	780,445	64,509,985	631,822	65,141,807
Investing Activities	(84,074,378)	350,029	(145,065)	(3)	697,143	254,291	(82,917,983)	(331,157)	(83,249,140)
Financing Activities	(12,029,731)	(720,000)	2,460,119	(185)	-	(3,000)	(10,292,797)	(1,736,934)	(12,029,731)
Increase/(decrease) in cash and cash equivalents	**(29,909,123)**	**268,721**	**3,443**	**(375)**	**(95,197)**	**1,031,736**	**(28,700,795)**	**(1,436,269)**	**(30,137,064)**
Analysis of changes in cash and cash equivalents during the period:									
Beginning of the year	83,553,078	994,568	946	800	1,311,060	4,294,886	90,155,338	348,625	90,503,963
End of the year	53,643,955	1,263,289	4,389	425	1,215,863	5,326,622	61,454,543	(1,087,644)	60,366,899
	(29,909,123)	**268,721**	**3,443**	**(375)**	**(95,197)**	**1,031,736**	**(28,700,795)**	**(1,436,269)**	**(30,137,064)**

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CONDENSED FINANCIAL INFORMATION

(b) The condensed financial data of the consolidated entities as at 31 December 2010 were as follows:

	BANK	FCMB CAPITAL MARKETS LIMITED	CREDIT DIRECT LIMITED	FCMB UK LIMITED	CSLS	CSRL	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
RESULTS OF OPERATIONS	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Operating income	35,163,951	533,918	2,506,041	222,127	1,019,585	577,089	40,022,711	(8,339)	40,014,372
Operating expenses	(28,358,868)	(406,331)	(656,966)	(486,952)	(1,156,775)	(421,346)	(31,487,238)	8,339	(31,478,899)
Provision expense	759,805	93,907	(92,571)	-	(322,443)	717	439,415	-	439,415
Share of post tax result of associate	-	-	-	-	-	-	-	50,854	50,854
Profit / (loss) before tax	7,564,888	221,494	1,756,504	(264,825)	(459,633)	156,460	8,974,888	50,854	9,025,742
Tax	(242,566)	(108,607)	(577,251)	-	(66,590)	(95,757)	(1,090,771)	-	(1,090,771)
Profit / (loss) after tax	**7,322,322**	**112,887**	**1,179,253**	**(264,825)**	**(526,223)**	**60,703**	**7,884,117**	**50,854**	**7,934,971**
FINANCIAL POSITION									
Assets									
Cash and balances with central banks	13,406,438	250	-	-	-	205	13,406,893	-	13,406,893
Treasury bills	22,588,314	-	-	-	-	-	22,588,314	-	22,588,314
Due from other banks	50,361,306	994,318	946	425,377	1,312,060	4,294,681	57,388,688	(76,952)	57,311,736
Loans and advances	323,531,060	156,883	4,818,035	-	60,246	226,259	328,792,483	(1,892,951)	326,899,532
Advances under finance lease	3,521,022	-	-	-	-	-	3,521,022	-	3,521,022
Deferred tax asset	433,047	7,068	-	-	210,113	-	650,228	(78,175)	572,053
Investment securities	71,916,099	80,452	-	-	1,171,404	1,020,966	74,188,921	-	74,188,921
Investment in subsidiaries	11,005,868	366,060	-	-	-	-	11,371,928	(11,371,928)	-
Investment in associates	300,000	-	-	-	-	-	300,000	(155,000)	145,000
Other assets	13,483,357	401,907	4,257	131,290	720,858	400,092	15,141,761	(1,323,005)	13,818,756
Investment property	-	-	-	-	-	131,778	131,778	-	131,778
Property and equipment	19,526,977	45,374	104,391	88,763	107,164	60,163	19,932,832	-	19,932,832
Intangible assets	-	-	-	-	-	-	-	6,074,045	6,074,045
	530,073,488	**2,052,312**	**4,927,629**	**645,430**	**3,581,845**	**6,134,144**	**547,414,848**	**(8,823,966)**	**538,590,882**
Financed by:									
Customer deposits	334,897,851	-	-	-	-	-	334,897,851	(76,659)	334,821,192
Due to other banks	580,784	-	1,893,246	-		-	2,474,030	(1,893,246)	580,784
Borrowed funds	25,116,189	-	-	-	-	-	25,116,189	-	25,116,189
Income tax payable	1,200,495	16,489	619,108	-	40,609	69,075	1,945,776	(78,173)	1,867,603
Other liabilities	33,078,675	921,505	1,370,154	77,586	1,290,150	5,398,613	42,136,683	(1,323,004)	40,813,679
Deferred income tax liabilities	-	-	13,031	-	-	7,161	20,192	-	20,192
Retirement benefit obligations	563,672	37,061	-	-	-	-	600,733	-	600,733
Share capital and reserves	134,635,822	1,077,257	1,032,090	567,844	2,251,086	659,295	140,223,394	(5,452,884)	134,770,510
	530,073,488	**2,052,312**	**4,927,629**	**645,430**	**3,581,845**	**6,134,144**	**547,414,848**	**(8,823,966)**	**538,590,882**
Acceptances And Guarantees	**65,249,741**	**-**	**-**	**-**	**-**	**-**	**65,249,741**	**-**	**65,249,741**
CASH FLOWS									
Cash flows from:									
Operating Activities	(14,152,518)	(403,463)	234,490	(187)	(449,137)	(1,481,508)	(16,252,323)	6,605,519	(9,646,804)
Investing Activities	(30,629,645)	283,206	(41,660)	(3)	340,314	(770,894)	(30,818,682)	(500,225)	(31,318,907)
Financing Activities	(5,875,901)	-	(192,869)	(185)	-	(4,744)	(6,073,699)	197,798	(5,875,901)
Increase/(decrease) in cash and cash equivalents	**(50,658,064)**	**(120,257)**	**(39)**	**(375)**	**(108,823)**	**(2,257,146)**	**(53,144,704)**	**6,303,092**	**(46,841,612)**
Analysis of changes in cash and cash equivalents during the year:									
Beginning of the year	134,211,142	1,114,825	985	800	1,424,436	6,552,032	143,304,220	(5,958,645)	137,345,575
End of the year	83,553,078	994,568	946	425	1,315,613	4,294,886	90,159,516	344,447	90,503,963
	(50,658,064)	**(120,257)**	**(39)**	**(375)**	**(108,823)**	**(2,257,146)**	**(53,144,704)**	**6,303,092**	**(46,841,612)**

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FOR THE YEAR ENDED DECEMBER 31, 2011

		GROUP		BANK	
		2011 N'000	**2010 N'000**	**2011 N'000**	**2010 N'000**
20	**INVESTMENT IN ASSOCIATES**				
(a)	Investment in the associate company:				
	Beginning of the year	145,000	300,000	300,000	300,000
	Previously unrecognised reserve	(27,972)	(205,854)	-	-
	Share of post tax results for the year	113,628	50,854	-	-
	At end of the year	**230,656**	**145,000**	**300,000**	**300,000**

		Associate 2011 N'000	**Associate 2010 N'000**
(b)	The Group's interest in its principal associate was as follows:		
	Total assets	1,241,884	670,276
	Total liabilities	319,259	90,278
	Net assets	922,625	579,998
	Gross income	1,019,539	718,323
	Post tax results for the year	454,511	203,416

(c) This represents the Bank's 25% (2010: 25%) equity interest holding in Legacy Limited, a fund manager licenced to carry on the business of fund and pension management. The company was incoporated in April 2005 and commenced operations in May 2005. The Bank acquired its 25% equity holding in in February 2008.

		GROUP		BANK	
		2011 N'000	**2010 N'000**	**2011 N'000**	**2010 N'000**
21	**OTHER ASSETS**				
(a)	Accrued interest and fees receivable	**2,491,280**	1,958,890	**2,440,288**	1,903,213
	Prepayments	**2,230,173**	2,454,433	**1,801,192**	2,294,388
	Accounts receivable	**8,862,752**	10,665,794	**8,943,210**	10,197,970
		13,584,205	15,079,117	**13,184,690**	14,395,571
	Allowance for doubtful accounts (see note (b) below)	**(1,208,341)**	(1,260,361)	**(953,099)**	(912,214)
		12,375,864	13,818,756	**12,231,591**	13,483,357
(b)	**Movement in allowance for doubtful accounts:**				
	Balance, beginning of the year	**1,260,361**	1,344,899	**912,214**	636,179
	Provision/(write back)	**354,728**	565,481	**329,350**	298,105
	Amounts written-off	**(406,748)**	(650,019)	**(288,465)**	(22,070)
	Balance, end of the year	**1,208,341**	1,260,361	**953,099**	912,214

22	**INVESTMENT PROPERTY**				
	Balance, beginning of the year	**131,778**	-	-	-
	Additions	**-**	131,778	-	-
	Revaluation gains / (losses)	**-**	-	-	-
		131,778	131,778	**-**	-

This represents the Group's investment in landed property held for the purpose of capital appreciation. The investments were acquired during the year ended 31 December 2010 and the Directors are of the view that their carrying values as at 31 December 2011 do not differ in any material respect from their market values. A revaluation is due within three years from the date of purchase.

23 PROPERTY AND EQUIPMENT

(a) The movement on these accounts were as follows:

GROUP

	Capital Work in progress N'000	*Leasehold land and buildings* N'000	*Motor vehicles* N'000	*Furniture and fittings* N'000	*Machinery & equipment* N'000	*Computer equipment* N'000	*Total* N'000
Cost							
At 1 January 2011	4,870,959	11,411,683	3,714,314	2,224,656	3,301,415	4,513,720	**30,036,747**
Additions	571,221	383,507	500,026	84,792	419,963	701,011	**2,660,520**
Disposal	-	(15,075)	(502,317)	(14,304)	(46,978)	(15,200)	**(593,874)**
Reclassifications	(1,222,559)	805,491	13,231	71,266	22,154	310,417	**-**
Items written-off	(33,492)	-	-	-	-	-	**(33,492)**
Translation difference	-	3,020	-	1,085	-	2,869	**6,974**
At 31 December 2011	**4,186,129**	**12,588,626**	**3,725,254**	**2,367,495**	**3,696,554**	**5,512,817**	**32,076,875**
Depreciation							
At 1 January 2011	-	1,360,701	2,837,067	1,470,320	1,945,539	3,131,872	**10,745,499**
Charge for the year	-	380,918	498,114	391,924	589,683	896,673	**2,757,312**
Eliminated on disposal	-	(5,075)	(446,663)	(10,928)	(45,141)	(15,037)	**(522,844)**
Reclassifications		-	-	-	(727)	-	**(727)**
Translation difference	-	2,323	-	390	-	2,206	**4,919**
At 31 December 2011	**-**	**1,738,867**	**2,888,518**	**1,851,706**	**2,489,354**	**4,015,714**	**12,984,159**
Net book amount							
At 31 December 2011	**4,186,129**	**10,849,759**	**836,736**	**515,789**	**1,207,200**	**1,497,103**	**19,092,716**
Net book amount							
At 31 December 2010	4,870,959	10,050,982	877,247	754,336	1,355,876	1,381,848	19,291,248

BANK

	Capital Work in progress N'000	*Leasehold land and buildings* N'000	*Motor vehicles* N'000	*Furniture and fittings* N'000	*Machinery & equipment* N'000	*Computer equipment* N'000	*Total* N'000
Cost							
At 1 January 2011	4,870,959	11,337,782	3,456,084	2,076,771	3,253,126	4,161,335	**29,156,057**
Additions	571,221	383,507	361,902	69,476	413,666	635,062	**2,434,834**
Disposal	-	(15,075)	(450,106)	(6,389)	(46,978)	(12,953)	**(531,501)**
Reclassifications	(1,222,559)	805,491	13,231	71,266	22,106	310,465	**-**
Items written-off	(33,492)	-	-	-	-	-	**(33,492)**
At 31 December 2011	**4,186,129**	**12,511,705**	**3,381,111**	**2,211,124**	**3,641,920**	**5,093,908**	**31,025,897**
Depreciation							
At 1 January 2011	-	1,334,498	2,674,513	1,397,889	1,919,526	2,943,261	**10,269,687**
Charge for the year	-	364,325	442,130	366,790	582,776	826,237	**2,582,258**
Eliminated on disposal	-	(5,075)	(397,875)	(5,565)	(45,141)	(12,950)	**(466,606)**
At 31 December 2011	**-**	**1,693,748**	**2,718,768**	**1,759,114**	**2,457,161**	**3,756,549**	**12,385,340**
Net book amount							
At 31 December 2011	**4,186,129**	**10,817,957**	**662,343**	**452,010**	**1,184,759**	**1,337,359**	**18,640,557**
Net book amount							
At 31 December 2010	4,870,959	10,003,284	781,571	678,882	1,333,600	1,218,074	18,886,370

(b) Work in progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to other categories of property and equipment.

(c) The Group had capital commitments of N112.5million (December 2010:N110.5million) as at the balance sheet date in respect of authorized and contracted capital projects.

(d) The Group had no leased assets as at balance sheet (2010: nil).

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FOR THE YEAR ENDED DECEMBER 31, 2011

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000

(e) This is the first set of financial statements after the implementation of the Statement of Accounting Standards (SAS) 31: On Intangible Assets, which became effective for annual periods beginning on or after 1 January 2011. The implementation of the accounting policy resulted to a reclassification of computer software from property and equipment (Note 23). The impact of this is shown below:

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
Cost				
Opening balance as previously stated	-	31,925,456	-	31,042,302
Reclassification to intangible assets	-	(1,888,709)	-	(1,886,245)
Balance as re-stated	-	30,036,747	-	29,156,057
Accumulated depreciation				
Balance as previously stated	-	11,992,624	-	11,515,325
Reclassification to intangible assets	-	(1,247,125)	-	(1,245,638)
Balance as re-stated	-	10,745,499	-	10,269,687
Net book value				
Balance as previously stated	-	19,932,832	-	19,526,977
Balance as re-stated	-	19,291,248	-	18,886,370

24 INTANGIBLE ASSETS

(a) **Softwares**

The Bank adopted the new accounting standard -Statement of Accounting Standards (SAS) 31: On Intangible Assets, which became operative fro financial statements covering periods beginning on or after 1 January 2011. As a result, the carrying amount of the cost of its acquired software cost, which does not form part of a related hardware and previously classified as property and equipment, was reclassified to intangible assets. The movement on intangible asset account during the year was as follows:

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
Cost				
Beginning of the year (see Note 23 (e))	**1,888,709**	-	**1,886,245**	-
Reclassifications	**-**	1,888,709	**-**	1,886,245
End of the year	**1,888,709**	1,888,709	**1,886,245**	1,886,245
Accumulated amortization				
Beginning of the year (see Note 23 (e))	**1,247,125**	-	**1,245,638**	-
Reclassifications	**-**	1,247,125	**-**	1,245,638
Charge for the year	**219,989**	-	**219,593**	-
End of the year	**1,467,114**	1,247,125	**1,465,231**	1,245,638
Net book amount				
At 31 December 2011 / 2010	**421,595**	641,584	**421,014**	640,607

There were no additions, disposals and impairment during the year (2010: nil).

(b) **Goodwill**	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
Beginning of the year	**6,074,045**	6,074,045	**-**	-
Acquired during the year	**-**	-	**-**	-
At end of the year	**6,074,045**	6,074,045	**-**	-
	6,495,640	6,715,629	**421,014**	640,607.00

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

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

25 CUSTOMER DEPOSITS

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
Current accounts	**172,021,976**	121,605,158	**173,369,267**	121,605,810
Savings accounts	**27,109,679**	23,309,961	**27,109,679**	23,309,961
Term and other deposit accounts	**174,829,748**	174,272,125	**174,829,748**	174,272,125
Domiciliary deposits	**34,716,763**	15,282,684	**34,716,763**	15,358,691
Electronic purse	**553,189**	351,264	**553,189**	351,264
	409,231,355	334,821,192	**410,578,646**	334,897,851

NOTES TO THE FINANCIAL STATEMENTS
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	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
Analysis by maturity				
0 - 30 days	**336,831,401**	253,821,227	**338,178,692**	253,897,886
1 - 3 months	**61,615,757**	70,815,963	**61,615,757**	70,815,963
3 - 6 months	**9,529,556**	10,041,175	**9,529,556**	10,041,175
6 -12 months	**1,249,375**	142,827	**1,249,375**	142,827
Over 12 months	**5,266**	-	**5,266**	-
	409,231,355	334,821,192	**410,578,646**	334,897,851
26 DUE TO OTHER BANKS				
Takings from banks and financial institutions	**-**	580,784	**-**	580,784
	-	580,784	**-**	580,784
27 BORROWINGS				
i). Short-term borrowings				
African Export-Import Bank	**-**	7,600,625	**-**	7,600,625
GML Capital	**-**	2,314,314	**-**	2,314,314
Standard Chartered Bank, Mauritius	**-**	7,600,625	**-**	7,600,625
	-	17,515,564	**-**	17,515,564
ii). Long-term borrowings				
Standard Bank, London (see note (a) (i) below)	**7,986,250**	7,600,625	**7,986,250**	7,600,625
International Finance Corporation (IFC) (see note (a) (ii) below)	**7,986,250**	-	**7,986,250**	-
International Finance Corporation (IFC) (see note (a) (iii) below)	**3,194,500**	-	**3,194,500**	-
	19,167,000	7,600,625	**19,167,000**	7,600,625
	19,167,000	25,116,189	**19,167,000**	25,116,189

(a) (i) The amount of N7,986,250,000(USD 50,000,000) represents facility granted by Standard Bank, London repayable after a tenor of 5 years with an interest rate of 3.3% above LIBOR payable semi-annually.

(ii) The amount of N7,986,250,000(USD 50,000,000) represents facility granted by International Finance Corporation (IFC) repayable after a tenor of 2 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

(iii) The amount of N3,194,500,000(USD 20,000,000) represents convertible facility granted by International Finance Corporation (IFC) repayable after a tenor of 2 years with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
(b) Analysis by maturity				
0 - 30 days	**-**	-	**-**	-
1 - 3 months	**-**	-	**-**	-
3 - 6 months	**-**	9,625,931	**-**	9,625,931
6 -12 months	**-**	7,889,758	**-**	7,889,758
Over 12 months	**19,167,000**	7,600,500	**19,167,000**	7,600,500
	19,167,000	25,116,189	**19,167,000**	25,116,189
(c) Movement in borrowings account during the year was as follows:				
Balance, beginning of the year	**25,116,189**	30,178,530	**25,116,189**	30,178,530
Additions during the year	**11,180,750**	9,914,939	**11,180,750**	9,914,939
Repayments during the year	**(17,515,564)**	(15,221,700)	**(17,515,564)**	(15,221,700)
Translation difference	**385,625**	244,420	**385,625**	244,420
	19,167,000	25,116,189	**19,167,000**	25,116,189
28 OTHER LIABILITIES				
Customers' deposit for letters of credit (Note 12)	**14,026,762**	10,685,035	**14,026,762**	10,685,035
Bank cheques/drafts	**2,778,237**	2,593,873	**2,734,734**	2,437,980
Interest payable	**1,634,221**	827,567	**1,634,221**	827,567
Unearned income	**4,500**	-	**4,500**	-
Proceeds from public offers	**65,658**	64,470	**-**	-
Accounts payable	**27,790,172**	22,164,060	**19,965,147**	15,364,424
Accrued expenses	**5,418,672**	3,528,638	**4,661,960**	2,813,633
Operational risk provision	**176,799**	61,135	**176,799**	61,135
Others	**503,034**	888,901	**581,193**	888,901
	52,398,055	40,813,679	**43,785,316**	33,078,675

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
29 DEFERRED TAXATION				
(a) Deferred taxation comprises:				
Deferred tax assets (see note (b) below)	**3,578,836**	572,053	**3,482,998**	433,047
Deferred tax liabilities (see note (c) below	**(26,388)**	(20,192)	**-**	-
	3,552,448	551,861	**3,482,998**	433,047
(b) Deferred tax assets				
The movement on this account during the year was as follows:				
Beginning of the year	**572,053**	1,107,267	**433,047**	854,279
Charge for the year (Note 9)	**3,006,783**	(535,214)	**3,049,951**	(421,232)
End of the year	**3,578,836**	572,053	**3,482,998**	433,047
(c) Deferred tax liabilities				
The movement on the deferred tax account during the year was as follows:				
Beginning of the year	**20,192**	1,104,447	**-**	1,078,009
Charge / (credit) for the year (Note 9)	**6,196**	(1,084,255)	**-**	(1,078,009)
End of the year	**26,388**	20,192	**-**	-
(d) The recognised deferred tax asset / (liabilities) are attributable to the following:				
Fixed assets	**(608,808)**	265,475	**(563,774)**	265,475
Provision for gratuity	**429,047**	167,573	**422,548**	167,572
General Provision	**961,731**	-	**949,584**	-
Provisions for advances under finance lease	**9,296**	-	**9,296**	-
Unrelieved Loss carried forward	**2,676,465**	118,813	**2,580,627**	-
Revaluation losses	**84,717**	-	**84,717**	-
	3,552,448	551,861	**3,482,998**	433,047
30 RETIREMENT BENEFIT OBLIGATIONS				
Movement in the liability recognised in the balance sheet:				
Defined contribution schemes:				
Beginning of the year	**8,994**	39,338	**5,096**	36,631
Charge to profit and loss	**282,882**	246,214	**248,842**	246,214
Employee contribution	**304,277**	306,624	**332,670**	305,433
Contributions remitted	**(583,182)**	(583,182)	**(577,161)**	(583,182)
At end of the year	**12,971**	8,994	**9,447**	5,096

The Bank makes pension contribution to the Retirement Savings Account of each qualifying employee (defined contribution) in line with the Pension Reform Act of 2004. Employees and the Bank contribute to the scheme at 7.5% and 7.5% respectively of the employees' annual basic salary, transport and housing allowance.

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
31 OTHER LONG TERM BENEFITS				
Movement in the liability recognised in the balance sheet:				
Beginning of the year	**591,739**	252,335	**558,576**	233,630
Charge to profit and loss	**1,189,718**	447,323	**1,164,913**	447,323
Payments	**(316,741)**	(107,919)	**(314,996)**	(122,377)
At end of the year	**1,464,716**	591,739	**1,408,493**	558,576

The Bank 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 Bank from time to time.

32 SHARE CAPITAL
Authorised:

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
20 billion ordinary shares of 50 kobo each	**10,000,000**	10,000,000	**10,000,000**	10,000,000

	NUMBER GROUP 2011 '000	NUMBER GROUP 2010 '000	NUMBER BANK 2011 '000	NUMBER BANK 2010 '000
Issued and fully paid ordinary shares of 50 kobo each:	**16,271,192**	16,271,192	**16,271,192**	16,271,192

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	NGN'000 GROUP		NGN'000 BANK	
	2011	2010	**2011**	2010
	N'000	N'000	**N'000**	N'000
Issued and fully paid ordinary shares of 50 kobo each:	**8,135,596**	8,135,596	**8,135,596**	8,135,596

33 RESERVES

Analysis of reserves for 2011:

GROUP	Translation reserve	Statutory reserve	Investment in SMEs reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000	N'000
Beginning of the year	(116,804)	10,089,870	658,637	7,634,012	**18,265,715**
Transfer from earnings	-	-	-	(1,452,678)	**(1,452,678)**
Translation gain /(loss) during the year	16,716	-	-	-	**16,716**
Dividend paid	-	-	-	(5,694,917)	**(5,694,917)**
Share of post tax result of associate unrecognised reserve	-	-	-	(27,972)	**(27,972)**
Transfer from profit and loss account	-	-	-	(9,915,148)	**(9,915,148)**
At end of the year	**(100,088)**	**10,089,870**	**658,637**	**(9,456,703)**	**1,191,716**

BANK	Statutory reserve	Investment in SMEs reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000
Beginning of the year	10,089,870	658,637	7,382,520	**18,131,027**
Dividend paid	-	-	(5,694,917)	**(5,694,917)**
Transfer from profit and loss account	-	-	(11,567,744)	**(11,567,744)**
At end of the year	**10,089,870**	**658,637**	**(9,880,141)**	**868,366**

Analysis of reserves for 2010:

GROUP	Translation reserve	Statutory reserve	Investment in SMEs reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000	N'000
Beginning of the year	(26,713)	8,991,522	658,637	3,464,803	**13,088,249**
Consolidated reserve	-	-	-	(1,648,000)	**(1,648,000)**
Translation gain /(loss) during the year	(90,091)	-	-	-	**(90,091)**
Dividend paid	-	-	-	(813,560)	**(813,560)**
Share of post tax result of associate unrecognised reserve	-	-	-	(205,854)	**(205,854)**
Transfer from profit and loss account	-	1,098,348	-	6,836,623	**7,934,971**
At end of the year	**(116,804)**	**10,089,870**	**658,637**	**7,634,012**	**18,265,715**

BANK	Statutory reserve	Investment in SMEs reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000
Beginning of the year	8,991,522	658,637	1,972,106	**11,622,265**
Dividend paid	**-**	**-**	(813,560)	**(813,560)**
Transfer from profit and loss account	1,098,348	-	6,223,974	**7,322,322**
At end of the year	**10,089,870**	**658,637**	**7,382,520**	**18,131,027**

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. An appropriation of 15% of profit after tax is made if the statutory reserve is greater than the paid-up share capital and 30% of profit after tax if the statutory reserve is less than the paid up share capital.

34 CONTINGENT LIABILITIES AND COMMITMENTS

a). LEGAL PROCEEDINGS

The Bank in its ordinary course of business is presently involved in 44 cases as a defendant (Dec. 2010: 43) and 18 cases as a plaintiff (Dec. 2010: 17). The total amount claimed in the 44 cases against the Bank is estimated at N5.7billion (Dec. 2010: N5.33billion) while the total amount claimed in the 18 cases instituted by the Bank is N4.13billion (Dec. 2010: N332.11million). The Solicitors of the Bank are of the opinion that the contingent liability arising from the cases pending against the Bank is not likely to exceed N5.96million (Dec. 2010: N888.6million). The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

b). CREDIT RELATED COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments were:

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	GROUP		BANK	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
Performance bonds and guarantees	**25,497,970**	18,100,591	**25,497,970**	18,100,591
Clean line letters of credit	**53,352,164**	38,121,412	**53,352,164**	38,121,412
Other commitments	**18,410,385**	9,027,738	**18,410,385**	9,027,738
	97,260,519	65,249,741	**97,260,519**	65,249,741

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

35 RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank enters into transactions with related parties, including acceptance of deposits and granting of credit facilities, on commercial terms. The aggregate amount of credit facilities to related parties including loans and advances under finance lease outstanding in the books of the Bank as at 31 December 2011 were as follows:

a) Loans and advances outstanding as at 31 December 2011

Included in loans and advances is an amount of N14.18billion (December 2010: N6.69billion) representing credits facilities to companies in which certain Directors have interests. The balances as at 31 December 2011 were as follows:

Name of company / Individual	*Relationship*	*Facility type*	*N'million*	*Status*	*Security Status*
Credit Direct Limited	*Subsidiary*	*Term loan*	33.57	*Performing*	*Perfected*
S & B Printers Limited	*Directors-Shareholders*	*Term loan*	79.69	*Performing*	*Perfected*
Chellarams Nigeria Plc	*Shareholder*	*Term loan*	164.34	*Performing*	*Perfected*
Dynamic Industries Limited	*Director*	*Term loan*	331.97	*Performing*	*Perfected*
Chapel Hill Advisory Partners	*Shareholder*	*Term loan*	900.00	*Performing*	*Perfected*
Lafarge Cement Wapco Nig Plc	*Shareholder*	*Term loan*	1,021.43	*Performing*	*Perfected*
Primrose Property Investment Limited	*Shareholder*	*Term loan*	3,000.00	*Performing*	*Perfected*
Helios Towers Nigeria Limited	*Directors-Shareholders*	*Term loan*	3,297.15	*Performing*	*Perfected*
Credit Direct Limited	*Subsidiary*	*Overdraft*	4,860.23	*Performing*	*Perfected*
Chellarams Nigeria Plc	*Shareholder*	*Overdraft*	57.85	*Performing*	*Perfected*
Dynamic Industries Limited	*Director*	*Overdraft*	90.88	*Performing*	*Perfected*
Chapel Hill Advisory Partners	*Shareholder*	*Overdraft*	275.13	*Performing*	*Perfected*
Financial Derivatives Company	*Shareholder*	*Overdraft*	66.86	*Performing*	*Perfected*
			14,179.10		

b) Deposits outstanding as at 31 December 2011

Included in deposit is an amount of N9.31billion (December 2010: N11.02billion) representing deposits from companies in which certain Directors have interests. The balances as at 31 December 2011 were as follows:

Name of company / Individual	*Relationship*	*Type of deposit*	*Dec. 2011 N'million*	*Dec. 2010 N'million*
City Securities Limited	Directors-Shareholders	*Current Account*	*47.86*	*49.05*
Primrose Investments Limited	Shareholder	*Current Account*	*0.30*	*1.97*
CSL Stockbrokers Limited	Subsidiary	*Current Account*	*165.25*	*1,113.77*
Blue-Chip Holdings Limited	Shareholder	*Current Account*	*0.01*	*62.40*
Financial Derivatives Company	Shareholder	*Current Account*	*322.96*	*351.99*
Lana Securities Limited	Shareholder	*Current Account*	*0.11*	*0.28*
S & B Printers Limited	Directors-Shareholders	*Current Account*	*0.75*	*60.03*
CSL Nominees Limited	Shareholder	*Current Account*	*0.03*	*0.01*
ATSC International Limited	Shareholder	*Current Account*	*0.39*	*0.38*
Primrose Property Investment Limited	Shareholder	*Current Account*	*51.06*	*13.91*
FCMB Capital Markets Limited	Subsidiary	*Current Account*	*1,388.30*	*-*
Chapel Hill Advisory Partners	Shareholder	*Current Account*	*0.67*	*27.00*
Swap Technology & Telecoms Limited	Director	*Current Account*	*2.13*	*1.53*
Helios Towers Nigeria Limited	Directors-Shareholders	*Current Account*	*800.92*	*452.15*
First City Asset Management Limited	Directors-Shareholders	*Current Account*	*30.73*	*374.98*
City Securities (Registrar) Limited	Subsidiary	*Current Account*	*149.30*	*230.41*
Credit Direct Limited	Subsidiary	*Current Account*	*1.92*	*1.07*
Primrose Development Company Limited	Shareholder	*Current Account*	*11.02*	*1.02*
FDC Consulting Limited	Directors-Shareholders	*Current Account*	*1.76*	*1.61*
FCMB UK Limited	Subsidiary	*Placement*	*1,044.05*	*-*
City Securities Limited	Directors-Shareholders	*Time Deposit*	*0.21*	*0.21*
Primrose Investments Limited	Shareholder	*Time Deposit*	*16.75*	*82.30*
CSL Stockbrokers Limited	Subsidiary	*Time Deposit*	*2,760.96*	*895.64*
Blue-Chip Holdings Limited	Shareholder	*Time Deposit*	*1.68*	*0.22*
Financial Derivatives Company	Shareholder	*Time Deposit*	*299.00*	*-*
S & B Printers Limited	Directors-Shareholders	*Time Deposit*	*0.25*	*0.25*
FCMB Capital Markets Limited	Subsidiary	*Time Deposit*	*621.64*	*-*
Helios Towers Nigeria Limited	Directors-Shareholders	*Time Deposit*	*774.18*	*5,131.25*
First City Asset Management Limited	Directors-Shareholders	*Time Deposit*	*49.50*	*3.19*

Name of company / Individual	*Relationship*	*Type of deposit*	*Dec. 2011 N'million*	*Dec. 2010 N'million*
City Securities (Registrar) Limited	Subsidiary	*Time Deposit*	*689.29*	*2,167.56*
Primrose Development Company Limited	Shareholder	*Time Deposit*	*0.44*	*0.14*
FCMB UK Limited	Subsidiary	*Time Deposit*	*80.12*	*-*
Swap Technology & Telecoms Limited	*Director*	*Time Deposit*	*-*	*0.06*
			9,313.55	***11,024.37***

36 EMPLOYEES AND DIRECTORS

	GROUP		BANK	
(a). EMPLOYEES	**2011**	**2010**	**2011**	**2010**
The average number of persons employed during the year by category:	**Number**	**Number**	**Number**	**Number**
Executive directors	**7**	6	**5**	4
Management	**557**	563	**519**	531
Non-management	**1,879**	2,001	**1,255**	1,495
	2,443	2,570	**1,779**	2,030
Compensation for the above persons (excluding executive directors):	**N'000**	**N'000**	**N'000**	**N'000**
Salaries and wages	**13,296,045**	13,584,618	**11,683,364**	11,955,741
Retirement benefit cost	**1,472,600**	693,537	**1,413,755**	693,537
	14,768,645	14,278,155	**13,097,119**	12,649,278

The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:

	2011 Number	**2010 Number**	**2011 Number**	**2010 Number**
Less than N1,800,000.00	**644**	530	**74**	75
N1,800,001 - N2,500,000	**500**	666	**460**	628
N2,500,001 - N3,500,000	**387**	457	**375**	445
N3,500,001 - N4,500,000	**204**	359	**190**	347
N4,500,001 - N5,500,000	**160**	147	**156**	144
N5,500,000 and above	**548**	411	**524**	391
	2,443	2,570	**1,779**	2,030

(b). DIVERSITY IN EMPLOYMENT

i). A total of 696 women were employed by the Bank during the financial year ended 31 December 2011, which represents 39% of the total workforce.

ii). A total of 14 women were in the top management position as at the year ended 31 December 2011, which represents 27% of the total workforce in this position. There was no woman on the Board of Directors.

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

GRADE LEVEL	**FEMALE**	**MALE**	**TOTAL**
Assistant General Manager (AGM)	6	21	**27**
Deputy General Manager (DGM)	4	10	**14**
General Manager (GM)	4	7	**11**
TOTAL	**14**	**38**	**52**

Executive Director (ED)	-	3	**3**
Deputy Managing Director (DMD)	-	1	**1**
Group Managing Director/Chief Executive Officer (GMD / CEO)	-	1	**1**
TOTAL	**-**	**5**	**5**

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

(c). DIRECTORS	**N'000**	**N'000**	**N'000**	**N'000**
The remuneration paid to the directors of the Bank (excluding pension and certain allowances) was:				
Fees and sitting allowances	**136,190**	129,996	**85,067**	51,996
Executive compensation	**283,922**	258,018	**283,922**	248,018
	420,112	388,014	**368,989**	300,014
Directors' other expenses	**181,280**	239,933	**35,942**	76,150
	601,392	627,947	**404,931**	376,164
The Directors' remuneration shown above includes:				
The Chairman	**6,650**	4,758	**6,650**	4,758
Highest paid director	**89,568**	48,162	**89,568**	48,162

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	NOTE	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
37 CASH GENERATED FROM OPERATIONS					
(Loss) / profit after tax		**(9,915,148)**	7,934,971	**(11,567,744)**	7,322,322
Add: taxation		**(1,439,253)**	1,090,771	**(2,368,222)**	242,566
(Loss) / profit before tax		**(11,354,401)**	9,025,742	**(13,935,966)**	7,564,888
Reconciliation of profit before tax to cash generated from operations:					
Gain on disposal of investments	6	**(1,687,330)**	(2,104,869)	**(1,611,590)**	(2,134,146)
Dividend income	6	**(1,561,006)**	(1,594,490)	**(1,283,796)**	(1,360,582)
Allowance /(write back) - loans and advances	15	**29,385,706**	(867,317)	**28,982,894**	(959,887)
Allowance /(write back) - other assets	15	**354,728**	565,481	**329,350**	298,105
Allowance /(write back) - finance leases	15	**30,987**	-	**30,987**	-
Allowance for diminution in investments	15	**4,808,995**	80,444	**4,754,208**	120,000
Recovery from previously written off loans	15	**(2,127,712)**	(218,023)	**(2,127,712)**	(218,023)
Depreciation	23	**2,757,312**	2,925,073	**2,582,258**	2,779,059
Amortisation of intangibles - softwares	24	**219,989**	219,989	**219,593**	219,593
Exchange gain / (Loss) on translation	27(c)	**385,625**	244,420	**385,625**	244,420
Items in WIP written off	23	**33,492**	779,300	**33,492**	779,300
Profit on disposal of property and equipment	7	**9,569**	(12,492)	**8,051**	(11,094)
		21,255,954	9,043,258	**18,367,394**	7,321,633
Decrease/(increase) in loans and advances		**(21,920,381)**	(87,300,125)	**(20,553,210)**	(85,726,674)
Decrease/(increase) in advances under finance leases		**422,275**	(2,355,126)	**422,275**	(2,355,126)
Decrease/(increase) in interest receivable and prepayments		**(308,130)**	4,898,219	**(43,879)**	4,899,569
Decrease/(increase) in accounts receivable and consumables		**1,803,042**	(4,970,105)	**1,254,760**	(6,136,691)
Decrease/(increase) in mandatory reserve deposits		**(19,160,800)**	(830,401)	**(19,160,800)**	(831,401)
Increase/(decrease) in deposits		**73,829,379**	55,708,161	**75,100,011**	49,173,517
Increase/(decrease) in foreign currency denominated liability		**3,341,727**	8,381,677	**3,341,727**	8,381,677
Increase/(decrease) in bank cheques issued		**184,364**	(453,175)	**296,754**	(583,743)
Increase/(decrease) in proceeds from third party public offers		**1,188**	9,215	**-**	-
Increase/(decrease) in interest payable and accrued expenses		**7,832,370**	10,992,066	**8,594,442**	13,605,684
Cash generated from/(used up in) operations		**67,280,988**	(6,876,336)	**67,619,474**	(12,251,555)

38 *EARNINGS PER SHARE*

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

	GROUP 2011	GROUP 2010	BANK 2011	BANK 2010
Net (loss) / profit attributable to shareholders (N'000)	**(9,915,148)**	7,934,971	**(11,567,744)**	7,322,322
Number of ordinary shares in issue ('000)	**16,271,192**	16,271,192	**16,271,192**	16,271,192
Number of ordinary shares in issue ('000) - potential	**16,557,450**	16,271,192	**16,557,450**	16,271,192
Earnings per share -basic	**(61)k**	49k	**(71)k**	45k
Earnings per share - diluted	**(60)k**	49k	**(70)k**	45k

	GROUP 2011 N'000	GROUP 2010 N'000	BANK 2011 N'000	BANK 2010 N'000
39 CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement, cash and cash equivalents include:				
Cash (Note 10)	**11,323,268**	7,663,861	**11,323,018**	7,663,406
Operating account with the Central Bank of Nigeria (Note 10)	**1,647,067**	2,940,052	**1,647,067**	2,940,052
Treasury bills (Note 11)	**12,019,605**	22,588,314	**12,019,605**	22,588,314
Due from other banks (Note 12)	**35,376,959**	57,311,736	**28,654,265**	50,361,306
	60,366,899	90,503,963	**53,643,955**	83,553,078

40 COMPLIANCE WITH BANKING REGULATIONS

During the year, the Bank 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 N'000
Section 2 (1) of the Money Laundering (Prohibition Act (MLPA, 2004	The Bank failed to report to CBN or SEC transfer to or from a foreign country of fund or securities of a sum exceeding US$10,000 or its equivalent	1	6,000
Section 3 (1) and 7(a) of the Money Laundering (Prohibition Act (MLPA, 2004	The Bank failed to provide evidence of verification of customer's identity and address, etc.	1	2,000

All the penalties were paid during the year.

41 *POST BALANCE SHEET EVENTS*

There were no post balance sheet events which could have a material effect on the financial position of the Bank as at 31 December 2011 or the profit for the year ended on that date that have not been adequately provided for or disclosed (2010:nil).

42 THE CENTRAL BANK OF NIGERIA'S REGULATION ON THE SCOPE OF BANKING ACTIVITIES

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

In adherence to the CBN regulations, FCMB submitted a Compliance Plan to the CBN in March 2011, in which it stated its intention to restructure its busineess and apply for a Commercial Banking License with International Banking Authorization, by separating the non-banking subsidiaries from the bank and re-organizing them within a holding company (HoldCo) arrangement that will deliver value for shareholders.

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

FCMB expects to fully re-organize the group in line with its approved Compliance Plan.

43 CUSTOMER COMPLAINTS

The Bank in its ordinary course of business received 13,609 complaints of which 13,601 complaints were resolved and 8 complaints remained unresolved as at the end of the reporting period. The total amount resolved was N5.1million while the total disputed amount in cases which remained unresolved stood at N194.2million. These unresolved complaints were referred to the Central Bank of Nigeria for intervention. The Directors are of the opinion that these complaints will be resolved. No provisions are therefore deemed necessary for these claims.

44 COMPARATIVES

Certain prior year balances have been reclassified in line with current year presentation format as below:

		GROUP N'000	BANK N'000
(i)	**Goodwill on consolidation**		
	Balance as at December 31, 2010	6,074,045	-
	Reclassification to intangible assets (see note (ii) below)	(6,074,045)	-
	Balance as at December 31, 2010 as restated	-	-
(ii)	**Intangible assets**		
	Balance as at December 31, 2010	-	-
	Reclassification from goodwill on consolidation (see note (i) above)	6,074,045	-
	Balance as at December 31, 2010 as restated	6,074,045	-
(iii)	**Retirement benefit obligations**		
	Balance as at December 31, 2010	600,733	563,672
	Reclassification to other long term benefits (see note (iv) below)	(591,739)	(558,576)
	Balance as at December 31, 2010 as restated	8,994	5,096
(iv)	**Other long term benefits**		
	Balance as at December 31, 2010	-	-
	Reclassification from retirement benefit obligations (see note (iii) above)	591,739	558,576
	Balance as at December 31, 2010 as restated	591,739	558,576
(v)	**Operating expenses**		
	Balance as at December 31, 2010	31,478,899	28,358,868
	Reclassification of profit on disposal of fixed assets to other income (see note (vi) below)	12,492	11,094
	Balance as at December 31, 2010 as restated	31,491,391	28,369,962
(vi)	**Other income**		
	Balance as at December 31, 2010	1,230,991	649,790
	Reclassification from operating expenses (see note (v) above)	12,492	11,094
	Balance as at December 31, 2010 as restated	1,243,483	660,884

Principal Credit Policies

The Bank's principal and most significant credit policies are as stated below:

Obligor Risk Acceptance Criteria

Retail – Consumer Borrowers:
Consumer credit exposures are created primarily to individuals whose salaries are domiciled with the Bank hence granting the Bank priority of payment.

Other Borrowers:
The Bank may lend unsecured to obligors rated Investment and Permissible grades. In some instances, the Bank seeks to control the underlying trading assets of the borrowing company.

Exposures to speculative grade obligors (CCC+ to C+) are fully secured. In some instances, the Bank seeks to control the cash flow of the transaction by establishing appropriate domiciliation agreements and/or collateral management arrangements.

Single Obligor Exposure Limits

All single obligor exposures have the regulatory single obligor limit (20% of Shareholder's Funds (SHF)) as the ceiling.

Single Sector Exposure Limit

No single sector shall represent more than 15% of the Bank's total risk asset portfolio (direct and contingents) except Public Sector which is capped at 10% of total loans by CBN.

Risk Based Pricing

The Bank's policy is to price for risk. All direct exposures are priced at Prime Lending Rate (PLR) plus a risk premium. The risk premium is an estimate of expected loss on each transaction and is a factor of the probability of default and loss given default estimates.

Methodology for Risk Rating

The Bank's internal rating framework comprises:

1. Retail – Consumer Models (Residential Mortgages, Qualifying Revolving Retail Exposures, Other Retail Exposures)

• Consumer scorecards (not mapped to Probability of Defaults)

• Homogeneous exposure pools (based on product and employment type) mapped to 1 year Probability of Default estimates (Probability of Default estimates based on actual Bank experience)

2. Models for Other Category of Borrowers (Non-retail and retail SME)

• An Obligor Risk Rating (ORR) model is used to assess the risk that an obligor will default within a 1 year horizon. This risk of default is expressed in the form of a risk grade which has been mapped to a recognized external Probability of Default (PD) model. The Bank had intended to re-map the risk grades to new probability of default estimates in 2011 based on its internal default experience across risk grades. This would be achieved in 2012 after completing the model validation process (which commenced in Q4 2011) for the SME Scorecard and the Non-retail Classic model.

• A Facility Risk Rating (FRR) model mapped to Basel II defined Loss Given Default (LGD) estimates (Foundation IRB) is also used to assess the risk of loss in the event of default. Our facility model takes into consideration transaction structure and collateral pledged to estimate the maximum loss the Bank will incur if a customer defaults on an obligation.

The Bank uses 4 different obligor rating models to assess default risks:

OBLIGOR RATING MODEL	MODEL BASIS
CLASSIC LEVEL 1	For obligors with high integrity financial statements (based on judgment of Credit Analysts and internal guidelines) Quantitative and qualitative assessments with a higher weight for the quantitative parameters
CLASSIC LEVEL 2	For obligors with lower quality financial statements (based on judgment of Credit Analysts and internal guidelines) Quantitative and qualitative assessments with a higher weight for the qualitative parameters
SME (BUSINESS Banking) SCORECARD	For obligors without financial statements Quantitative assessment ONLY
PUBLIC SECTOR (INSTITUTIONAL Banking) SCORECARD	For rating / scoring State Governments Model is based on both quantitative and qualitative indicators

The Obligor risk rating model enables the Bank to consistently differentiate between customers with differing risk profiles in a quantifiable manner – based on Probability of Default (PD) estimates.

21 GRADE NON-RETAIL PD MODEL		
GRADE	PD	PD - DECIMALS
AAA	0.0185%	0.000185
AA	0.0308%	0.000308
A	0.0514%	0.000514
BBB+	0.0857%	0.000857
BBB	0.1428%	0.001428
BBB-	0.1785%	0.001785
BB+	0.2231%	0.002231
BB	0.3540%	0.003540
BB-	0.5445%	0.005445
B+	1.3750%	0.013750
B	2.0625%	0.020625
B-	3.0938%	0.030938
CCC+	4.6407%	0.046407
CCC	6.1876%	0.061876
CCC-	7.7345%	0.077345
CC+	9.2814%	0.092814
CC	10.8283%	0.108283
CC-	12.3750%	0.123750
C+	13.9221%	0.139221
C	54.6900%	0.546900
C-	100.0000%	1.000000

All non-retail and retail-SME exposures are assigned a risk grade by the Credit Analysts within our business areas based on pre-defined parameters approved by Risk Management & Compliance Divisionand 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).

Our Facility Risk Rating model enables Credit Analysts to rank transactions based on the estimated Loss Given Default. It takes into consideration the structure of the facility i.e. availability of credit risk mitigants such as Guarantees & Collateral.

9 GRADE LGD MODEL - FACILITY RISK RATING				
	LGD	LGD - MIN	LGD - MAX	LGD GRADE
SECURED/ CONTROLLED	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 Bank’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.

Our 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 where necessary and such may require the exceptional approval of the Chief Risk Officer and in certain cases may be escalated to the Management or Board Credit Committee.

Retail – Consumer Models

Lending to consumers (for Residential Mortgages, Qualifying Revolving Retail Exposures, and Other Retail Exposures) is currently driven by risk acceptance criteria defined in product programmes. Credit scorecards are in place and used for application scoring.

The Bank has developed a Probability of Default (PD) model for consumer exposures based on Homogeneous exposure pools (i.e. product and employment type). The PD model represents actual 1 year default experience on each product and employment type bucket, and is a statistical measure of the number of exposures in each product/employer type bucket that are likely to go into default (90 days past due of either principal, interest or both) within a 12 month cycle.

The consumer PD model is used for risk based pricing, capital allocation, capital adequacy and economic profit calculations.

RETAIL DEFAULTS - PD ESTIMATES		
PRODUCTS	SALARIED	SELF-EMPLOYED
Credits Cards	13%	NA
Personal Loan	11%	NA
Share Loan	16%	71%
Overdraft	15%	NA
Auto Loan	14%	52%
Residential Mortgages	24%	40%

Our internal rating framework, lending policies, processes and structure ensures disciplined asset accumulation thus providing the Bank with a significantly enhanced capability to manage credit risks.

Enterprise Risk Review

The Bank is exposed to a wide range of enterprise risks and has put in place robust risk management structures and processes for the proactive identification, assessment, measurement and management of such risks.

The Board has articulated its appetite for all significant enterprise 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 enterprise risks has been delegated to Executive Management through its related committees (Risk Management Committee, Management Credit Committee, Asset & Liability Committee and Executive Management Committee).

The illustration below highlights significant enterprise risks the Bank is exposed to and the respective Board and Executive Management committees responsible for oversight and risk control.

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	CRO	CRO	CRO	CCO	General Counsel	Head Brand Marketing	Head Strategy
Secondary Risk Owner	CRO								
Board Committee	Board Credit Committee	Board Credit Committee	Board Risk Management Committee (BRMC)						Board of Directors
	Board Risk Management Committee (BRMC)								
Management Committee	Management Credit Committee		ALCO		Risk Management Committee (RMC)		Executive Management Committee		
	Risk Management Committee (RMC)								

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

A 3 line of defense system is in place for the management of enterprise risks. The three lines of defense include:

- Board/Executive Management Oversight and Business Unit Management
- Independent risk control and management by the Risk Management & Compliance Division
- Independent assurance provided to the Board of Directors by the Group Internal Audit function and the Bank’s external auditors

Credit Risk Management

The Bank's most significant risk is Credit Risk which is the risk that the Bank will not be able to recover funds and may suffer losses because another party is unable or unwilling to meet contractual obligations to the Bank when due.

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

• Lending/Leasing: the Bank grants credit to its customers (loan, advances, temporary overdraft etc.) or finances a lease or grants an advance or a loan to an employee (staff loan, cash advance etc.)

• Bank Guarantees: the Bank issues a bond or guarantee (contingent exposure)

• Trading (money market placement, foreign currency trading etc.) activities: the Bank makes money market placements in another Bank/institution or engages in trading activities where the exchange of monetary value and transfer of ownership of purchased assets is not simultaneous.

Credit Risks are managed through a combination of risk management tools and policies designed to stimulate the creation of quality risk assets. Credit Risk is managed centrally by various departments within the Risk Management & Compliance Division who have responsibilities for policy setting & review, credit approval, credit control and portfolio management.

Credit Risk Measurement

(a) Loans & Advances

The Bank 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 Bank 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 and skills) 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) for each security/collateral type supporting the exposure

The use of our internal ratings framework extends beyond credit appraisals/assessments (at the point of origination) to credit risk measurement including risk weighted assets computation, economic profit, and capital adequacy based on Basel II principles.

The Bank'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
AAA	INVESTMENT GRAD	Aaa	AAA	0.0185%
AA		Aa1	AA+	0.0308%
A		Aa2	AA	0.0514%
BBB+		Aa3	AA-	0.0857%
BBB		A1	A+	0.1428%
BBB-		A2	A	0.1785%
BB+	PERMISSIBLE PLUS GRADE	A3	A-	0.2231%
BB		Baa1 / Baa2	BBB+/BBB	0.3540%
BB-		Baa3 / Ba1	BBB-/BB+	0.5445%
B+	PERMISSIBLE GRAD	Ba2	BB	1.3750%
B		Ba3	BB-	2.0625%
B-		B1	B+	3.0938%
CCC+	SPECULATIVE / SME GRADE	B2	B	4.6407%
CCC		B3	B-	6.1876%
CCC-		B3	B-	7.7345%
CC+		Caa1	CCC+	9.2814%
CC		Caa2	CCC	10.8283%
CC-		Caa2	CCC	12.3750%
C+		Caa3	CCC-	13.9221%
C	EXIT GRADE	Caa3	CCC-	54.6900%
C-		D	NA	100.0000%

*Mapping to external scale has been done on the basis of estimated PDs. PDs do not currently reflect the Bank's actual default experience for Non-Retail and Retail-SME exposures. The Bank has an ongoing plan to estimate PDs for each rating scale based on actual default experience and upon completion of the model validation exercise in Q1, 2012. The mappings above may thus change after the Bank completes this exercise.

(b) Debt Securities & Other Bills

The Bank's trading book comprises 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.

SECURITY TYPE	ISSUER RATING	0-30 DAYS	31-90 DAYS	91-180 DAYS	181-365 DAYS	1YR-5YRS	ABOVE 5YRS	TOTAL
		NGN '000	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000
FGN BONDS	BB-	602,418	0	9,208,551	1,783,418	34,136,907	1,678,879	**47,410,173**
NIGERIAN TREASURY BILLS	BB-	240,970	3,344,670	7,229,113	1,204,852	0	0	**12,019,605**
LAGOS STATE BONDS	BB-	0	0	0	0	1,119,200	0	**1,119,200**
DELTA STATE BONDS	Unrated	0	0	0	0	0	200,000	**200,000**
EDO STATE BONDS	Unrated	0	0	0	0	0	2,000,000	**2,000,000**
BENUE STATE BONDS	Unrated	100,000	0	0	100,000	800,000	0	**1,000,000**
CORPORATE BONDS	Unrated	20,000	0	0	420,000	89,921,587	3,275,000	**93,636,587**
		963,389	**3,344,670**	**16,437,664**	**3,508,270**	**125,977,694**	**7,153,879**	**157,385,565**

Risk Limit Control & Mitigation Policies

The Bank has robust limit architecture in place for controlling exposures to credit risks including; credit approval limits and concentration limits (large exposure, sectoral exposure and product exposure limits).

All internal limits are subject to regulatory ceilings (where applicable) and are approved by the Board Risk Management Committee. Compliance with internal limits is monitored by the Risk Management & Compliance Division on a daily basis and reported to the respective executive management and Board committees on a periodic basis. Breaches, if any, are immediately escalated with a clear action plan put in place to resolve the limit excesses.

Credit approval limits are set by the Board of Directors and subject to periodic reviews. The following approval limits were in place as at 31 December 2011.

Authorizing Level	Approval Limit
Board Credit Committee (BCC)	Above N4.0billion
Management Credit Committee	Up to N4.0 billion. MCC quorum - 1 Credit Officer, 2 Senior Credit Officers and the General Counsel Approval of credit requests below N100 million are done by circulation and signed-off by 2 Senior Credit Officers, 1 Credit Officer and the Legal Counsel.
1 Credit Officer and 1 Senior Credit Officer	Limits are as defined in the respective product programmes

Some other specific control and mitigation measures are outlined below.

(a) Collateral & Guarantees

The Bank has put in place appropriate collateral management policies to reduce the risk of loss in the event of default. Our collateral management policy is linked to our internal ratings framework and used as a deliberate strategy to reduce the estimated expected loss and capital charge on transactions.

The principal collateral types eligible as security and used primarily to mitigate transaction risk include the following:
- Cash and marketable securities
- Legal mortgage
- Mortgage debenture (Fixed & Floating)
- Accounts receivable of obligors rated B- and above

Other admissible collateral (accepted for comfort only) but not eligible as credit risk mitigants include domiciliation agreements, trust receipts and negative pledges.

Lending to low risk obligors (minimum rating of B-, usually large corporates) can be unsecured, while lending to high risk obligors (Speculative/grade band) is supported by tangible collateral and/or domiciliation/collateral management arrangements aimed at controlling the cash flows from the transaction. Exposures to individuals are classified as unsecured and subordinated debt with the exception of personal/auto loans to salaried employees (unsecured and senior) and mortgages.

The Bank also accepts guarantees of corporate entities rated BBB- and above as eligible security for reducing transaction risk, expected loss and capital charge. Personal guarantees and guarantees of non-investment grade entities are admissible only as additional comfort and do not directly impact the assessment of transaction risks.

(b) Master Netting Agreements

The Bank enters into master netting agreements with obligors that have investments in liability products to the extent that if a default occurs, transactions with the obligor will be settled on a net basis. These agreements are executed by authorized representatives of the obligor, are generally enforceable and do not require any further recourse to the obligor or a 3rd party.

(c) Credit Related Commitments

The Bank provides guarantees, bonds, standby letters of credit and other documentary letters of credit in the course of its Banking business. Bonds are assigned a lower risk weighting relative to loans (50%) and supported by additional collateral by customers depending on the assessment of performance risks. Guarantees, standby letters of credit and other documentary letters of credit are assigned the same risk weight as loans and are supported by tangible collateral or a charge over the underlying goods.

Provisioning Policies

The Bank recognizes loan loss provisions for losses incurred as at balance sheet date based on prudential guidelines issued by the Central Bank of Nigeria.

Risk Assets (Loans and Advances, Advances under Finance Leases, off-balance sheet direct credit substitutes, etc)

Loans and advances are summarized as follows:

	GROUP		BANK	
	Dec-11	**Dec-10**	**Dec-11**	**Dec-10**
	N'million	**N'million**	**N'million**	**N'million**
Performing	325,168	330,420	320,746	327,075
Non-Performing	-			
Substandard	1,254	599	1,254	599
Doubtful	755	3,081	251	2,939
Lost	7,581	15,618	7,581	15,547
	334,758	**349,719**	**329,832**	**346,161**

Performing but past due loans

Loans and advances are classified as non-performing when either principal, interest or both are past due for 90 days and above. Loans and advances that have past due installments for less than 90 days are classified as missed payments/minor delinquencies and are considered performing exposures except where there is additional information that supports the classification of such exposures as non-performing. All such exposures are classified internally as watch listed accounts. Once classified, an early collection process is immediately activated (e.g. via soft calls and reminder alerts/letters) to ensure past due obligations are collected within the shortest possible time and do not migrate into the non-performing exposure buckets.

Loans and advances (gross) by class to customers that were past due but performing are shown below:

GROUP

PERFORMING BUT PAST DUE LOANS DECEMBER 2011

	RETAIL BANKING N'million	INSTITUTIONAL BANKING N'million	CORPORATE & COMMERCIAL BANKING N'million	TOTAL N'million
PAST DUE UP TO 30 DAYS	1,502	-	136	1,637
PAST DUE 30 - 60 DAYS	512	-	-	512
PAST DUE 60 - 90 DAYS	332	-	175	506
	2,346	-	310	2,656

PERFORMING BUT PAST DUE LOANS DECEMBER 2010

	RETAIL BANKING N'million	INSTITUTIONAL BANKING N'million	CORPORATE & COMMERCIAL BANKING N'million	TOTAL N'million
PAST DUE UP TO 30 DAYS	920	44	122	1086
PAST DUE 30 - 60 DAYS	403	1	0	405
PAST DUE 60 - 90 DAYS	250	0	6	255
	1573	45	128	1746

BANK

PERFORMING BUT PAST DUE LOANS DECEMBER 2011

	RETAIL BANKING N'million	INSTITUTIONAL BANKING N'million	CORPORATE & COMMERCIAL BANKING N'million	TOTAL N'million
PAST DUE UP TO 30 DAYS	1,502	-	136	1,637
PAST DUE 30 - 60 DAYS	512	-	-	512
PAST DUE 60 - 90 DAYS	332	-	175	506
	2,346	-	310	2,656

PERFORMING BUT PAST DUE LOANS DECEMBER 2010

	RETAIL BANKING N'million	INSTITUTIONAL BANKING N'million	CORPORATE & COMMERCIAL BANKING N'million	TOTAL N'million
PAST DUE UP TO 30 DAYS	920	44	122	1086
PAST DUE 30 - 60 DAYS	403	1	-	405
PAST DUE 60 - 90 DAYS	250	-	6	255
	1573	45	128	1746

NON-PERFORMING LOANS BY INDUSTRY	GROUP		BANK	
	Dec-11 N'million	Dec-10 N'million	Dec-11 N'million	Dec-10 N'million
AGRIC	-	-	-	-
AVIATION	-	1,037	-	1,037
COMMERCE	2,578	4,533	2,578	4,533
CONSTRUCTION	1,214	1,203	1,214	1,203
EDUCATION	196	120	196	120
FI	235	1,735	235	1,735
GENERAL - OTHERS	94	27	94	27
GOVERNMENT	204	94	204	94
INDIVIDUAL	1,323	3,988	819	3,775
MANUFACTURING - BEVERAGES AND BREWERIES	-	-	-	-
MANUFACTURING - CEMENT	-	-	-	-
MANUFACTURING - FLOUR MILLS	-	6	-	6
MANUFACTURING - FOOD PROCESSING	-	-	-	-
MANUFACTURING - OTHERS	-	14	-	14
MARGIN LOANS	23	2,112	23	2,112
MORTGAGE	302	2,640	302	2,640
OIL&GAS- Marketing	76	735	76	735
OIL&GAS- Trading	3,297	390	3,297	390
OIL&GAS- Upstream&Svs	-	-	-	-
POWER & ENERGY	-	-	-	-
PROFESSIONAL SERVICES	0	-	0	-
REAL ESTATE	46	392	46	392
TELECOMMS	1	126	1	126
TRANSPORTATION & LOGISTICS	0	145	0	145
OTHERS	-	-	-	-
	9,590	19,298	9,085	19,085

NON-PERFORMING LOANS BY GEOGRAPHY	GROUP		BANK	
	Dec-11 N'million	Dec-10 N'million	Dec-11 N'million	Dec-10 N'million
SOUTH WEST	7,222	14,630	6,718	14,496
NORTH CENTRAL	1,949	1,571	1,949	1,557
SOUTH SOUTH	151	2,021	151	1,960
SOUTH EAST	121	501	121	497
NORTH WEST	38	509	38	509
NORTH EAST	108	66	108	66
REST OF AFRICA	-	-	-	-
	9,590	19,298	9,085	19,085

CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (GROUP)
(A) GEOGRAPHICAL SECTORS

GEOGRAPHICAL SECTORS AS AT DECEMBER 2011

	DUE FROM Bank N'million	LOANS N'million	ADVANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
SOUTH WEST	36,414	303,475	1,845	143,415	485,148
NORTH CENTRAL	-	9,321	430	1,000	10,751
SOUTH SOUTH	-	11,113	723	2,200	14,036
SOUTH EAST	-	4,220	30	-	4,250
NORTH WEST	-	2,801	71	-	2,873
NORTH EAST	-	729	-	-	729
	36,414	331,659	3,099	146,615	517,787

GEOGRAPHICAL SECTORS AS AT DECEMBER 2010

	DUE FROM Bank N'million	LOANS N'million	ADVANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
SOUTH WEST	57,312	317,652	3,282	60,073	438,319
NORTH CENTRAL	-	9,271	231	-	9,503
SOUTH SOUTH	-	15,088	3	-	15,091
SOUTH EAST	-	2,453	5	-	2,458
NORTH WEST	-	1,425	-	-	1,425
NORTH EAST	-	309	-	-	309
	57,312	346,198	3,521	60,073	467,104

CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (BANK)
(A) GEOGRAPHICAL SECTORS

GEOGRAPHICAL SECTORS AS AT DECEMBER 2011

	DUE FROM Bank N'million	LOANS N'million	ADVANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
SOUTH WEST	29,691	298,548	1,845	142,166	472,250
NORTH CENTRAL		9,321	430	1,000	10,751
SOUTH SOUTH		11,113	723	2,200	14,036
SOUTH EAST		4,220	30		4,250
NORTH WEST		2,801	71		2,873
NORTH EAST		729	-		729
	29,691	326,733	3,099	145,366	504,889

GEOGRAPHICAL SECTORS AS AT DECEMBER 2010

	DUE FROM Bank N'million	LOANS N'million	ADVANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
SOUTH WEST	50,361	316,320	3,282	58,961	428,925
NORTH CENTRAL	-	8,544	231	-	8,776
SOUTH SOUTH	-	14,058	3	-	14,061
SOUTH EAST	-	1,985	5	-	1,990
NORTH WEST	-	1,424	-	-	1,424
NORTH EAST	-	309	-	-	309
	50,361	342,640	3,521	58,961	455,484

(B) INDUSTRY SECTORS (GROUP)

INDUSTRY SECTORS AS AT DECEMBER 2011 (GROUP)

	DUE FROM Bank N'million	LOANS N'million	ADANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
AGRIC	-	5,743	-	-	5,743
AVIATION	-	-	-	-	-
COMMERCE	-	40,456	1,090	450	41,995
CONSTRUCTION	-	4,997	350	-	5,347
EDUCATION	-	4,048	20	-	4,067
FI	36,414	9,156	53	3,000	48,622
GENERAL - OTHERS	-	4,495	264	-	4,759
GOVERNMENT	-	29,697	473	130,259	160,429
INDIVIDUAL	-	23,735	-	-	23,735
MANUFACTURING - BEVERAGES AND BREWERIES	-	15,069	-	-	15,069
MANUFACTURING - CEMENT	-	1,038	-	-	1,038
MANUFACTURING - FLOUR MILLS	-	3,245	676	4,000	7,921
MANUFACTURING - FOOD PROCESSING	-	6,789	-	-	6,789
MANUFACTURING - OTHERS	-	4,643	97	1,000	5,740
MARGIN LOANS	-	881	-	-	881
MORTGAGE	-	1,965	-	-	1,965
OIL&GAS- Marketing	-	24,391	5	-	24,396
OIL&GAS- Trading	-	40,767	-	-	40,767
OIL&GAS- Upstream&Svs	-	24,385	-	7,906	32,291
POWER & ENERGY	-	5,501	27	-	5,528
PROFESSIONAL SERVICES	-	602	10	-	612
REAL ESTATE	-	34,106	-	-	34,106
TELECOMMS	-	36,401	11	-	36,413
TRANSPORTATION & LOGISTICS	-	9,549	24	-	9,573
OTHERS	-	-	-	-	-
	36,414	331,659	3,099	146,615	517,786

INDUSTRY SECTORS AS AT DECEMBER 2010 (GROUP)

	DUE FROM Bank N'million	LOANS N'million	ADANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
AGRIC	-	3,969	-	-	3,969
AVIATION	-	1,043	-	-	1,043
COMMERCE	-	26,695	163	-	26,858
CONSTRUCTION	-	7,337	138	-	7,475
EDUCATION	-	2,841	18	-	2,859
FI	57,312	40,923	21	3,000	101,255
GENERAL - OTHERS	-	2,676	25	-	2,701
GOVERNMENT	-	61,627	488	53,073	115,189
INDIVIDUAL	-	20,309	-	-	20,309
MANUFACTURING - BEVERAGES AND BREWERIES	-	6,404	-	-	6,404
MANUFACTURING - CEMENT	-	2,259	-	-	2,259
MANUFACTURING - FLOUR MILLS	-	1,897	-	-	1,897
MANUFACTURING - FOOD PROCESSING	-	3,112	-	-	3,112
MANUFACTURING - OTHERS	-	3,100	14	4,000	7,115
MARGIN LOANS	-	2,943	1	-	2,943
MORTGAGE	-	5,119	-	-	5,119
OIL&GAS- Marketing	-	27,557	-	-	27,557
OIL&GAS- Trading	-	21,543	2,600	-	24,143
OIL&GAS- Upstream&Svs	-	15,218	-	-	15,218
POWER & ENERGY	-	0	38	-	38
PROFESSIONAL SERVICES	-	-	-	-	-
REAL ESTATE	-	42,718	-	-	42,718
TELECOMMS	-	24,490	-	-	24,490
TRANSPORTATION & LOGISTICS	-	3,746	15	-	3,761
OTHERS	-	18,672	-	-	18,672
	57,312	346,198	3,521	60,073	467,104

(B) INDUSTRY SECTORS (BANK)

INDUSTRY SECTORS AS AT DECEMBER 2011 (BANK)

	DUE FROM Bank N'million	LOANS N'million	ADANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
AGRIC		5,743	-	-	5,743
AVIATION		-	-	-	-
COMMERCE		40,456	1,090	450	41,995
CONSTRUCTION		4,997	350	-	5,347
EDUCATION		4,048	20	-	4,067
FI	29,691	9,156	53	3,000	41,899
GENERAL - OTHERS		4,495	264	-	4,759
GOVERNMENT		29,697	473	129,010	159,180
INDIVIDUAL		18,809	-	-	18,809
MANUFACTURING - BEVERAGES AND BREWERIES		15,069	-	-	15,069
MANUFACTURING - CEMENT		1,038	-	-	1,038
MANUFACTURING - FLOUR MILLS		3,245	676	4,000	7,921
MANUFACTURING - FOOD PROCESSING		6,789	-	-	6,789
MANUFACTURING - OTHERS		4,643	97	1,000	5,740
MARGIN LOANS		881	-	-	881
MORTGAGE		1,965	-	-	1,965
OIL&GAS- Marketing		24,391	5	-	24,396
OIL&GAS- Trading		40,767	-	-	40,767
OIL&GAS- Upstream&Svs		24,385	-	7,906	32,291
POWER & ENERGY		5,501	27	-	5,528
PROFESSIONAL SERVICES		602	10	-	612
REAL ESTATE		34,106	-	-	34,106
TELECOMMS		36,401	11	-	36,413
TRANSPORTATION & LOGISTICS		9,549	24	-	9,573
OTHERS		-	-	-	-
	29,691	326,733	3,099	145,366	504,889

INDUSTRY SECTORS AS AT DECEMBER 2010 (BANK)

	DUE FROM Bank N'million	LOANS N'million	ADANCE UNDER FINANCE LEASE N'million	DEBT INSTRUMENTS N'million	TOTAL N'million
AGRIC	-	3,969	-	-	3,969
AVIATION	-	1,043	-	-	1,043
COMMERCE	-	26,695	163	-	26,858
CONSTRUCTION	-	7,337	138	-	7,475
EDUCATION	-	2,841	18	-	2,859
FI	50,361	40,923	21	3,000	94,305
GENERAL - OTHERS	-	2,676	25	-	2,701
GOVERNMENT	-	61,627	488	51,961	114,077
INDIVIDUAL	-	16,751	-	-	16,751
MANUFACTURING - BEVERAGES AND BREWERIES	-	6,404	-	-	6,404
MANUFACTURING - CEMENT	-	2,259	-	-	2,259
MANUFACTURING - FLOUR MILLS	-	1,897	-	-	1,897
MANUFACTURING - FOOD PROCESSING	-	3,112	-	-	3,112
MANUFACTURING - OTHERS	-	3,100	14	4,000	7,115
MARGIN LOANS	-	2,943	1	-	2,943
MORTGAGE	-	5,119	-	-	5,119
OIL&GAS- Marketing	-	27,557	-	-	27,557
OIL&GAS- Trading	-	21,543	2,600	-	24,143
OIL&GAS- Upstream&Svs	-	15,218	-	-	15,218
POWER & ENERGY	-	0	38	-	38
PROFESSIONAL SERVICES	-	-	-	-	-
REAL ESTATE	-	42,718	-	-	42,718
TELECOMMS	-	24,490	-	-	24,490
TRANSPORTATION & LOGISTICS	-	3,746	15	-	3,761
OTHERS	-	18,672	-	-	18,672
	50,361	342,640	3,521	58,961	455,484

MARKET RISK MANAGEMENT

In the 2011 financial year, the Bank continued to back-test and fine-tune its Value-at-risk model . The Bank intends to fully adopt its value-at-risk models for the measurement and management of market risks early in the 2012 financial year.

Value-at-risk is a method of risk assessment that uses statistical techniques to quantify market risk. It provides indication of potential loss (with a probability) due to adverse movement in market factors over a defined time horizon. Value-at-risk limits will be set at portfolio and instrument level and used to control dealing positions. This process will enable the Bank to proactively limit losses arising from adverse movement in market factors.

Currently, absolute limits are in use at portfolio and instrument levels. The trading book positions are marked to market daily with the resulting gains/losses recognized on the income statement. Stop loss and Dealer limits are also in place to guide risk taking appetite in the trading book. Additionally, our positions are stress-tested to quantify the impact of market risk inherent in the event of adverse movement in market factors.

FOREIGN EXCHANGE RISKS

FCMB takes on foreign exchange risks through its activities in both the trading and banking books. The bank 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 Bank 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 Bank 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.

Concentrations of currency risk – on- and off-balance sheet financial instruments						
The Group						
As at 31 December 2011	**NGN**	**USD**	**GBP**	**EUR**	**OTHERS**	**Grand Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Assets						
Cash	9,410,820	964,147	393,823	553,537	940	11,323,268
Due from other Banks	34,344,508	20,741,522	2,535,957	2,292,235	110,309	60,024,531
Treasury bills	12,019,605	-	-	-	-	12,019,605
Loans and advances to customers	240,511,447	78,584,638	24,410	241,736	71,977	319,434,207
Advances under finance lease	3,067,760	-	-	-	-	3,067,760
Investment in subsidiaries	230,656	-	-	-	-	230,656
Investment securities	144,443,812	10,598,470	-	-	-	155,042,282
Other assets	4,694,189	6,638,342	3,168	3,441	-	11,339,140
Investment property	131,778	-	-	-	-	131,778
Property and equipment	19,092,715	-	-	-	-	19,092,715
Intangible assets	6,495,640	-	-	-	-	6,495,640
Total financial assets	**478,021,765**	**117,527,119**	**2,957,358**	**3,090,950**	**183,226**	**601,780,418**
Liabilities						
Customer deposits	320,017,674	86,961,191	1,799,835	1,024,238	71,985	409,874,923
Due from Banks	-	-	-	-	-	-
Other borrowings	-	19,167,000	-	-	-	19,167,000
Tax payable	1,783,422	-	-	-	-	1,783,422
Deferred Tax Liabilities	26,388	-	-	-	-	26,388
Other liabilities	34,792,690	13,490,675	1,103,592	2,257,237	110,293	51,754,487
Retirement benefit obligations	12,971	-	-	-	-	12,971
Other long term benefits	1,464,716	-	-	-	-	1,464,716
Total financial Liabilities	**358,097,861**	**119,618,867**	**2,903,427**	**3,281,475**	**182,277**	**484,083,907**
Net on-balance sheet financial position	**119,923,904**	**(2,091,748)**	**53,931**	**(190,525)**	**949**	**117,696,511**
Off-balance sheet financial position	**32,598,652**	**60,959,334**	**812,823**	**2,691,118**	**198,592**	**97,260,519**

GROUP

As at December 31, 2010	**NGN**	**USD**	**GBP**	**EURO**	**OTHERS**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Assets	**457,603,989**	**77,944,721**	**1,423,732**	**1,617,165**	**1,275**	**538,590,882**
Liabilities	**325,254,666**	**75,947,302**	**1,360,712**	**1,257,684**	**8**	**403,820,372**
Net on-balance sheet financial position	**132,349,323**	**1,997,420**	**63,020**	**359,480**	**1,267**	**134,770,510**
Off-balance sheet financial position	**21,656,627**	**41,090,580**	**1,072,356**	**1,352,228**	**77,950**	**65,249,741**

The Bank						
As at 31 December 2011	**NGN**	**USD**	**GBP**	**EUR**	**OTHERS**	**Grand Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Assets						
Cash	9,410,570	964,147	393,823	553,537	940	**11,323,018**
Due from other Banks	27,829,012	20,534,323	2,535,957	2,292,235	110,309	**53,301,836**
Treasury bills	12,019,605	-	-	-	-	**12,019,605**
Loans and advances to customers	236,178,616	78,584,638	24,410	241,736	71,977	**315,101,376**
Advances under finance lease	3,067,760	-	-	-	-	**3,067,760**
Investment in subsidiaries	11,305,868	-	-	-	-	**11,305,868**
Investment securities	142,816,096	10,598,470	-	-	-	**153,414,566**
Deferred Tax Assets	3,482,998					**3,482,998**
Other assets	4,549,916	6,638,342	3,168	3,441	-	**11,194,867**
Property and equipment	18,640,557	-	-	-	-	**18,640,557**
Intangible assets	421,014	-	-	-	-	**421,014**
Total financial assets	**469,722,011**	**117,319,920**	**2,957,358**	**3,090,950**	**183,226**	**593,273,465**
Liabilities						
Customer deposits	321,364,965	86,961,191	1,799,835	1,024,238	71,985	**411,222,214**
Due from Banks	-	-	-	-	-	**-**
Other borrowings	-	19,167,000	-	-	-	**19,167,000**
Tax payable	951,402	-	-	-	-	**951,402**
Deferred Tax Liabilities	-	-	-	-	-	**-**
Other liabilities	26,179,951	13,490,675	1,103,592	2,257,237	110,293	**43,141,748**
Retirement benefit obligations	9,447	-	-	-	-	**9,447**
Other long term benefits	1,408,493	-	-	-	-	**1,408,493**
Total financial Liabilities	**349,914,258**	**119,618,867**	**2,903,427**	**3,281,475**	**182,277**	**475,900,304**
Net on-balance sheet financial position	**119,807,753**	**(2,298,947)**	**53,931**	**(190,525)**	**949**	**117,373,161**
Off-balance sheet financial position	**32,598,652**	**60,959,334**	**812,823**	**2,691,118**	**198,592**	**97,260,519**
BANK						
As at December 31, 2010	**NGN**	**USD**	**GBP**	**EURO**	**OTHERS**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Assets	**449,280,237**	**77,751,079**	**1,423,732**	**1,617,165**	**1,275**	**530,073,488**
Liabilities	**317,065,602**	**75,753,660**	**1,360,712**	**1,257,684**	**8**	**395,437,666**
Net on-balance sheet financial position	132,214,635	1,997,420	63,020	359,480	1,267	**134,635,822**
Off-balance sheet financial position	**21,656,627**	**41,090,580**	**1,072,356**	**1,352,228**	**77,950**	**65,249,741**

Liquidity Risk Management

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its obligations or to fund commited increases in assets as they fall due without incurring unacceptable costs or losses.

Liquidity risk Management process

The Assets & Liability Management Committee ('ALCO') has primary responsibility for managing liquidity risks arising from asset and liability creation activities. Deliberate strategies put in place to ensure the Bank is protected from liquidity risks 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 Bank's liquidity risk apetite which is the amount of risk FCMB is willing to accept in pursuit of value using relevant liquidity risk ratios and asset and liability funding gaps.

• Establishment of methodologies for measuring and reporting on the Bank's liquidity risk profile against set apetite and also sensitizing against unforseen circumstances using liquidity risk scenario analysis.

• Establishment of a preventive (limit setting and management) as well as corrective (Contingency Funding Plan -CFP) controls over liquidity risk.

The Risk Management & 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 Treasury Division is responsible for executing the decisions of ALCO and in particular ensuring that the Bank is optimally and profitably funded at any point in time.

MATURITY PROFILE: ON-BALANCE SHEET CONTRACTUAL

The Group As at 31 December 2011	0 - 30 N'000	31 - 90 N'000	91 -180 N'000	181 - 365 N'000	1YR - 5YRS N'000	ABOVE 5YRS N'000	N'000
Assets							
Cash and short term funds	70,544,719	3,996,035	7,621,797	1,204,852	-	-	**83,367,404**
Loans and advances	91,149,323	68,597,013	11,201,802	24,154,722	84,220,007	40,111,339	**319,434,207**
Advances under finance lease	154,536	286,263	413,011	676,349	1,523,245	14,357	**3,067,760**
Investment & Dealing Securities	722,418	-	9,208,551	2,303,418	126,672,989	16,134,906	**155,042,282**
Investment in Subsidiaries & Associates	-	-	-	-	-	230,656	**230,656**
Deferred tax	-	-	-	-	3,578,836	-	**3,578,836**
Other assets	11,263,456	-	-	-	-	-	**11,263,456**
Investment property	-	-	-	-	131,778	-	**131,778**
Property and equipment	-	-	-	-	19,092,715	-	**19,092,715**
Intangible assets	-	-	-	-	421,595	6,074,045	**6,495,640**
	173,834,452	72,879,312	28,445,161	28,339,341	235,641,165	62,565,303	**601,704,734**
Liabilities							
Deposits	337,474,969	61,615,757	9,529,556	1,249,374	5,266	-	**409,874,923**
Due To Banks	-	-	-	-	-	-	**-**
Borrowings	-	-	-	-	16,371,812	2,795,188	**19,167,000**
Taxation	1,783,422	-	-	-	-	-	**1,783,422**
Other liabilities	51,678,803	-	-	-	-	-	**51,678,803**
Deferred taxation	-	-	-	-	26,388	-	**26,388**
Retirement benefit obligations	12,971	-	-	-	-	-	**12,971**
Other long term benefits	-	-	-	-	-	1,464,716	**1,464,716**
	390,950,165	61,615,757	9,529,556	1,249,374	16,403,466	4,259,904	**484,008,223**
Net liquidity gap	**(217,115,713)**	**11,263,554**	**18,915,605**	**27,089,967**	**219,237,699**	**58,305,398**	**117,696,511**

The Group As at 31 December 2010	0 - 30 N'000	31 - 90 N'000	91 -180 N'000	181 - 365 N'000	1YR - 5YRS N'000	ABOVE 5YRS N'000	N'000
Assets							
Cash and short term funds	71,230,497	4,576,446	2,750,000	14,750,000	-	-	93,306,943
Loans and advances	89,844,299	82,602,996	17,286,466	24,373,557	87,046,896	25,745,318	326,899,532
Advances under finance lease	84,424	85,965	137,746	239,757	1,023,130	1,950,000	3,521,022
Investment securities	1,023,580	-	-	489,404	53,157,024	19,518,913	74,188,921
Investment in associates	-	-	-	-	-	145,000	145,000
Goodwill on consolidation	-	-	-	-	-	6,074,045	6,074,045
Deferred tax	-	-	-	-	572,053	-	572,053
Other assets	13,818,756	-	-	-	-	-	13,818,756
Property and equipment	-	-	-	-	20,064,610	-	20,064,610
	176,001,556	**87,265,407**	**20,174,212**	**39,852,718**	**161,863,713**	**53,433,276**	**538,590,882**
Liabilities							
Deposits	253,821,226	70,815,963	10,041,175	142,828	-	-	334,821,192
Due To Banks	580,784	-	-	-	-	-	580,784
Borrowings	-	-	9,625,931	7,889,758	7,600,500	-	25,116,189
Taxation	-	-	1,867,603	-	-	-	1,867,603
Other liabilities	40,813,679	-	-	-	-	-	40,813,679
Deffered taxation	-	-	-	-	20,192	-	20,192
Retirement benefit obligations	-	-	-	-	-	600,733	600,733
	295,215,689	**70,815,963**	**21,534,709**	**8,032,586**	**7,620,692**	**600,733**	**403,820,372**
Net liquidity gap	**(119,214,133)**	**16,449,444**	**(1,360,497)**	**31,820,132**	**154,243,021**	**52,832,543**	**134,770,510**

FIRST CITY MONUMENT BANK PLC

FINANCIAL RISK ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The Bank As at 31 December 2011	0 - 30 N'000	31 - 90 N'000	91 -180 N'000	181 - 365 N'000	1YR - 5YRS N'000	ABOVE 5YRS N'000	N'000
Assets							
Cash and short term funds	63,821,774	3,996,035	7,621,797	1,204,852	-	-	**76,644,459**
Loans and advances	86,816,492	68,597,013	11,201,802	24,154,722	84,220,007	40,111,339	**315,101,376**
Advances under finance lease	154,536	286,263	413,011	676,349	1,523,245	14,357	**3,067,760**
Investment & Dealing Securities	722,418	-	9,208,551	2,303,418	125,045,273	16,134,906	**153,414,566**
Investment in Subsidiaries & Associates	-	-	-	-	-	11,305,868	**11,305,868**
Deferred tax	-	-	-	-	3,482,998	-	**3,482,998**
Other assets	11,119,182	-	-	-	-	-	**11,119,182**
Property and Equipment	-	-	-	-	18,640,557	-	**18,640,557**
Intangible assets	-	-	-	-	421,014	-	**421,014**
	162,634,402	72,879,312	28,445,161	28,339,341	233,333,094	67,566,470	**593,197,780**
Liabilities							
Deposits	338,822,260	61,615,757	9,529,556	1,249,374	5,266	-	**411,222,214**
Due To Banks							**-**
Borrowings	-	-	-	-	16,371,812	2,795,188	**19,167,000**
Taxation	951,402	-	-	-	-	-	**951,402**
Other liabilities	43,066,063	-	-	-	-	-	**43,066,063**
Deferred taxation	-	-	-	-	-	-	**-**
Retirement benefit obligations	9,447	-	-	-	-	-	**9,447**
Other long term benefits	-	-	-	-	-	1,408,493	**1,408,493**
	382,849,172	61,615,757	9,529,556	1,249,374	16,377,078	4,203,681	**475,824,619**
Net liquidity gap	**(220,214,770)**	**11,263,554**	**18,915,605**	**27,089,967**	**216,956,016**	**63,362,788**	**117,373,161**

The Bank As at 31 December 2010	0 - 30 N'000	31 - 90 N'000	91 -180 N'000	181 - 365 N'000	1YR - 5YRS N'000	ABOVE 5YRS N'000	N'000
Assets							
Cash and short term funds	64,279,612	4,576,446	2,750,000	14,750,000	-	-	86,356,058
Loans and advances	84,607,586	82,602,996	17,286,466	24,373,557	88,915,137	25,745,318	323,531,060
Advances under finance lease	84,424	85,965	137,746	239,757	1,023,130	1,950,000	3,521,022
Investment securities	-	-	-	489,404	52,086,191	19,340,504	71,916,099
Investment in subsidiaries	-	-	-	-	-	11,305,868	11,305,868
Deferred tax	-	-	-	-	433,047	-	433,047
Other assets	13,483,357	-	-	-	-	-	13,483,357
Property and equipment	-	-	-	-	19,526,977	-	19,526,977
	162,454,979	**87,265,407**	**20,174,212**	**39,852,718**	**161,984,482**	**58,341,690**	**530,073,488**
Liabilities							
Deposits	253,897,886	70,815,963	10,041,175	142,827	-	-	334,897,851
Due To Banks	580,784	-	-	-	-	-	580,784
Borrowings	-	-	9,625,931	7,889,758	7,600,500	-	25,116,189
Taxation	-	-	1,200,495	-	-	-	1,200,495
Other liabilities	33,078,675	-	-	-	-	-	33,078,675
Deferred taxation	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	563,672	563,672
	287,557,345	**70,815,963**	**20,867,601**	**8,032,585**	**7,600,500**	**563,672**	**395,437,666**
Net liquidity gap	**(125,102,366)**	**16,449,444**	**(693,389)**	**31,820,133**	**154,383,982**	**57,778,018**	**134,635,822**
Net liquidity gap		**(125,102,366)**	**16,449,444**	**(693,389)**	**31,820,133**	**154,383,982**	**57,778,018**

MATURITY PROFILE – OFF BALANCE SHEET

(a) Financial Guarantees and other Financial Facilities

Performance Bonds and financial guarantees are included below based on the earliest contractual maturity date.

(b) Contingent Letters of Credit

Unfunded letters of credit are included below based on the earliest contractual payment date.

(c) Operating Lease Commitments

The Bank had no operating lease commitments as at 31 December 2011.

OFF-BALANCE SHEET EXPOSURE AS AT 31 DECEMBER 2011						
	0 - 30 days	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**Over 12 months**	**TOTAL**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Performance Bonds and Financial Guarantees	364	5,157	4,697	6,871	8,409	25,498
Contingent Letters of Credit	6,511	36,050	8,401	2,391	-	53,353
	6,875	**41,207**	**13,098**	**9,262**	**8,409**	**78,850**

OFF-BALANCE SHEET EXPOSURE AS AT 31 DECEMBER 2010						
	0 - 30 days	**1 - 3 months**	**3 - 6 months**	**6 -12 months**	**Over 12 months**	**TOTAL**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Performance Bonds and Financial Guarantees	-	703	3,852	4,978	8,318	17,851
Contingent Letters of Credit	822	9,067	30,474	6,532	505	47,399
	822	**9,771**	**34,326**	**11,509**	**8,822**	**65,250**

INTEREST RATE RISKS

FCMB takes on interest rate risks through its activities in the trading and Banking books. The Bank trades in FGN Treasury Bills and Bonds in it's capacity as a Primary Dealer Market maker (PDMM) on behalf of itself (proprietary positions) and also assumes interest rate risk in it's financial intermidiary role. Consequently, the bank is exposed to the risk of loss on both its trading and Banking book positions in the event of adverse movements in interest rates.

The Bank sets exposure limits for FGN Treasury Bills and Bonds at portfolio and maturity band levels, and also uses a combination of counterparty, dealer and stop loss limits to manage market risks inherent in trading positions. The also Bank uses the aggregate Interest rate risk limit in managing interest rate risk in the Banking book. All limits are approved by the Board of Directors. Compliance with the Board approved limits is monitored on a daily basis by the Risk Management & Compliance Division.

The Bank								
As at 31 December 2011	**0-30**	**31-90**	**91-180**	**181-365**	**1 - 3 yrs**	**3 - 5 yrs**	**> 5 yrs**	**TOTAL**
	N'000s	**N'000s**	**N'000s**	**N'000s**	**N'000s**	**N'000s**	**N'000s**	**N'000s**
TOTAL ASSETS- repricing	328,675,371	42,710,727	36,603,961	4,546,324	92,009,346	61,460,499	27,191,552	593,197,780
TOTAL LIABILITIES- repricing	382,849,172	61,615,757	28,696,556	1,249,374	5,266	0	1,408,493	475,824,619
REPRICING GAP	(54,173,801)	(18,905,030)	7,907,406	3,296,949	92,004,080	61,460,499	25,783,059	117,373,161
INTEREST RATE RISK WEIGHTS (%)	1.00	1.00	1.00	3.50	8.00	13.00	18.00	
REPRICING GAP- ADJUSTED	(541,738)	(189,050)	79,074	115,393	7,360,326	7,989,865	4,640,951	19,454,821
INTEREST RATE RISK RATIO (%)	**(0.46)**	**(0.16)**	**0.07**	**0.10**	**6.27**	**6.81**	**3.95**	**16.58**

BANKING BOOK INTEREST RATE RISK								
The Bank								
As at 31 December 2010	**0-30**	**31-90**	**91-180**	**181-365**	**1 - 3 yrs**	**3 - 5 yrs**	**> 5 yrs**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
TOTAL ASSETS- repricing	357,634,609	45,403,426	2,873,861	18,471,557	61,714,787	12,368,930	31,606,316	530,073,488
TOTAL LIABILITIES- repricing	295,721,930	70,815,963	28,467,688	432,085	-	-	-	395,437,666
REPRICING GAP	61,912,680	(25,412,537)	(25,593,827)	18,039,472	61,714,787	12,368,930	31,606,316	134,635,822
INTEREST RATE RISK WEIGHTS (%)	1.00	1	1	3.50	8.00	13.00	18.00	
REPRICING GAP- ADJUSTED	619,127	(254,125)	(255,938)	631,382	4,937,183	1,607,961	5,689,137	12,974,726
INTEREST RATE RISK RATIO (%)	0.46	(0.19)	(0.19)	0.47	3.67	1.19	4.23	9.64

CAPITAL MANAGEMENT

The Central Bank of Nigeria requires each Bank to hold minimum regulatory capital of N25 billion and maintain a capital adequacy ratio (total regulatory capital to risk weighted assets) of 10%.
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 Bank which includes:

- Ensuring the Bank fully complies with minimum regulatory capital adequacy requirements and remains a going concern.
- Ensuring the Bank is adequately capitalized, and capital adequacy reflects the risk inherent in the Bank's business model.
- 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.

The Bank's regulatory capital can be segmented into 2 tiers:
- Tier 1 capital includes; share capital, retained earnings and reserves created by appropriations to earnings. Book value of goodwill (where applicable) is deducted in arriving at Tier 1 capital.

- Tier 2 capital includes; preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to a maximum of 1.25% of risk assets, and hybrid instruments – convertible bonds.

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

Risk weighted Assets are derived based on 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 Banks (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 Group and the Bank's regulatory capital for the year ended 31 December 2011 and period ended 31 December 2010:

	Group	Group	Bank	Bank
	DEC.11	DEC.10	DEC.11	DEC.10
TIER 1 CAPITAL	**N'million**	**N'million**	**N'million**	**N'million**
Share Capital	8,136	8,136	8,136	8,136
Share Premium	108,369	108,369	108,369	108,369
Statutory Reserves	10,090	10,089	10,090	10,089
SMIEIS Reserve	659	659	659	659
Retained Earnings	(9,457)	7,517	(9,880)	7,383
Less: Goodwill	(6,074)	(6,074)	-	-
Deferred tax assets	(3,579)	(572)	(3,483)	(433)
Total qualifying Tier 1 Capital	**108,144**	**128,124**	**113,890**	**134,203**
TIER 2 CAPITAL				
Translation Reserve	(100)	(35)	-	-
General provision	3,285	49	3,196	-
Less: Investments in subsidiaries	-	-	-	-
Total qualifying Tier 2 Capital	**3,185**	**14**	**3,196**	**-**
Total Regulatory Capital	**111,329**	**128,138**	**117,086**	**134,203**

RISK WEIGHTED ASSETS				
	DEC.11	**DEC.10**	**DEC.11**	**DEC.10**
	N'million	**N'million**	**N'million**	**N'million**
On-Balance Sheet	**389,605**	**404,438**	**393,897**	**406,917**
Off-Balance Sheet	**35,458**	**18,480**	**35,458**	**29,917**
	425,063	**422,918**	**429,354**	**436,834**
Risk Weighted Capital Adequacy Ratio	**26.19%**	**30.30%**	**27.27%**	**30.72%**

The Group's capital adequacy ratio was 26.16% as at December 31, 2011 which was significantly above CBN capital adequacy requirements by 16.16%. The Bank is adequately capitalized.

Operational Risk Management

Operational Risk Methodology

Operational Risk, in FCMB, is defined 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 Bank's assets
- Losses incurred as a result of system downtime, malfunction and/or disruption

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

To ensure annual losses incurred by the Bank as a result of its exposure to operational risks do not exceed the Board approved risk appetite; the Bank's Risk Management & Compliance Division adopts the following globally accepted operational risk management standards:

- All process owners proactively identify weak-points/risks across their respective processes, activities and systems. The Risk Management & Compliance Division validates the risk maps for completeness and recommends appropriate mitigating controls to reduce/eliminate inherent process risks.
- Process owners periodically assess the adequacy and effectiveness of established controls through the Risk & Control Self Assessment process, and use this process to identify areas where controls have not been implemented, and/or are ineffective. Issues and remedial action plans are typically developed as an outcome of this process by the respective process owners, and monitored for implementation by the Risk Management & Compliance Division. This process enables gaps/risk issues to be addressed at the early stages thereby protecting the Bank from losses attributable to such gaps/weaknesses.
- The Risk Management & Compliance Division conducts periodic independent control tests/checks across the Bank as a key tool for revalidating the outcome of the Risk & Control Self Assessment process. This independent assessment of controls enables the Bank to determine if agreed controls have been fully implemented and if controls are effective.
- The Bank uses operational risk indicators to track/measure current operational risk exposures across all activities, processes and systems. Key Risk indicators (KRIs) are defined for significant risks that require active monitoring and control. This process enables us to identify and resolve control issues before they 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 Risk Management Committee
- Historical operational risk losses are periodically collated and analyzed by the Risk Management & Compliance Division. The analyzed loss experience enables the Bank 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 Bank with the basis for justifying the cost of new/improved controls and assessing the effectiveness of controls. The Bank's loss experience is escalated to the Board Risk Management Committee supported by clearly defined remedial action plans aimed at protecting the Bank against similar losses in the future.

• Operational risk management processes have been linked to performance management through the use of a Risk & Control Index that represents a key component of productivity and annual 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.

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

The Bank uses a combination of pricing and insurance to mitigate residual risks arising from crystallized operational risk events. A total of 9 insurance policies have been undertaken by the Bank to minimize the loss in the event of an operational risk incident while operational risks is included in the pricing mechanism for credit and related transactions.

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

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

Operational Risk Exposures

The Bank's operational risk losses as at December, 2011 was within the Board approved risk appetite. The actual losses attributable to operational risks did not exceed the provisioning set-aside for such losses at the beginning of the period. The losses have been fully recognized in the financial results for the year.

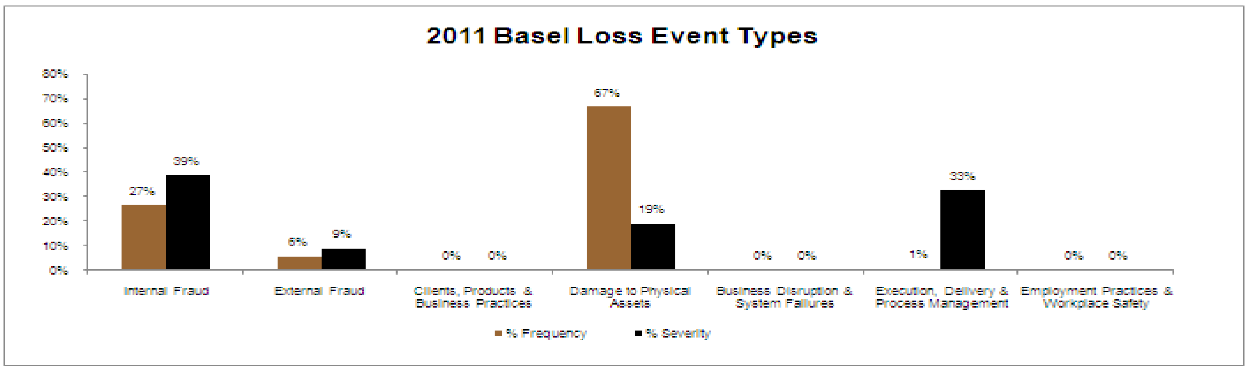

*Fig 1: Loss by Basel Risk Event Type

Internal fraud remains the largest component of operational risk losses in the Banking sector. The fraud trend in the Banking industry in 2011 improved relative to the same period in 2010 particularly as the initiatives introduced and efforts made by banks regulatory agencies to minimize the level of fraud within the industry begin to yield positive outcomes.

In FCMB, internal and external fraud losses decreased in absolute terms in 2011 compared to the same period in 2010. To further protect the Bank against re-occurrence and reduce overall losses attributable to internal and external fraud, the Bank concluded the implementation of a number of measures within the year including:

• Deployment of new password policies for all critical internal systems as part of the Bank's enhanced information security practices

• Implementing 2nd factor authentication processes on the Bank's core processing platforms

• Introduction of slip-free Banking services for over-the-counter (OTC) cash deposit transactions

• Automation and improvement of transaction call-over processes within the Bank's branch network

• Outsourcing employee background check processes

• Conducting periodic integrity tests

• Enforcing job rotation and annual leave/vacation policies

• Introduction of a new career management framework

• Improvements in the Bank's rewards and recognition processes

• Enhancing the whistle blowing framework to improve early detection

In addition to fraud (internal and external) which accounted for 48% of total losses in the period under review, processing errors and damages to physical assets accounted for the largest losses by value (33%, and 19% respectively).

The 33% loss attributable to processing error was as a result of dry posting but there was full recovery of the total amount involved and further measures were also taken to curb such occurrence in the future.

Fraud and damages to physical assets are mitigated by insurance and significant recoveries were made within the period. However, losses not fully covered by insurance have been fully expensed in the period under review while insurance receivables aged 90 days and above have been fully provisioned in line with accounting standards.

The distribution of operational risk losses as at December 2011 by severity is shown below:

	LOSS DISTRIBUTION BY SEVERITY	
SEVERITY OF LOSSES	**NUMBER OF LOSSES (%)**	**GROSS LOSS AMOUNT (%)**
0<=X<=100,000	38%	1%
100,000<=X<=500,000	34%	4%
500,000<=X<=1,000,000	10%	4%
1,000,000<=X<=5,000,000	13%	14%
5,000,000<=X<=10,000,000	2%	6%
10,000,000<=X<=15,000,000	1%	5%
15,000,000<=X<=20,000,000	0%	0%
Above 20,000,000	2%	66%
TOTAL	**100%**	**100%**

***Fig 3: Severity of Losses: Frequency and Amount Distribution of Losses**

The Bank conducts causal analysis of all loss events as they occur and uses findings from the causal analysis to further improve the controls framework, and reduce the probability of a risk

Operational Risk Awareness

The Bank intensified its operational risk awareness campaign in the course of the year through several mechanisms including electronic newsletters, risk meetings/workshops, continuous

Group Operational Risk Practices

We have successfully extended the management of operational risk to all our subsidiaries and the representative office in the UK. Frameworks have been developed and the operational risk

FIRST CITY MONUMENT BANK PLC

VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	GROUP				BANK			
	2011		2010		**2011**		2010	
	N'000	**%**	N'000	%	**N'000**	**%**	N'000	%
GROSS INCOME	**80,398,043**		62,686,096		**74,236,855**		57,835,577	
GROUP'S SHARE OF ASSOCIATE'S PROFIT	**113,628**		50,854		**-**		-	
INTEREST EXPENSE	**(25,620,635)**		(21,698,007)		**(25,619,558)**		(21,699,307)	
	54,891,036		41,038,943		**48,617,297**		36,136,270	
PROVISION FOR LOSSES	**(32,452,704)**		439,415		**(31,969,727)**		759,805	
ADMINISTRATIVE OVERHEAD	**(16,046,787)**		(14,401,453)		**(14,684,566)**		(13,307,093)	
VALUE ADDED	**6,391,545**	**100**	27,076,905	100	**1,963,004**	**100**	23,588,982	100
D I S T R I B U T I O N								
EMPLOYEES								
Salaries and benefits	**14,768,645**	**231%**	14,906,101	56%	**13,097,119**	**667%**	13,025,442	56%
GOVERNMENT								
Taxation	**(1,439,253)**	**(23%)**	1,090,771	4%	**(2,368,222)**	**(121%)**	242,566	1%
THE FUTURE								
Asset replacement	**2,977,301**	**47%**	2,925,073	11%	**2,801,851**	**143%**	2,779,059	12%
Proposed Dividend	**-**	**0%**	5,694,917	21%	**-**	**0%**	5,694,917	24%
Expansion (transfers to reserve)	**(9,915,148)**	**(155%)**	2,240,054	8%	**(11,567,744)**	**(589%)**	1,627,405	7%
VALUE ADDED	**6,391,545**	**100%**	26,856,916	100%	**1,963,004**	**100%**	23,369,389	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.

FIRST CITY MONUMENT BANK PLC

FIVE YEARS FINANCIAL SUMMARY

GROUP

	DEC. 31, 2011	DEC. 31, 2010	DEC. 31, 2009	APR 30, 2009	APR 30, 2008
	N'000	N'000	N'000	N'000	N'000
ASSETS EMPLOYED					
Cash and balance with Central Banks	**34,934,115**	13,406,893	9,010,895	7,169,038	8,473,486
Treasury bills	**12,019,605**	22,588,314	8,521,058	4,429,643	22,403,134
Due from other banks	**35,376,959**	57,311,736	121,786,201	165,145,574	194,747,892
Loans and advances	**319,434,207**	326,899,532	238,732,090	271,103,278	186,634,383
Advances under finance lease	**3,067,760**	3,521,022	1,165,896	2,113,827	2,296,749
Deferred tax assets	**3,578,836**	572,053	1,107,267	1,300,378	2,638,674
Investment securities	**155,042,282**	74,188,921	41,463,536	32,889,181	4,338,187
Investment in associates	**230,656**	145,000	300,000	-	-
Other assets	**12,375,864**	13,818,756	13,662,332	10,449,657	29,173,961
Investment property	**131,778**	131,778	-	-	-
Property and equipment	**19,092,716**	19,291,248	21,817,923	21,001,009	16,630,564
Intangible assets	**6,495,640**	6,715,629	6,074,045	-	-
	601,780,418	538,590,882	463,641,243	515,601,585	467,337,030
FINANCED BY					
Share capital	**8,135,596**	8,135,596	8,135,596	8,135,596	8,135,596
Share premium	**108,369,199**	108,369,199	108,369,199	108,369,199	108,369,199
Other reserves	**1,191,716**	18,265,715	13,088,249	12,550,624	17,128,335
Non-controlling interest	**-**	-	-	-	17,835
Customer deposits	**409,231,355**	334,821,192	266,012,607	321,219,293	251,223,129
Due to other banks	**-**	580,784	13,681,208	27,015,927	26,231,049
Borrowings	**19,167,000**	25,116,189	30,178,530	11,183,932	24,538,500
Tax payable	**1,783,422**	1,867,603	2,451,430	2,584,437	5,290,123
Other liabilities	**52,398,055**	40,813,679	20,328,304	22,205,810	22,754,206
Deferred tax liabilities	**26,388**	20,192	1,104,447	2,096,961	3,649,058
Retirement benefit obligations	**12,971**	8,994	39,338	26,319	-
Other long term benefits	**1,464,716**	591,739	252,335	213,487	-
	601,780,418	538,590,882	463,641,243	515,601,585	467,337,030
Acceptances and guarantees	**97,260,519**	65,249,741	50,492,799	42,160,999	120,039,062
PROFIT AND LOSS ACCOUNT					
	12months Dec 2011	***12months Dec 2010***	***8months Dec 2009***	***12months April 2009***	***12months April 2008***
Gross earnings	**80,398,043**	62,686,096	35,789,264	72,698,313	52,818,798
Profit before tax	**(11,354,401)**	9,025,742	856,600	4,773,765	20,517,326
Tax	**1,439,253**	(1,090,771)	(292,262)	(779,222)	(5,408,235)
Profit after tax	**(9,915,148)**	7,934,971	564,338	3,994,543	15,109,091
Minority Interest	**-**	-	-	-	(17,685)
Transfer to reserves	**(9,915,148)**	7,934,971	564,338	3,994,543	15,091,406
Earnings per share - basic	**(61)k**	49k	5k	25K	135K
Earnings per share - diluted	**(60)k**	49k	5k	25K	135K

FIRST CITY MONUMENT BANK PLC

FIVE YEARS FINANCIAL SUMMARY

BANK

	DEC. 31, 2011 N'000	DEC. 31, 2010 N'000	DEC. 31, 2009 N'000	APR 30, 2009 N'000	APR 30, 2008 N'000
ASSETS EMPLOYED					
Cash and balance with Central Banks	**34,933,865**	13,406,438	9,009,240	7,168,159	8,472,161
Treasury bills	**12,019,605**	22,588,314	8,521,058	4,429,643	22,403,134
Due from other banks	**28,654,265**	50,361,306	118,652,423	165,149,865	194,747,892
Loans and advances	**315,101,376**	323,531,060	236,844,499	270,188,782	186,565,206
Advances under finance lease	**3,067,760**	3,521,022	1,165,896	2,113,827	2,296,749
Deferred tax assets	**3,482,998**	433,047	854,279	1,229,671	2,629,794
Investment securities	**153,414,566**	71,916,099	39,984,190	32,791,243	4,187,871
Investment in subsidiaries	**11,005,868**	11,005,868	10,865,468	240,150	240,150
Investment in associates	**300,000**	300,000	300,000	-	-
Other assets	**12,231,591**	13,483,357	12,522,270	10,191,790	27,093,988
Property and equipment	**18,640,557**	18,886,370	21,361,771	20,906,484	16,573,956
Intangible assets	**421,014**	640,607	-	-	-
	593,273,465	530,073,488	460,081,094	514,409,614	465,210,901
FINANCED BY					
Share capital	**8,135,596**	8,135,596	8,135,596	8,135,596	8,135,596
Share premium	**108,369,199**	108,369,199	108,369,199	108,369,199	108,369,199
Other reserves	**868,366**	18,131,027	11,622,265	10,952,894	15,622,678
Customer deposits	**410,578,646**	334,897,851	272,624,017	322,418,759	251,580,103
Due to other banks	**-**	580,784	13,681,101	27,023,049	26,231,049
Borrowings	**19,167,000**	25,116,189	30,178,530	11,183,932	24,538,500
Tax payable	**951,402**	1,200,495	1,655,286	2,187,383	4,580,652
Other liabilities	**43,785,316**	33,078,675	12,466,830	21,834,783	22,514,354
Deferred tax liabilities	**-**	-	1,078,009	2,087,590	3,638,770
Retirement benefit obligations	**9,447**	5,096	36,631	21,647	-
Other long term benefits	**1,408,493**	558,576	233,630	194,782	-
	593,273,465	530,073,488	460,081,094	514,409,614	465,210,901
Acceptances and guarantees	**97,260,519**	65,249,741	50,492,799	42,160,999	120,039,062

PROFIT AND LOSS ACCOUNT

	12months Dec 2011	***12months Dec 2010***	***8months Dec 2009***	***12months April 2009***	***12months April 2008***
Gross earnings	**74,236,855**	57,835,577	33,398,740	71,063,543	50,086,197
Profit before tax	**(13,935,966)**	7,564,888	724,834	3,979,274	18,437,711
Tax	**2,368,222**	(242,566)	(55,463)	(513,462)	(4,717,241)
Profit after tax	**(11,567,744)**	7,322,322	669,371	3,465,812	13,720,470
Transfer to reserves	**(11,567,744)**	7,322,322	669,371	3,465,812	13,720,470
Earnings per share - basic	**(71)k**	45k	6k	21k	123k
Earnings per share - diluted	**(70)k**	45k	6k	21k	123k