FCMB Group Plc
Annual Report
31 December 2016

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February 2017

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF FCMB GROUP PLC ("FCMB GROUP") FOR THE YEAR-ENDED DECEMBER 31, 2016.

DCSL Corporate Services Limited (DCSL) was engaged by FCMB Group Plc to carry out an appraisal of the Board's performance for the year-ended December 31, 2016. Our engagement entailed a comprehensive review of the Company's corporate and statutory documents, the Minutes of Board and Committee meetings, policies currently in place and other ancillary documents made available to us. We also administered questionnaires on and interviewed Directors. We benchmarked the Company's corporate governance structures, policies and processes against the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance, 2014 ("CBN Code"); the Securities and Exchange Commission (SEC) Code of Corporate Governance 2011 ("SEC Code") as well as global Best Practice.

In undertaking the appraisal, we considered seven key corporate governance areas as follows:

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

Following the conclusion of the evaluation exercise, we affirm that the Board has substantially complied with the provisions of the CBN and SEC Codes and has continued to demonstrate strong commitment to the enthronement of a sound corporate governance culture. We also affirm that the respective Board Committees performed creditably and discharged their functions effectively during the period under review. The Director Peer Assessment undertaken indicate that individual Directors performed satisfactorily against the parameters used for the appraisal and remained committed to enhancing the Company's growth.

Our recommendations aimed at strengthening existing corporate governance practice in the Group are contained in our detailed Report.

Yours faithfully,
For: DCSL Corporate Services Limited

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

Corporate Governance

Commitment to Corporate Governance

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

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

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

Board Composition and Independence

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

The appointment of Board members is in line with the Companies and Allied Matters Act Cap C20 LFN 2004, CBN Code of Corporate Governance, and the Company's selection criteria for Directors.

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

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

Board Selection and Appointment process

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

The process for appointing a Director includes the following:

- A careful analysis of the existing Board's strengths and weaknesses, its skills, experience gaps and diversity considering the company's current business priorities and future plans;
- Identification, short-listing and interviewing of candidates with the appropriate expertise and experience;
- Conducting formal and informal background checks to ensure they are fit and proper persons to sit on the Board of the company;
- Discussing formally with prospective candidates concerning the Board's expectations and the nominee's ability to make the necessary commitment; and
- The appointment process is communicated to Board members and filed by the Company Secretary.
- External consultants may be engaged as appropriate to obtain an independent view and input into the appointment process.
- Once the nomination is approved by the Board, the company secretary notifies the CBN in

writing, seeking the CBN's approval to the appointment.

- Upon approval by the CBN, the appointment and approval is communicated to the new Director in writing.
- Other required regulatory authorities are also notified of the appointment in writing.

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

The Guiding Principles of the Group's Code of Corporate Governance are as follows:

- all power belongs to the shareholders;
- delegation of authority by the owners to the Board and subsequently to Board Committees and executives is clearly defined and agreed;
- institutionalised individual accountability and responsibility through empowerment and relevant authority;
- clear terms of reference and accountability for committees at Board and executive levels;
- effective communication and information sharing outside of meetings;
- actions are taken on a fully informed basis, in good faith with due diligence and care and in the best interest of the Group and shareholders;
- enhancing compliance with applicable laws and regulations and the interest of the stakeholders; where there is any conflict between the Group's rules, the local laws and legislation supersede;
- conformity with overall Group strategy and direction; and
- transparency and full disclosure of accurate, adequate and timely information regarding the personal interest of Directors in any area of potential conflict regarding Group's business.

Role of the Board

- Investment and capital management, investor relations, Group financial and statutory reporting, articulation and approval of Group policies, setting overall Group strategic direction, monitoring and coordinating Group performance, succession planning for key positions on the Boards of the Group and operating companies.
- Reviewing alignment of goals, major plans of with overall strategy; setting performance objectives; monitoring implementation and corporate performance and overseeing major capital expenditure in line with the approved budget.
- Ensuring the integrity of the Group's accounting and financial reporting systems (including the independence of Internal Audit, and that appropriate systems are in place for monitoring risk, financial control and compliance with the law).
- Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.
- Interfacing with the management of the Group to ensure harmony in implementing Group strategy.
- Performing all statutory roles as required by law.
- Through the establishment of Board Committees, making recommendations and taking decisions on behalf of the Board on issues of expenditure that may arise outside the normal meeting schedule of the Board.
- Ratifying duly approved recommendations and decisions of the Board Committees.
- The Board ensures that the company has an effective internal audit and risk management system in place.

Board of Directors

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

Board of Directors' Meetings Held in 2016

	11 Mar 2016	21 Apr 2016	28 Jul 2016	27 Oct 2016	9 Dec 2016
Dr Jonathan A D Long	-	-	✓	✓	✓
Mr Peter Obaseki	✓	✓	✓	✓	✓
Mr Bismarck Rewane	-	-	✓	✓	✓
Mr Ladi Balogun	✓	✓	✓	✓	-
Alhaji Mustapha Damcida	✓	✓	✓	-	✓
Mr Olusegun Odubogun	✓	✓	✓	✓	✓
Mr Olutola O Mobolurin	✓	✓	✓	✓	✓
Mr Martin Dirks	✓	✓	✓	✓	✓
Prof Oluwatoyin Ashiru	✓	✓	✓	✓	✓
Dr (Engr) Gregory O Ero	✓	✓	✓	✓	✓

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

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

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

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

The company encourages and supports other informal training programs for Directors such as subscription to industry journal towards building relevant skills; interactive sessions at Board meetings whereby an external facilitator or a specialist from the Group facilitates sessions in specific areas of interest.

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

Corporate Governance

Continued

Board Committees

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

Risk, Audit and Finance Committee (RAF)

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

Membership: The Committee is made up of five Non-Executive Directors (at least one of whom should be an Independent Director). The Managing Director is required to be in attendance at all meetings of the Committee.

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

Board Risk, Audit and Finance Committee Meetings Held in 2016

	18 Apr 2016	25 Jul 2016	24 Oct 2016	7 Dec 2016
Mr Bismarck Rewane	✔	✔	✔	✔
Mr Olusegun Odubogun	✔	✔	✔	✔
Dr (Engr) Gregory O Ero	✔	✔	✔	✔
Mr Ladi Balogun	✔	✔	✔	✔
Mr Martin Dirks	✔	-	✔	✔

Governance and Remuneration Committee (GRC)

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

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

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

Board Governance and Remuneration Committee Meetings Held in 2016

	18 Apr 2016	25 July 2016	24 Oct 2016	7 Dec 2016
Mr Olutola O Mobolurin	✔	-	✔	✔
Alhaji Mustapha Damcida	-	✔	-	✔
Professor Oluwatoyin Ashiru	✔	✔	✔	✔
Mr Ladi Balogun	✔	✔	✔	✔

Statutory Audit Committee (SAC)

Section 359 (3) of the Companies and Allied Matters Act Cap C20 LFN 2004 requires every public company to establish a Statutory Audit Committee (SAC) composed of an equal number of its Directors and representatives of the shareholders.

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

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on management matters in conjunction with the external auditors and departmental responses therein;
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board with regard to the appointment of, removal and remuneration of the external auditors of the Company;

- authorise the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee; and
- examine the Auditors' Report and make recommendations thereon to the Annual General Meeting as it may think fit.

Membership

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

Statutory Audit Committee Meetings Held in 2016

	10 Mar 2016	19 Apr 2015	26 Jul 2016	25 Oct 2016
Alhaji S B Daranijo	✔	✔	✔	✔
Alhaji B A Batula	✔	✔	✔	✔
Evangelist Akinola Soares *	✔	✔	✔	✔
Mr Bismarck Rewane	✔	✔	✔	✔
Mr Olutola O Mobolurin	✔	✔	-	✔
Mr Olusegun Odubogun	✔	✔	✔	✔

*At the July 26, 2016 Statutory Audit Committee meeting, Evangelist Akinola Soares was appointed the Chairman of the Committee to replace Alhaji S.B. Daranijo. This is in compliance with Rule 2(a) of the Financial Reporting Council Standards (made pursuant to Section 30 of the Financial Reporting Council Act No. 6, 2011), which requires the Chairman of the Audit Committee to be a professional member of an accounting body established by an Act of the National Assembly of Nigeria.

Management Committees

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

Executive Management Committee (EMC)

The EMC, usually chaired by the Managing Director of the Company, comprises all departmental heads. The EMC deliberates and makes decisions, as necessary, to optimise the resources of the Company and ensure the effective and efficient management of the Company. The EMC also articulates issues to be discussed by the Board.

The Managing Director is responsible for the daily running and performance of the Company.

Group Executive Committee (GEC)

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

Corporate Governance

Continued

Shareholder Participation

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

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

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

Security Trading Policy

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

Whistle-Blowing Procedures

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

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

Statement of compliance with SEC Code of Corporate Governance

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

Disclosure to the Shareholders

The Directors' fees for the financial year ending 31 December 2017 shall be fixed at N200,000,000.00 only and a resolution to approve same shall be proposed.

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

Management Report on Certification of Financial Statements

To the Board of Directors of FCMB Group Plc

In compliance with Section 34 (2) Code of Corporate Governance for Public Companies in Nigeria of the Securities and Exchange Commission, we certify that the financial statements of FCMB Group Plc (Separate and Consolidated), comprising of statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statement of cash flows and the accompanying notes to the account for the year ended 31 December 2016 present a true and fair view of the affairs of the Company and the Group.

Ifeanyi Obiekwe
Head, Financial & Regulatory Reporting
FRC/2013/ICAN/00000001432
3 March 2017

Peter Obaseki
Managing Director
FRC/2014/CIBN/00000006877
3 March 2017

Board of directors, officers and professional advisor
For the year ended 31 December 2016

Directors

1 Dr Jonathan A D Long (Chairman)
2 Mr Peter Obaseki (Managing Director)
3 Mr Ladipupo O. Balogun (Non-Executive Director)
4 Mr Bismarck Rewane (Non-Executive Independent Director)
5 Mr Olusegun Odubogun (Non-Executive Independent Director)
6 Alhaji Mustapha Damcida (Non-Executive Director)
7 Mr Olutola O. Mobolurin (Non-Executive Director)
8 Mr Martin Dirks (Non-Executive Director)
9 Professor Oluwatoyin Ashiru (Non Executive Director)
10 Dr (Engr) Gregory O. Ero (Non-Executive Director)

Company secretary

Mrs. Olufunmilayo Adedibu

Registered office

FCMB Group Plc
First City Plaza
44, Marina
Lagos

Auditors

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

Directors' report
For the year ended 31 December 2016

The Directors present their annual report on the affairs of FCMB Group Plc (“the Company”) and its subsidiaries ("the Group"), together with the financial statements and independent auditor's report for the year ended 31 December 2016.

a. ***Legal form***

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

b. ***Principal activity and business review***

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

Through ownership of FCMB Group Plc, shareholders own 100% of all subsidiaries, including FCMB Capital Markets Limited, CSL Trustees Limited, CSL Stockbrokers Limited (including its subsidiary First City Asset Management Ltd) and First City Monument Bank Limited (and its subsidiaries - Credit Direct Limited, FCMB (UK) Limited and FCMB Financing SPV Plc).
The Group does not have any unconsolidated structured entity.

c. ***Operating results***

The gross earnings and profit after income tax recorded by the Group for the year ended 31 December 2016 was N176.35 billion and N14.34 billion respectively. The Directors affirm that the Group is strategically poised for continued growth and development. Highlights of the Group’s operating results for the year ended are as follows:

	GROUP		COMPANY	
In thousands of naira	**2016**	2015	**2016**	2015
Gross earnings	**176,351,973**	152,507,947	**4,654,135**	4,200,904
Profit before minimum tax and income tax	**16,251,397**	7,768,664	**3,749,611**	2,548,286
Minimum tax	**(988,364)**	(900,532)	**-**	-
Income tax expense	**(924,151)**	(2,107,466)	**(19,351)**	(25,231)
Profit after tax	**14,338,882**	4,760,666	**3,730,260**	2,523,055
Total comprehensive income for the year	**18,461,978**	6,976,534	**3,730,260**	2,523,055
Appropriations:				
Transfer to statutory reserve	**1,739,228**	661,992	**-**	-
Transfer to retained earnings	**12,599,654**	4,098,674	**3,730,260**	2,523,055
	14,338,882	4,760,666	**3,730,260**	2,523,055
Basic and diluted earnings per share (Naira)	**0.72**	0.24	**0.19**	0.13
Dividend per share (Naira)	**0.10**	0.10	**0.10**	0.10
Total non-performing loans and advances	**25,474,529**	25,370,162	**-**	-
Total non-performing loans to total gross loans and advances (%)	**3.74%**	4.15%	**-**	-

Proposed dividend

The Board of Directors recommended a cash dividend of 10 kobo per issued and paid up ordinary share for the year ended 31 December 2016. This is subject to approval at the Annual General Meeting.
Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipents.

Directors' report
For the year ended 31 December 2016

d. ***Directors' shareholding***

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

	Shareholding as at 31-12-2016		Shareholding as at 31-12-2015	
	Number of 50k Ordinary		Number of 50k Ordinary	
	Direct holdings	Indirect holdings	Direct holdings	Indirect holdings
Dr Jonathan A D Long (Chairman)	11,149,220	-	11,149,220	-
Mr Peter Obaseki (Managing Director)	5,369,945	-	5,369,945	-
Mr Ladipupo O. Balogun (Non-Executive Director)	200,166,756	-	190,166,756	-
Mr Bismarck Rewane (Non-Executive Independent Director)	1,112,280	-	1,112,280	-
Mr Olusegun Odubogun (Non-Executive Independent Director)	400,000	-	190,000	-
Alhaji Mustapha Damcida (Non-Executive Director)	–	-	–	-
Mr Olutola O. Mobolurin (Non-Executive Director)	2,120,000	-	2,120,000	-
Mr Martin Dirks (Non-Executive Director)	–	-	–	-
Professor Oluwatoyin Ashiru (Non Executive Director)	2,055,187	-	1,041,887	-
Dr (Engr) Gregory O. Ero (Non-Executive Director)	–	-	–	-

e. **Directors' interests in contracts**

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

f. **Property and equipment**

Information relating to changes in property and equipment is given in Note 29 to the financial statements. In the Directors' opinion, the market value of the Group's properties is not less than the value shown in the financial statements.

Directors' report
For the year ended 31 December 2016

g. Shareholding analysis

The shareholding pattern of FCMB Group Plc as at 31 December 2016 is as stated below:

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

31 December 2015

Share range	No. Of Shareholders	% Of Shareholders	No. Of Holdings	% Of Shareholding
1–10,000	490,562	93.98	391,693,209	1.98
10,001–50,000	24,076	4.62	481,531,637	2.43
50,001–100,000	3,399	0.65	234,871,356	1.19
100,001–500,000	3,095	0.59	593,867,954	3.00
500,001–1,000,000	331	0.06	230,047,138	1.16
1,000,001–5,000,000	372	0.07	710,915,187	3.59
5,000,001–10,000,000	41	0.01	275,582,650	1.39
10,000,001–50,000,000	64	0.01	1,258,032,369	6.35
50,000,001–100,000,000	5	0.00	370,401,503	1.87
100,000,001–500,000,000	22	0.01	5,615,592,389	28.36
500,000,001–1,000,000,000	2	0.00	1,045,436,075	5.28
1,000,000,001–19,802,710,781	3	0.00	8,594,739,314	43.40
Total	**521,972**	**100**	**19,802,710,781**	**100**

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

Directors' report
For the year ended 31 December 2016

31 December 2016

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

31 December 2015

Shareholder category	No. Of Shareholders	% Of Shareholders	No. Of Holdings	% Of Shareholdings
Domestic shareholders	521,647	99.94	12,135,629,163	61.28
Foreign shareholders	325	0.06	7,667,081,618	38.72
Total	**521,972**	**100.00**	**19,802,710,781**	**100.00**

h. *Substantial interest in Shares*

The Company's authorised share capital is N15 billion divided into 30 billion ordinary shares of 50 kobo each of which 19,802,710,781 ordinary shares are issued and fully paid. According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2016:

	31 December 2016		31 December 2015	
	Number of shares	**% Holding**	**Number of shares**	**% Holding**
1. Capital IRG Trustees Limited	**1,638,212,546**	**8.27**	1,557,955,397	7.87
2. Stanbic Nominees Nig. Limited - Custody	**4,168,423,333**	**21.05**	5,704,007,750	28.80
3. Asset Management Corporation of Nigeria (AMCON)	**1,332,846,113**	**6.73**	1,332,776,167	6.73

i. *Donations and charitable gifts*

The Group made contributions to charitable and non-political organisations amounting to N169,018,480 (31 December 2015: N202,561,950) during the year.

BENEFICIARY	AMOUNT (NAIRA)
Lagos State Security Trust Fund	50,000,000
St Saviour School, Ikoyi	40,500,000
Chartered Institute of Bankers of Nigeria	20,000,000
Ikorodu United Football Club	10,000,000
Kwara State University	5,000,000
Kwara State Polytechnic	5,000,000
SME Merchant Conference	4,000,000
Nigeria Electronic Fraud	3,592,321
Institute of Human Virology of Nigeria	3,500,000
Ahmadu Bello University	3,259,013

Directors' report
For the year ended 31 December 2016

Agege Public Library	3,235,446
Financial Reporting Council of Nigeria	3,000,000
University of Nigeria Nsukka	2,500,000
Harvard Business School	2,500,000
Africa Rural & Agricultural Credit Association (AFRACA)	2,000,000
Muhammed Sanusi Foundation	1,000,000
Association of Asset Custodian	300,000
Chartered Institute of Bankers of Nigeria	300,000
Pharmaceutical Society of Nigeria	150,000
Others	9,181,700
Total	**169,018,480**

j. Events after the reporting period

There were no significant events after the reporting period which could have a material effect on the financial position of the Group as at 31 December 2016 and its operating results for the year then ended which have not been adequately adjusted for or disclosed in these financial statements.

k. *Human resources*

Employment of Disabled Persons

The Group operates a non-discriminatory policy on recruitment. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees. Currently, the Group has four persons on its staff list with physical disabilities (31 December 2015:4)

Health, Safety and Welfare at Work

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

Code of Business Conduct and Ethics

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

Directors' report
For the year ended 31 December 2016

Diversity In employment
The number and percentage of women employed during the financial year ended 31 December 2016 and the comparative year vis-a-vis total workforce is as follows:

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

31 DECEMBER 2015					
	Number			**%**	
	Male	**Female**	**Total**	**Male**	**Female**
Employees	2,545	1,598	4,143	61%	39%

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

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

31 DECEMBER 2015					
	Number			**%**	
	Male	**Female**	**Total**	**Male**	**Female**
Assistant General Manager (AGM)	23	6	29	38%	10%
Deputy General Manager (DGM)	15	6	21	25%	10%
General Manager (GM)	7	3	10	12%	5%
TOTAL	**45**	**15**	**60**	**75%**	**25%**

There is no woman in the Top Management of the Company.

Directors' report
For the year ended 31 December 2016

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

31 DECEMBER 2016	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	5	1	**6**	**16%**	**3%**
Group Managing Director/Chief Executive Officer (GMD / CEO)	6	-	**6**	**19%**	**0%**
Non - Executive Directors	17	3	**20**	**53%**	**9%**
TOTAL	**28**	**4**	**32**	**88%**	**12%**

31 DECEMBER 2015	Number			%	
	Male	Female	Total	Male	Female
Executive Director (ED)	4	1	5	13%	3%
Group Managing Director/Chief Executive Officer (GMD / CEO)	6	-	6	19%	0%
Non - Executive Directors	18	2	20	58%	6%
TOTAL	**28**	**3**	**31**	**90%**	**10%**

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

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

31 DECEMBER 2016	Number			%	
	Male	Female	Total	Male	Female
Managing Director	1	-	**1**	**10%**	**-**
Other Executive Directors	-	-	**-**	**0%**	**-**
Non - Executive Directors	9	-	**9**	**90%**	**-**
TOTAL	**10**	**-**	**10**	**100%**	**-**

31 DECEMBER 2015	Number			%	
	Male	Female	Total	Male	Female
Managing Director	1	-	**1**	**10%**	**-**
Other Executive Directors	-	-	**-**	**0%**	**-**
Non - Executive Directors	9	-	**9**	**90%**	**-**
TOTAL	**10**	**-**	**10**	**100%**	**-**

Directors' report
For the year ended 31 December 2016

l. ***Employee involvement and training***

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

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

m. **Customer complaints**

FCMB Group Plc is committed to ensuring an effective and responsive complaints management process hence the banking subsidiary has put in place a complaints management policy to ensure that the causes of complaints are fully addressed and to assure stakeholders and members of the public that their concerns will be handled in a fair and appropriate manner. Customers' complaints are lodged with the Complaints Officer at complaints@fcmb.com for necessary action.The banking subsidiary had pending complaints of 85 at the beginning of the year and received additional 35,966 (31 December 2015: 46,620) during the year ended 31 December 2016, of which 35,923 (31 December 2015: 46,572) complaints were resolved (inclusive of pending complaints brought forward) and 111 (31 December 2015: 85) complaints remained unresolved and pending with the Banking subsidiary as at the end of the reporting year. The total amount resolved was N4.79billion (31 December 2015: N582.19million) while the total disputed amount in cases which remained unresolved stood at N107.87million (2015: N2.33billion). These unresolved complaints were referred to the Central Bank of Nigeria for intervention. The Directors are of the opinion that these complaints will be resolved without adverse consequences to the Banking subsidiary. No provisions are therefore deemed necessary for these claims

DESCRIPTION	NUMBER		AMOUNT CLAIMED (N'000)		AMOUNT REFUNDED (N'000)	
	31 DEC 2016	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**
Pending complaints B/F	**85**	64	-	-	-	-
Received complaints	**35,966**	46,620	**4,939,776**	2,910,339	-	-
Total complaints	**36,051**	46,684	**4,939,776**	2,910,339	**-**	**-**
Resolved complaints	**35,923**	46,572	**4,791,338**	582,186	**4,509,778**	485,550
complaints escalated to CBN for intervention	**17**	27	**107,870**	2,328,153	**2,600**	395,166
Unresolved complaints pending with the banking	**111**	85	**-**	-	**-**	-

Directors' report
For the year ended 31 December 2016

n. Disclosure

The Directors' fees for the financial year ending 31 December 2016 shall be fixed at N200,000,000.00 only and a resolution to approve shall be proposed at the Annual General Meeting.

o. Auditors

The auditors, Messrs KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office have indicated their willingness to continue in office as auditors in accordance with section 357 (2) of the Companies and Allied Matters Act, 1990.

BY ORDER OF THE BOARD

Mrs. Olufunmilayo Adedibu
Company Secretary
44 Marina
Lagos
Nigeria
FRC/2014/NBA/00000005887
3 March 2017

Statement of directors' responsibilities in relation to the financial statements
For the year ended 31 December 2016

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria regulations.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Dr Jonathan A.D. Long
Chairman
FRC/2013/IODN/00000001433
3 March 2017

Peter Obaseki
Managing Director
FRC/2014/CIBN/00000006877
3 March 2017

Audit Committee Report

For the financial year ended 31 December 2016 to the members of FCMB Group Plc.

In compliance with Section 359 (6) of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004 and Code of Corporate Governance of Central Bank of Nigeria, we have reviewed the Audit Report for the year ended 31 December 2016 and, hereby, state as follows:

1. The scope and planning of the audit were adequate in our opinion;
2. The account and reporting policies of the Group conformed with the statutory requirements and agreed ethical practices;
3. The internal control system was constantly and effectively monitored;
4. The whistle blowing channel, run by an external and independent third party, was found adequate.
5. The external auditor's management controls report received a satisfactory response from Management; and
6. The gross value of related party loans as at 31 December 2016 was N14.70billion (31 December 2015:N2.03billion). All related party loans are performing.

Evangelist Akinola Soares, FCNA
Chairman, Audit Committee
FRC/2013/ANAN/00000004356
02 March 2017

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

1. Evangelist Akinola Soares
   Chairman/Shareholders' representative
2. Alhaji S B Daranijo
   Shareholders' representative
3. Alhaji B A Batula
   Shareholders' representative
4. Mr Bismarck Rewane
   Non-Executive Director
5. Mr Olusegun Odubogun
   Non-Executive Director
6. Mr Olutola Mobolurin
   Non-Executive Director

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

KPMG

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

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Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Members of FCMB Group Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FCMB Group Plc ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2016, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 110.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

KPMG

Key Audit Matters

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

Impairment of loans and advances

The allowance for impairment of loans and advances to customers is a key judgmental area for our audit due to the level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances. Within the financial year, global oil prices remained low resulting in lower government revenue and scarcity of foreign currency in Nigeria. This economic situation has particularly affected the ability of Group customers to meet credit obligations as they fall due. Thus, significant judgment is required to determine the allowance for impairment on loans and advances granted to the Group's customers particularly the foreign currency denominated loans and advances.

The Group identifies loans and advances for specific impairment assessment based on the magnitude, nature of the loan and the current level of past due loans. Impairment requirements are determined based on estimated future cash flows discounted to present value using the effective interest rate of the loan. An impairment assessment is performed collectively on all other loans, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting, the rate of recovery on loans that are past due and in default, the market valuations of collateral and the estimated time and cost to sell any property pledged as collateral to the Group. The impairment assessment requires the application of significant judgment by management including the application of industry knowledge and prevailing economic conditions in arriving at the level of the impairment allowance required.

Procedures

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

- We evaluated and tested the key controls over the impairment determination process such as the credit committee review. The key controls tested covered processes such as monitoring the performance of loans and advances including timely identification of impairment triggers.

- Regarding loans and advances specifically provided for, we tested the completeness of the loans identified by the Group as high risk through a consideration of all loans with risk factors such as magnitude, nature of the loan, the current level of past due obligations and our knowledge of the credit risk in the specific industries and sectors . For the obligations specifically provided for, we re-performed the calculations of impairment and compared the key data inputs to relevant sources for example, we checked amounts included for collateral to valuation reports, discount rates to the effective interest rate of the loan and projected cash flows to historical inflows in customer's account.

- In relation to the loans that were collectively provided for, we re-performed the calculation using an impairment model, in order to assess the accuracy of the collective impairment recorded. The assumptions inherent in the model were assessed against our understanding of the Group and knowledge of the industry. We assessed the methodology used by the Group to calculate the likelihood of loans and advances with different profiles moving into defaults and recalculated these default rates based on our cumulative knowledge of the Group's actual historic experience and current circumstances. We also checked actual recoveries of loans in default and recalculated the recovery rates used in the collective impairment assessment.

The Group's accounting policy on impairment and related disclosures on credit risk are shown in 2 (k (vii)) and 3 (b) respectively.

Valuation of derivatives

The Group's derivative instruments comprise interest rate swap contracts and options. These derivative instruments usually involve an agreement of future pricing parameters. The estimation of reasonable pricing details as at the reporting date in order to determine the fair value of these derivative instruments involve the use of valuation approaches, which include assumptions over future volatility of the pricing parameters and estimated forward interest rates for floating payments from interest rate curves and determination of appropriate discount rates to be applied on future cash flows. Due to the significance of these derivatives and the related estimation uncertainty, this is considered a matter of significance to the audit.

Procedures

Our procedures included amongst others the following:

- We evaluated key controls over the inputs used in determining Group's valuation of derivative transactions by checking whether appropriate input such as foreign exchange rate, forward price, volume of transaction, were used in valuing derivative contracts

- We compared observable inputs into valuation model such as quoted rates to externally available market data and assessed whether the valuation model used by the Group was in line with accepted market practice.

- We used our valuation specialists to challenge the Group's assumptions with respect to the fair value of the derivative assets and liabilities; and to evaluate key valuation inputs including price, foreign exchange rate and discount rates applied by the Group in the calculation. We also used our specialists to recompute the fair value of the instruments using validated inputs.

KPMG

The Group's accounting policy on derivatives and related disclosures are shown in note 2 (q) and note 23 respectively.

Assessment of recoverability of deferred tax assets

The Group has a significant amount of deferred tax asset both recognized and unrecognized mainly from unused tax losses, unutilised capital allowances and collective impairment of loans and advances.

The Group's determination of the recoverability of deferred tax assets involves significant judgment and high estimation uncertainty as management supports the recoverability of the deferred tax assets mainly with projections which contain estimates of future taxable income.

Procedures

Our procedures included the following:

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

- We further assessed management's forecasts of future taxable profits by checking that assumptions used in the Group's projection of taxable income were in line with the Group's historical performance, the business model and the Group's future plans.

The Group's accounting policy on deferred tax is shown in note 2 (j (ii)).

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Directors' report, Statement of Directors' responsibilities, Corporate governance report, Audit Committee report, Management Certification on Financial Statements and Other national disclosure which we obtained prior to the date of the audit report, but does not include the consolidated and separate financial statements and our audit report thereon. Other information also includes information about FCMB Group Plc, the archives of the Founder, Chairman's statement, Managing Director's report, 2016 awards won, Operating Companies performance highlights, Sustainability report, Board evaluation report, Notice of Annual General Meeting and list of branches which would be obtained after the date of the auditors' report.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated (and separate) financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

i. The Group paid penalties in respect of contravention of the Central Bank of Nigeria guidelines during the year ended 31 December 2016. Details of penalties paid are disclosed in note 45 to the financial statements.

ii. Related party transactions and balances are disclosed in note 43 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004

Ayodele H. Othihiwa, FCA
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
17 March 2017
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0989216

Consolidated and sperate statements of profit or loss and other comprehensive income
For the year ended 31 December 2016

		Group		Company	
In thousands of Naira	**Note**	**2016**	**2015**	**2016**	**2015**
Gross earnings		**176,351,973**	152,507,947	**4,654,135**	4,200,904
Interest income	7	**125,109,035**	123,583,565	**475,474**	536,426
Interest expense	8	**(55,575,527)**	(59,646,733)	**-**	-
Net interest income		**69,533,508**	63,936,832	**475,474**	536,426
Fee and commission income	10	**17,683,439**	18,998,969	**-**	-
Fee and commission expense	10	**(3,502,052)**	(3,164,615)	**(66)**	-
Net fee and commission income		**14,181,387**	15,834,354	**(66)**	-
Net trading income	11	**5,687,047**	940,285	**-**	-
Net income from other financial instruments at fair value through profit or loss	12	**21,635**	149,846	**-**	-
Other income	13	**27,850,817**	8,835,282	**4,178,661**	3,664,478
Net operating income		**33,559,499**	9,925,413	**4,178,661**	3,664,478
Net impairment loss on financial assets	9	**(35,522,071)**	(15,033,459)	**(105,589)**	(689,742)
Personnel expenses	14	**(24,804,401)**	(25,487,681)	**(218,167)**	(238,360)
Depreciation & amortisation expenses	15	**(4,474,071)**	(4,363,016)	**(24,362)**	(23,260)
General and administrative expenses	16	**(25,654,064)**	(24,845,639)	**(361,969)**	(401,085)
Other operating expenses	17	**(10,841,139)**	(12,282,705)	**(194,372)**	(300,171)
Results from operating activities		**15,978,648**	7,684,099	**3,749,611**	2,548,286
Share of post tax result of associate	28	**272,749**	84,565	**-**	-
Profit before minimum tax and income tax		**16,251,397**	7,768,664	**3,749,611**	2,548,286
Minimum tax	19	**(988,364)**	(900,532)	**-**	-
Income tax expense	19	**(924,151)**	(2,107,466)	**(19,351)**	(25,231)
Profit for the year		**14,338,882**	4,760,666	**3,730,260**	2,523,055
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**4,219,475**	498,494	**-**	-
Net change in fair value of available-for-sale financial assets		**(96,379)**	1,717,374	**-**	-
Other comprehensive income for the year, net of tax		**4,123,096**	2,215,868	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,461,978**	6,976,534	**3,730,260**	2,523,055
Profit attributable to:					
Equity holders of the Company		**14,338,882**	4,760,666	**3,730,260**	2,523,055
Non-controlling interests		**-**	-	**-**	-
		14,338,882	4,760,666	**3,730,260**	2,523,055
Total comprehensive income attributable to:					
Equity holders of the Company		**18,461,978**	6,976,534	**3,730,260**	2,523,055
Non-controlling interests		**-**	-	**-**	-
		18,461,978	6,976,534	**3,730,260**	2,523,055
Basic and diluted earnings per share (Naira)	18	**0.72**	0.24	**0.19**	0.13

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

Consolidated and separate statements of financial position

		Group		Company	
In thousands of Naira	**Note**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Assets					
Cash and cash equivalents	20	**108,104,632**	180,921,698	**5,817,754**	7,231,196
Restricted reserve deposits	21	**139,460,914**	125,552,318	**-**	-
Trading assets	22(a)	**9,154,198**	1,994,350	**-**	-
Derivative assets	23	**1,018,912**	1,479,760	**-**	-
Loans and advances to customers	24	**659,937,237**	592,957,417	**-**	-
Assets pledged as collateral	26	**59,107,132**	51,777,589	**-**	-
Investment securities	25	**128,441,676**	135,310,147	**4,844,200**	2,013,621
Investment in subsidiaries	27	**-**	-	**118,140,772**	118,246,361
Investment in associates	28	**846,512**	731,964	**418,577**	418,577
Property and equipment	29	**32,283,226**	29,970,738	**59,468**	41,263
Intangible assets	30	**9,672,530**	8,968,539	**882**	1,845
Deferred tax assets	31	**7,971,990**	8,166,241	**-**	-
Other assets	32	**16,779,119**	21,703,415	**2,084,532**	1,425,398
Total assets		**1,172,778,078**	1,159,534,176	**131,366,185**	129,378,261
Liabilities					
Trading liabilities	22(b)	**6,255,933**	-	**-**	-
Derivative liabilities	23	**770,201**	1,317,271	**-**	-
Deposits from banks	33	**24,798,296**	5,461,038	**-**	-
Deposits from customers	34	**657,609,807**	700,216,706	**-**	-
Borrowings	35	**132,094,368**	113,700,194	**-**	-
On-lending facilities	36	**42,199,380**	33,846,116	**-**	-
Debt securities issued	37	**54,481,989**	49,309,394	**-**	-
Retirement benefit obligations	38	**17,603**	50,544	**-**	-
Current income tax liabilities	19(v)	**2,859,562**	3,497,954	**44,582**	25,231
Deferred tax liabilities	31	**65,902**	68,438	**-**	-
Other liabilities	39	**72,752,043**	89,675,234	**1,221,621**	1,003,037
Total liabilities		**993,905,084**	997,142,889	**1,266,203**	1,028,268
Equity					
Share capital	40(b)	**9,901,355**	9,901,355	**9,901,355**	9,901,355
Share premium	41	**115,392,414**	115,392,414	**115,392,414**	115,392,414
Retained earnings	41	**32,458,239**	17,181,437	**4,806,213**	3,056,224
Other reserves	41	**21,120,986**	19,916,081	**-**	-
		178,872,994	162,391,287	**130,099,982**	128,349,993
Total liabilities and equity		**1,172,778,078**	1,159,534,176	**131,366,185**	129,378,261

The financial statements and the accompanying notes and significant accounting policies were approved by the Board of

Dr Jonathan A D Long

Chairman
FRC/2013/IODN/00000001433

Peter Obaseki

Managing Director
FRC/2014/CIBN/00000006877

Ifeanyi Obiekwe
Head, Financial & Regulatory Reporting
FRC/2013/ICAN/00000001432

Consolidated and separate statements of changes in equity

Group

In thousands of Naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Translation reserve	Available for sale reserve	Regulatory risk reserve	Total equity
Balance at 1 January 2016	**9,901,355**	**115,392,414**	**17,181,437**	**6,014,583**	**-**	**1,576,155**	**1,389,402**	**10,935,941**	**162,391,287**
Profit for the year	-	-	14,338,882	-	-	-		-	**14,338,882**
Transfer to statutory reserve			(1,739,228)	1,739,228	-	-	-	-	**-**
Other comprehensive income, net of tax	-	-	-	-	-	4,219,475	(96,379)	-	**4,123,096**
Total comprehensive income for the year	**-**	**-**	**12,599,654**	**1,739,228**	**-**	**4,219,475**	**(96,379)**	**-**	**18,461,978**
Transactions with owners recorded directly in equity									
Contributions by and distributions									
Transfer from regulatory risk reserve	-	-	4,657,419	-	-	-	-	(4,657,419)	**-**
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	**(1,980,271)**
Total Contributions by and distributions	**-**	**-**	**2,677,148**	**-**	**-**	**-**	**-**	**(4,657,419)**	**(1,980,271)**
Balance at 31 December 2016	**9,901,355**	**115,392,414**	**32,458,239**	**7,753,811**	**-**	**5,795,630**	**1,293,023**	**6,278,522**	**178,872,994**
Balance at 1 January 2015	**9,901,355**	**115,392,414**	**26,238,677**	**5,352,591**	**-**	**1,077,661**	**(327,972)**	**2,730,705**	**160,365,431**
Profit for the year	-	-	4,760,666	-	-	-	-	-	**4,760,666**
Transfer to statutory reserve	-	-	(661,992)	661,992	-	-	-	-	**-**
Other comprehensive income, net of tax	-	-	-	-	-	498,494	1,717,374	-	**2,215,868**
Total comprehensive income for the year	**-**	**-**	**4,098,674**	**661,992**	**-**	**498,494**	**1,717,374**	**-**	**6,976,534**
Transactions with owners recorded directly in equity									
Contributions by and distributions									
Transfer to regulatory risk reserve	-	-	(8,205,236)	-	-	-	-	8,205,236	**-**
Dividend paid	-	-	(4,950,678)	-	-	-	-	-	**(4,950,678)**
Total Contributions by and distributions	**-**	**-**	**(13,155,914)**	**-**	**-**	**-**	**-**	**8,205,236**	**(4,950,678)**
Balance at 31 December 2015	**9,901,355**	**115,392,414**	**17,181,437**	**6,014,583**	**-**	**1,576,155**	**1,389,402**	**10,935,941**	**162,391,287**

Consolidated and separate statements of changes in equity

Company
In thousand of Naira

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	Translation reserve	Available for sale reserve	Regulatory risk reserve	Total equity
Balance at 1 January 2016	**9,901,355**	**115,392,414**	**3,056,224**	**-**	**-**	**-**	**-**	**-**	**128,349,993**
Profit for the year	-	-	3,730,260	-	-	-	-	-	**3,730,260**
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	**-**
Total comprehensive income for the year	-	-	3,730,260	-	**-**	-	-	-	**3,730,260**
Transactions with owners recorded directly in equity									
Contributions by and distributions									
Dividend paid	-	-	(1,980,271)	-	-	-	-	-	(1,980,271)
Total Contributions by and distributions	**-**	**-**	**(1,980,271)**	**-**	**-**	**-**	**-**	**-**	**(1,980,271)**
Balance at 31 December 2016	**9,901,355**	**115,392,414**	**4,806,213**	**-**	**-**	**-**	**-**	**-**	**130,099,982**
Balance at 1 January 2015	**9,901,355**	**115,392,414**	**5,483,847**	**-**	**-**	**-**	**-**	**-**	**130,777,616**
Profit for the year	-	-	2,523,055	-	-	-	-	-	**2,523,055**
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**2,523,055**	**-**	**-**	**-**	**-**	**-**	**2,523,055**
Transactions with owners recorded directly in equity									
Contributions by and distributions									
Dividend paid	-	-	(4,950,678)	-	-	-	-	-	(4,950,678)
Total Contributions by and distributions	**-**	**-**	**(4,950,678)**	**-**	**-**	**-**	**-**	**-**	**(4,950,678)**
Balance at 31 December 2015	**9,901,355**	**115,392,414**	**3,056,224**	**-**	**-**	**-**	**-**	**-**	**128,349,993**

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

Consolidated and separate statements of cash flows

		Group		Company	
In thousands of Naira	**Note**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Cash flows from operating activities					
Profit for the year		**14,338,882**	4,760,666	**3,730,260**	2,523,055
Adjustments for:					
Net impairment loss on financial assets	**9**	**35,522,071**	15,033,459	**105,589**	689,742
Fair value gain on financial assets held for trading	**47(i)**	**54,622**	(3,143)	**-**	-
Net income from other financial instruments at fair value through profit or loss	**12**	**(21,635)**	(149,846)	**-**	-
Depreciation and amortisation	**15**	**4,474,071**	4,363,016	**24,362**	23,260
Loss / (profit) on disposal of property and equipment and intangible asset	**13**	**1,408,352**	(231,328)	**(570)**	(108)
Loss / (profit) on disposal of investment securities	**13**	**769,929**	(2,584,955)	**(42,387)**	(1,915,875)
Share of profit of associates	**28**	**(272,749)**	(84,565)	**-**	-
Foreign exchange gains	13	**(29,310,033)**	(5,431,496)	**(1,883,509)**	(201,710)
Net interest income	47(ix)	**(69,533,508)**	(63,936,832)	**(475,474)**	(536,426)
Dividend income	13	**(448,538)**	(532,552)	**(2,252,195)**	(1,538,510)
Tax expense	19	**1,912,515**	3,007,998	**19,351**	25,231
		(41,106,021)	(45,789,578)	**(774,574)**	(931,341)
Changes in operating assets and liabilities					
Net (increase)/decrease in restricted reserve deposits	**47(x)**	**(13,908,596)**	20,553,255	**-**	-
Net decrease in derivative assets held for risk management	**47(xi)**	**971,983**	3,420,397	**-**	-
Net increase in non-pledged trading assets	47(xii)	**(6,997,345)**	(1,237,693)	**-**	-
Net (increase)/decrease in loans and advances to customers	47(xiii)	**(64,883,315)**	25,022,373	**-**	-
Net decrease/(increase) in other assets	47(xiv)	**4,924,296**	4,384,268	**(659,134)**	4,026,682
Net decrease in trading liabilities	22(b)	**(6,255,933)**	-	**-**	-
Net increase in deposits from banks	47(xv)	**19,337,258**	664,286	**-**	-
Net decrease in deposits from customers	47(xvi)	**(42,606,899)**	(33,580,090)	**-**	-
Net increase in on-lending facilities	47(xvii)	**7,758,788**	18,359,414	**-**	-
Net decrease in derivative liabilities held for risk management	47(xviii)	**(1,073,123)**	(3,278,455)	**-**	-
Net increase/(decrease) in other liabilities	47(vii)	**(18,149,192)**	(33,094,394)	**208,169**	309,057
		(161,988,099)	(44,576,217)	**(1,225,539)**	3,404,398
Interest received	47(ii)	**137,414,576**	128,810,492	**475,474**	484,314
Interest paid	47(iii)	**(55,753,584)**	(74,313,914)	**-**	-
Dividends received	13	**448,538**	532,552	**2,252,195**	1,538,510
VAT paid	47(iv)	**(884,172)**	(770,249)	**-**	-
Income taxes paid	19(v)	**(1,935,705)**	(3,883,168)	**-**	(114,246)
Net cash used in operating activities		**(82,698,446)**	5,799,496	**1,502,130**	5,312,976
Cash flows from investing activities					
Investment in subsidiaries	27(f)	**-**	-	**-**	(180,000)
Purchase of property and equipment	29	**(3,868,517)**	(6,449,787)	**(68,305)**	(7,223)
Purchase of intangible assets	30(a)	**(302,185)**	(542,269)	**-**	-
Proceeds from sale of property and equipment	47(viii)	**247,912**	89,004	**27,271**	108
Acquisition of investment securities	47(v)	**(79,557,022)**	(85,257,087)	**(2,442,000)**	(440,698)
Proceeds from sale and redemption of investment securities	47(v)	**77,322,034**	106,775,458	**42,387**	3,434,934
Net cash generated from investing activities		**(6,157,778)**	14,615,319	**(2,440,647)**	2,807,121
Cash flows from financing activities					
Dividend paid	50	**(1,980,271)**	(4,950,678)	**(1,980,271)**	(4,950,678)
Proceeds from long term borrowing	35(c)	**33,996,484**	28,781,222	**-**	-
Repayment of long term borrowing	35(c)	**(68,348,938)**	(14,742,847)	**-**	-
Proceeds from debt securities issued	46(xix)	**5,104,000**	23,135,208	**-**	-
Net cash generated from financing activities		**(31,228,725)**	32,222,905	**(1,980,271)**	(4,950,678)
Net (decrease)/Increase in cash and cash equivalents		**(120,084,950)**	52,637,721	**(2,918,788)**	3,169,419
Cash and cash equivalents at start of year	20	**180,921,698**	126,293,809	**7,231,196**	4,056,165
Effect of exchange rate fluctuations on cash and cash equivalents held	47(vi)	**47,267,884**	1,990,168	**1,505,347**	5,612
Cash and cash equivalents at end of year	20	**108,104,632**	180,921,698	**5,817,754**	7,231,196

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

Notes to the consolidated and separate financial statements

1 Reporting entity

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

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

FCMB Group Plc is a company domiciled in Nigeria. The address of the company's registered office is 44 Marina, Lagos. These audited reports for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

2 Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB) in the manner required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria circulars and guidelines. The IFRS accounting policies have been consistently applied to all periods presented. These consolidated and separate financial statements were authorised for issue by the Board of directors on 3 March 2017

(ii) Basis of measurement

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

Non-derivative financial instruments, at fair value through profit or loss are measured at fair value

Available-for-sale financial assets are measured at fair value through other comprehensive income (OCI). However, when the fair value of the avaliable-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.

Financial assets and liabilities held for trading are measured at fair value

Derivative financial instruments are measured at fair value

(iii) Functional and presentation currency

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

Notes to the consolidated and separate financial statements

(iv) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

(b) Basis of Consolidation

(i) Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investment in subsidiaries are measured at cost less impairment in the Company's separate financial statements.

(ii) Special purpose entities

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

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

(iii) Loss of control

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

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

Notes to the consolidated and separate financial statements

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

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

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

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

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

(v) Transactions eliminated on consolidation

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

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions.

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

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

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

(ii) Foreign operations

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

Notes to the consolidated and separate financial statements

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

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

(d) Interest

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

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

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

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

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

- Interest on available for sale investment securities calculated on an effective interest rate basis

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

(e) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate which is used in the computation of Interest Income. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantees, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

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

Notes to the consolidated and separate financial statements

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

(f) Net trading income

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

(g) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to fair value gains or losses on non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(h) Dividend income

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

(i) Leases

(i) Lease payments – Lessee

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

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

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

(ii) Lease assets – Lessee

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

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

(iii) Lease assets – Lessor

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

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

(j) Income Tax

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

Notes to the consolidated and separate financial statements

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and it consists of Company Income Tax, Education tax and NITDA levy. Company Income tax is assessed at 30% statutory rate of total profit whereas Education tax is computed as 2% of assessable profit while NITDA levy is a 1% levy on Profit Before Tax of the Company and the subsidiary companies.

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

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

(ii) Deferred tax

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

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

Notes to the consolidated and separate financial statements

(iii) Tax exposures

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

(k) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

Financial assets

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

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

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

Financial liabilities

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

(iii) De-recognition

Financial assets

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

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

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

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

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

Financial liabilities

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

Notes to the consolidated and separate financial statements

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(vii) Identification and measurement of impairment

Asset

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

Objective evidence that financial assets are impaired can include;

(a) a breach of contract, such as a default or delinquency in interest or principal payments;
(b) significant financial difficulty of the issuer or obligor;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial
(e) the disappearance of an active market for that financial asset because of financial

Notes to the consolidated and separate financial statements

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

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

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

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

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

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

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

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

Notes to the consolidated and separate financial statements

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

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

Assets classified as available for sale

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

(l) Cash and cash equivalents and restricted deposits

Cash and cash equivalents include bank notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Restricted reserve deposits are restricted mandatory reserve deposits held with the Central Bank of Nigeria, which are not available for use in the Bank and Group's day-to-day operations. They are calculated as a fixed percentage of the Bank and Group's deposit liabilities.

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

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

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

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

Notes to the consolidated and separate financial statements

(i) Trading assets and liabilities

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

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

(ii) Designation at fair value through profit or loss

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

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

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

(iii) Reclassification of financial assets and liabilities

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

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

(n) Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for de-recognition (see k(iii)) are reclassified in the statement of financial position from investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial measurement of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are designated as available for sale or held to maturity. Where the assets pledged as collateral are designated as available for sale, subsequent measurement is at fair value through equity. Assets pledged as collateral designated as held to maturity are measured at amortised cost.

Notes to the consolidated and separate financial statements

(o) Loans and advances

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

Loan and receivables from customers and others include:

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

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

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

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

(p) Investment securities

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

(i) Held-to-maturity

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

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

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

(ii) Fair value through profit or loss

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

Notes to the consolidated and separate financial statements

(iii) Available-for-sale

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

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

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

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

(q) Derivative assets and liabilities

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

(r) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

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

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the consolidated statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount; see note (t) on impairment of non-financial assets.

(ii) Subsequent costs

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

Notes to the consolidated and separate financial statements

(iii) Depreciation

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

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

The estimated useful lives for the current and comparative periods of significant items of

Leasehold land	Over the
Buildings	50 years
Computer hardware	4 years
Furniture, fittings and equipment	5 years
Motor vehicles	4 years

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

(iv) De-recognition

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

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in the statement of profit or loss; Goodwill on acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Subsequent measurement

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

(ii) Software

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

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

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

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

(t) Impairment of non-financial assets

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

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

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

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

(u) Deposits, debt securities issued, onlending facilities and borrowings

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

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

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(v) Sale and repurchase agreements

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

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

(w) Provisions

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

(x) Financial guarantees and loan commitments

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

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

(y) Employee benefits

(i) Defined contribution plans

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

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(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(z) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on the Company's ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act of Nigeria.

Where the Company or other members of the Group purchase the Company's share, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(aa) Earnings per share

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

(ab) Segment reporting

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

Notes to the consolidated and separate financial statements

(ac) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9, Financial instruments

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a material impact on the Group's financial statements. IFRS 9 is effective for periods beginning on or after 1 January 2018.

The Group is currently in the process of assessing the impact that the initial application would have on its business and will adopt the standard for the year ending 31 December 2018.

(ii) IFRS 15, Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Group has assessed and evaluated the potential effect of this standard. Given the nature of the Group's operations, this standard is expected not to have a significant impact on the Group's financial statements. IFRS 15 is effective for periods beginning on or after 1 January 2018.

Notes to the consolidated and separate financial statements

(iii) IFRS 16, Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as required by IAS 17 and introduces a single lease accounting model. Applying that model, a lessee is required to recognise:

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

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases or finance leases, and to account for these two types of leases differently.

The Group is currently in the process of assessing the impact that the initial application would have on its business and will adopt the standard for the year ending 31 December 2019. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

(iv) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
Entities are not required to present comparative information for earlier periods.

The Group will adopt the amendments for the year ending 31 December 2017. The amendments are effective for annual periods beginning on or after 1 January 2017.

(v) Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

The impact on the financial statements of an entity will depend on the entity’s tax environment and how it currently accounts for deferred taxes.

The amendment is not expected to have any significant impact on the consolidated financial statements of the Group. The Group will adopt the amendments for the year ending 31 December 2017. The amendments are effective for annual periods beginning on or after 1 January 2017.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3 Financial risk management

(a) Introduction and overview

Risk management at FCMB Group Plc is critical to the attainment of the Group’s strategic business objectives. It provides the mechanism to identify and explore growth opportunities and manage inherent risks in operating and business environments, ensure compliance with corporate governance standards and regulatory stipulations. Our risk management practices are integrated, structured, enterprise-wide and continuous across the Group for identifying and deciding on appropriate responses to, and reporting on, opportunities and threats that may affect the achievement of the strategic business objectives. Based on its strategic business and operational objectives, the Group is exposed to a wide range of risks such as credit, liquidity, market, operational, strategic, regulatory, reputional and systemic risks . It has put in place a robust risk management framework, policies and processes for the proactive identification, assessment, measurement and management of such risks to ensure that they are managed within the Board approved risk appetite whilst also complying with the regulatory requirements. The Group has developed and periodically updates its capital management policy and capital plan to ensure that it operates within its risk capacity, while optimising risk and return. The outcome of the business strategy and capital plan are part of the key considerations in the development of risk appetite and they all work together to ensure there is an equilibrium.The framework seeks to strengthen the administration and supervision of the Group's enterprise risk management and ensure that the Group's corporate governance principles, risk philosophy and culture, risk appetite and risk management processes are implemented in line with the board’s expectations. It also provides management with clear, comprehensive and unbiased analysis of the adequacy, existence and effectiveness of internal controls and risk processes.
In line with global standard, the Group sets its risk tone from the top, adopting a strategy that ensures individuals who take or manage risk clearly understand it; the Group and its subsidiaries’ risk exposures are within the appetites established by Board of Directors; risk taking decisions are in line with the business strategy and objectives set by the Board of Directors; the expected payoffs compensate for the risks taken; risk taking decisions are explicit and clear and sufficient capital is available to take risks. Personal accountability is reinforced by the Group’s values, with staff expected to act with courageous integrity in conducting their duties even as competence is developed through various training and development programs. Also, staff are supported through the Group's whistle blower program, which enables them to raise concerns in a confidential manner. The whistle blower program has been outsourced to ensure independence, confidentiality and protection of the whistle blower.

FCMB Risk Management Philosophy

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

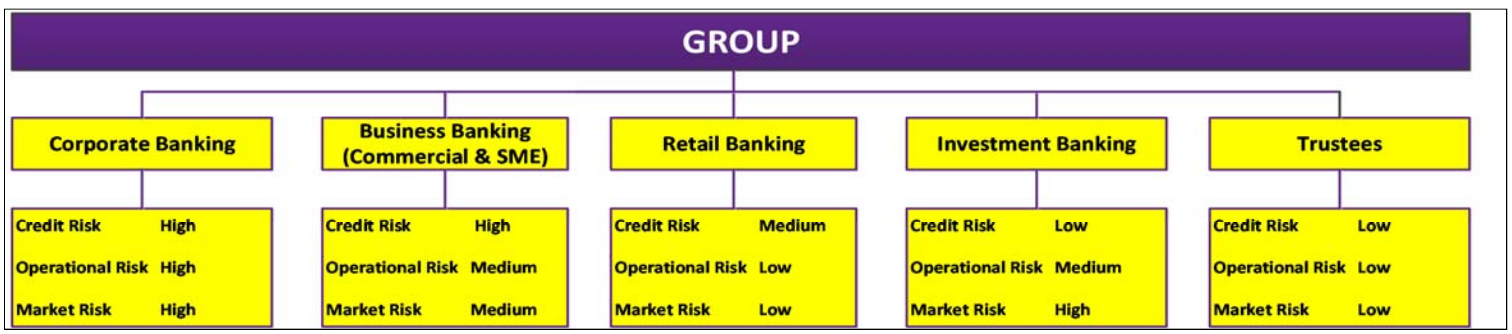
The following guiding principles that FCMB tries to entrench in its Risk Management process:

a) A common standard of risk management values imbibed and consistently exhibited by everyone in the Group;
b) Consistent drive to balance risk/opportunities and return;
c) Clear and consistent communication on risks;
d) A business strategy that aligns risk and accountability;
e) The Group will always strive to understand every new product, business or any type of transaction with a view to addressing all the risk issues;
f) The Group will avoid products and businesses it does not understand.

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

The chart below provides a link between the Group’s business units and their principal risk exposures. The risks have been assessed based on the relative amount of capital allocation to the various business lines and their revenue generating ability.

Business Units and Risk Exposures



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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

As implied from this chart, credit risk is the largest risk exposure of the Group, next to this is operational risk and then market risk, which has increased in recent time resulting from naira devaluation and scarcity of foreign currency required to meet obligations. Apart from the devaluation of the naira and scarcity of foreign currency, which have increased credit and market risks, the changes in the CBN monetary policy have also heightened the interest rate risks of the bank, both in the banking and trading book, with significant impact in the banking book - the Interest Rate Risk in the Banking Book (IRRBB). Also, the latter has not been helped by the current liquidity strains in the industry. Corporate Banking, having the largest exposure to credit risk takes most of the capital allocation, followed by Business Banking, Retail Banking, Investment Banking (treasury, brokerage, advisory, asset management businesses, etc.) and Trustees. Despite the presence of counterparty risks, credit risk is low for treasury functions, but market risk, which used to be low because of the nature of instruments traded in Nigeria is no more so due to the devaluation of the Naira; scarcity of foreign exchange (resulting from the drop in oil price and the high dependence of the Nigerian economy on importation) and monetary policies. The Trustee business has the least capital allocation due to low portfolio risk. The Group continues to identify and proactively manage its various risk exposures at the transaction and portfolio level, making sure that appropriate mitigants are in place for the various balance sheet exposures.

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

Risk Management Framework

The Board of FCMB Group Plc has the risk oversight role, setting and approving the risk appetite and other capital management initiatives to be implemented by the Executive Management Committee.The Executive Management Committee coordinates the activities of the sub-committees to provide support to the Board in managing risk and ensuring that capital is adequate and optimally deployed. The Boards of FCMB Group Plc and its subsidiaries continue to align the business and risk strategy of the Group through a well articulated appetite for all significant risks, and make sure (through appropriate sub-committees) that all risk taking activities are within the set appetite or tolerance, failing which an appropriate remedial action should be taken within a reasonable period. The responsibility for day-to-day management of these risks has been delegated to Executive Managements through its related committees (Risk Management Committee, Management Credit Committee, Asset & Liability Committee, Investment Committee and Executive Management Committee). The Risk Committee focuses on risk governance and provides a strong forward-looking view of risks and their mitigation. The Risk Committee is a sub-committee of the Board and has responsibility for oversight; and advises the Board on, inter alia, the Group's risk appetite, tolerance and strategy, systems of risk management, internal control and compliance. Additionally, the Risk Committee ensures the alignment of the reward structures and the maintenance and development of a supportive culture, in relation to the management of risk, which is appropriately embedded through procedures, training and leadership actions. In carrying out its responsibilities, the Risk Committee is closely supported by the Chief Risk Officer and the Chief Financial Officer, together with other business functions within their respective areas of responsibility.

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

Enterprise Risk Universe and Governance Structure.

<table>
<tr><th colspan="10">FCMB Group Risk Universe & Responsibility Matrix</th></tr>
<tr><td>Risk Universe</td><td>Credit Risk</td><td>Concentration Risk</td><td>Market Risk</td><td>Liquidity Risk</td><td>Operational Risk</td><td>Strategic Risk</td><td>Legal Risk</td><td>Reputational Risk</td><td>Compliance Risk</td></tr>
<tr><td>Primary Risk Owner</td><td>Chief Risk Officer</td><td>Chief Risk Officer</td><td>Treasurer</td><td>Treasurer</td><td>Head of Operations & Technology Division</td><td>Head of Strategy</td><td>General Counsel</td><td>Head of Corporate Comm./ Brand Marketing</td><td>Chief Compliance Officer</td></tr>
<tr><td>Secondary Risk Owner</td><td colspan="8">Chief Risk Officer</td><td>Chief Compliance Officer</td></tr>
<tr><td rowspan="2">Management Committee</td><td colspan="2">Management Credit Committee</td><td colspan="2">Asset & Liability Management Committee</td><td colspan="2">Risk Management Committee</td><td colspan="3">Executive Management Committee</td></tr>
<tr><td colspan="9">Risk Management Committee</td></tr>
<tr><td rowspan="2">Board Committee</td><td colspan="2">Board Credit Committee</td><td colspan="6">Board Risk, Audit & Finance Committee</td><td>Board of Directors</td></tr>
<tr><td colspan="9">Board of Directors</td></tr>
</table>

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

(ii) Risk Oversight: Independent control function over the business processes and related risks to ensure that business and process owners operate within defined appetite and approved policies and procedures. It is provided by functions such as risk management, internal control, compliance, and finance. These departments develop policies and procedures, risk management processes and controls, monitor and report on risks accordingly for prompt decision making. The Board of Directors also play risk oversight role. Board Risk,Audit & Finance Committee has oversight reponisibility for all the risk exposures in the Group while the Board Credit Committee (BCC) is responsible for the various credit risk exposures.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Details of the Group's Three Line Defense Mechanism is described below:

FIRST LINE OF DEFENCE

(a) Board Level

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

II. The Board Risk, Audit & Finance Committee (BRAFC) and, as neccessary, the subsidiaries' risk committees provide direct oversight for enterprise risk management and acts on behalf of the Board on all risk management matters. The BRAFC ensures that all decisions of the Board on risk management are fully implemented and that risk exposures are in line with agreed risk appetite. The committee also reviews the enterprise risk management framework on a periodic basis to ensure its appropriateness and continued usefulness in line with the size, complexity and exposure of the Group to risks and compliance with regulatory requirements. The BRAFC is also responsible for assessing the adequacy and scope of internal controls, audit of the financial statements and overall compliance.The committee meets every quarter.

III. The Board Credit Committee's (BCC) function is more transactional. It approves amendments to the Group's credit policy, changes in target market or risk acceptance criteria, large exposure requests within pre-defined limits, exceptional approvals where necessary, specific provisions, credit write-offs and remedial/corrective measures. The BCC also reviews the credit portfolio to ensure they are appropriately managed for portfolio risk exposures such as correlation risk, concentration risk, cyclicality of collateral values and any reputational and contagion effects.

(b) Executive Management Level

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

II. The Management Credit Committee (MCC) appraises and approves loans and other credit related transactions as stated in the Group's credit policy. The committee endorses the credit policy and ensures full compliance with the Board approved credit policy.The MCC reviews and considers credit requests above the delegated approval limits of the approving authorities for approval. The commitee also reviews and manages portfolio risk in order for the credit portfolio to remains healthy and in compliance with the Board approved appetite and all regulatory requirements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

(c) Business Unit Management Level

I. Business Unit Management, as a risk originator, has first line responsibility and ownership of risks. The Business Units take on risks within set boundaries and manage the risks taken on a day to day basis to protect the Group from the risk of loss.

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

SECOND LINE OF DEFENCE

The Risk Management Division is an independent control function with primarily responsibility for the following:

- **Risk Strategy -** Development of the risk management strategy in alignment with overall growth and business strategy of the Group.
- **Risk Compliance** - Ensuring compliance with risk strategy, risk appetite at enterprise and business unit levels.
- **Risk Advisory** – Identification, measurement, management and disclosure of all significant risk exposures and providing recommendations/guidance on risk taking and exposures.
- **Risk Control -** Proactive management of all risks to minimize losses and capital erosion. The Group could take various control measures to address identified risk exposures such as follows:

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

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

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

- Formulation of policy or enhancement
- Clarity and strengthening of accountabilities
- Improvement of processes
- Strengthening/Implementation of new controls
- Education and training program
- Expert advice

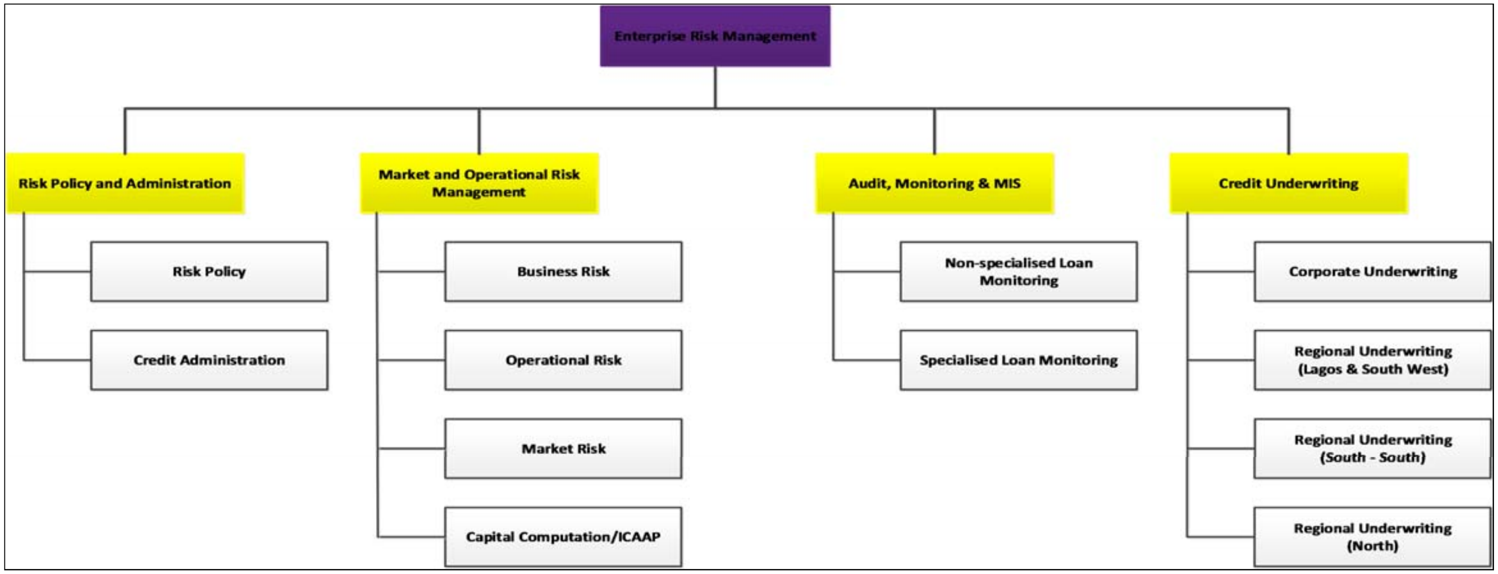
The mitigation steps may be Directive, Preventative, Detective or Corrective controls. Detective control entails monitoring of the activities that can lead to the incident in order to detect any early warning signal and respond to it in time.

(iv) Risk Transfer: The Group will try to shift the burden from its shoulders to various other sources. Some common practices involved in risk sharing include Insurance Contract, Performance Bonds, Guarantees, Warrantees and outsourcing. The relevant business unit should however include the new risks arising from these arrangements, such as service level performance and contract management, in its risk universe.

(v) Risk Sharing: The Group will share the risk with another party in order to reduce any possible loss. Examples include loan syndication, Joint-Venture arrangement among others.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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



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

(b) Internal Control and Compliance Division

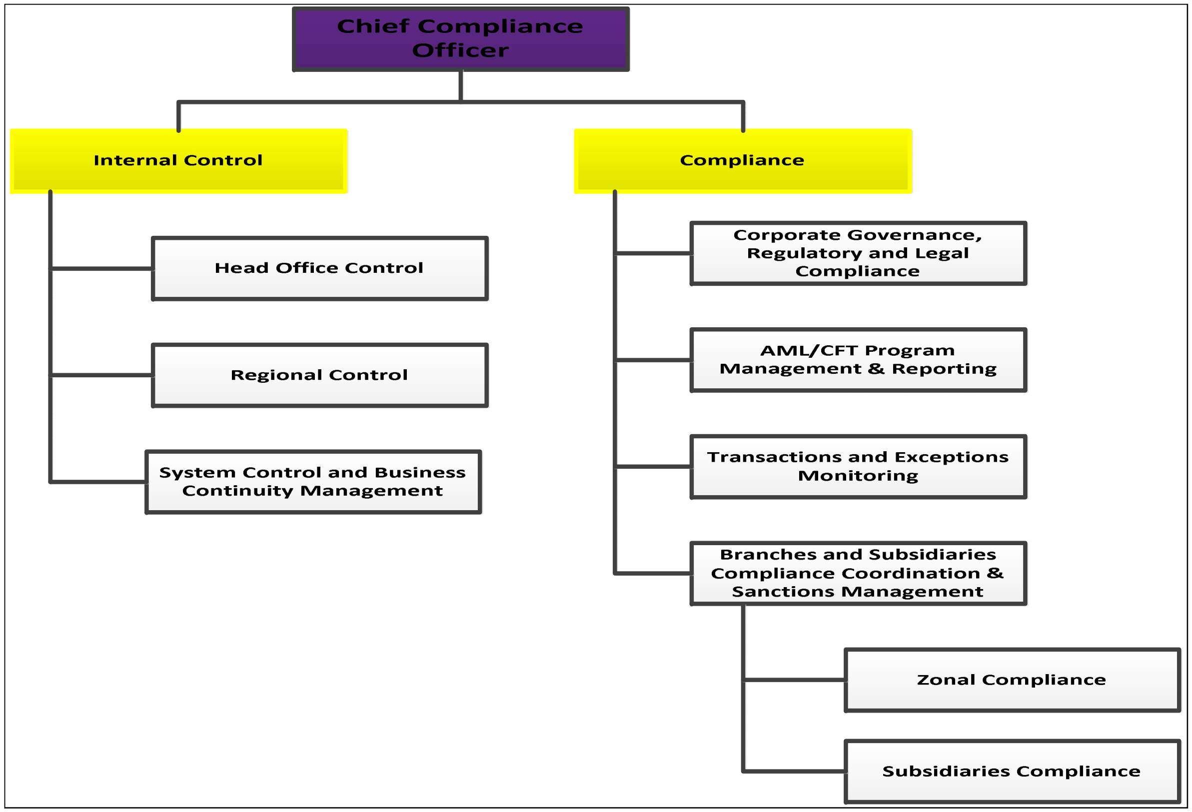
The Internal Control and Compliance Division is primarily charged with the following:

- The Internal Control and Compliance teams work hand-in-hand. Internal control is directly responsible for enforcing and confirming compliance with group-wide policies, procedures and internal controls. It conducts routine control checks across all businesses and processes. It is responsible for effective and efficient control environment that ensures that minimal operational losses from frauds, errors, operational gaps, and other irregularities.It monitors control activities and ensure compliance with minimum control standards defined by the Board.

- The Compliance team ensures the Group fully complies with the spirit and letter of laws, corporate governance standards, all regulatory requirements such as KYC, Anti-Money Laundering (AML) regulations and indeed all requirements of the Central Bank of Nigeria (CBN) and other authorities such as Nigerian Deposit Insurance Corporation (NDIC), Securities & Exchange Commission, Nigerian Stock Exchange among others.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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



(c) Group Finance Division

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

THIRD LINE OF DEFENCE

(a) Internal Audit

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

(b) External Audit

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Risk Appetite
Risk appetite is an expression of the level and type of risks that the Group is willing to accept/retain for a given risk-reward ratio in order to achieve its strategic goals. In FCMB, Risk Appetite is set by the Board of Directors and enforced by the Enterprise Risk Management Division. It is a key component of the risk management framework and central to the annual planning process. This appetite guides all management risks (strategic and reputational risks), risk creation activities (chosen risks such as credit and market risks) and risks inadvertently assumed by the Business groups (consequential risks such as operational risks).

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

FCMB General Risk Appetite Statement

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

Apart from the General Risk Appetite Statement, the Group also has specific risk appetite statements defined around its strategic objectives, with defined metrics to track them. This is to ensure that the specific risk appetite statements are in sync with the business strategy of the Group.

Some of the parameters around which risk appetite and tolerances have been defined in the Group include:
- Bank Credit Rating.
- Capital Adequacy Ratio.
- Deviation from PBT and ROE.
- Non-Performing Loan (NPL).
- Cost of Risk.
- Secured Exposure.
- Various credit risk concentration limits.
- Net Interest Margin (NIM).
- Low Cost Composition.
- Various market risk trading and exposure limits.
- Liquidity Risk measurement/exposure limits.
- Operational Risk exposure limits for loss events and Key Risk Indicators and Key Control Indicators.
- Interest Rate Risk (IRR) Trading Limits.
- Various metrics/statements for reputational, regulatory and complaince risks.

Benefit of FCMB Risk Appetite Framework and Statements:

• Sets foundation for the risk culture of the Group.
• Helps to communicate the board’s vision in practical terms.
• Guides all staff in their decision-making on all risk related activities.
• Helps to ensure an alignment between the expectations of the board and the business.
• Serves as a benchmark for monitoring and reporting of abnormal events or exposures.

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

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

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

The Group takes on credit risk through the following principal activities:
- **Lending / Leasing:** The Group grants credit to its customers (loans, advances, temporary overdraft etc.) or finances a lease or grants an advance or a loan to its employees (staff loan, cash advance etc.).

- **Bank Guarantees:** The Group issues bonds and guarantees (contingent exposure).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

- **Trading (money market placement, foreign currency trading etc.) activities:** The Group 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. There is counterparty risk, which creates a billateral risk of loss.

The Group uses its internal ratings system to assess the risk of default (probability that a customer will become 90 days past due on an obligation) and the risk of loss in the event of default (the estimated size of loss the Group will incur in the event of a default). The Group's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. This provides predictive capability for asseessing the borrower's likelihood of default and the acceptable risk mitigants required to cushion residual credit risks for each transaction.

Our ratings framework measures the following key components:

- **Financial Factors:** Sales terms/conditions, Strength of Operations, Liquidity and Capital in addition to Debt Service Capacity).
- **Industry**: Structure, Performance, Economic Sensitivity and Outlook.
- **Management Quality** (Ownership Experience, Skills and Turnover) and Company Standing (Reputation, Ownership and Credit History).
- **Security/Collateral arrangements**, Seniority of debt, Ability to cancel debt at the point of default and Loss Given Default (LGD) computation for each security/collateral type supporting the exposure.

The above components help the Group to establish the following:

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

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

The Group's internal rating scale and mapping to external ratings as at 31 December 2016 and 31 December 2015 is shown below:

INTERNAL RATING SCALE	DESCRIPTION	EXTERNAL RATING SCALE (MOODY'S)	EXTERNAL RATING SCALE (S&P)	2016 PD	2016 PD - DECIMALS	2015 PD	2015 PD - DECIMALS
AAA	INVESTMENT GRADE	Aaa	AAA	0.0185%	0.000185	0.0185%	0.000185
AA		Aa1	AA+	0.0308%	0.000308	0.0308%	0.000308
AA-		Aa2	AA	0.0320%	0.000320	0.0320%	0.000320
A+		Aa3	AA-	0.0435%	0.000435	0.0435%	0.000435
A		A1	A+	0.0514%	0.000514	0.0514%	0.000514
A-		A2	A	0.0704%	0.000704	0.0704%	0.000704
BBB+	PERMISSIBLE GRADE	A3	A-	0.0857%	0.000857	0.0857%	0.000857
BBB+		Baa1 / Baa2	BBB+/BBB	0.1428%	0.001428	0.1428%	0.001428
BBB-		Baa3 / Ba1	BBB-/BB+	0.1785%	0.001785	0.1785%	0.001785
BB+		Ba2	BB	0.2231%	0.002231	0.2231%	0.002231
BB		Ba3	BB-	0.3540%	0.003540	0.3540%	0.003540
BB-		B1	B+	0.5445%	0.005445	0.5445%	0.005445
CCC+	SPECULATIVE GRADE	B2	B	4.6407%	0.046407	4.6407%	0.046407
CCC		B3	B-	6.1876%	0.061876	6.1876%	0.061876
CCC-		B3	B-	7.7345%	0.077345	7.7345%	0.077345
CC+		Caa1	CCC+	9.2814%	0.092814	9.2814%	0.092814
CC		Caa2	CCC	10.8283%	0.108283	10.8283%	0.108283
CC-		Caa2	CCC	12.3750%	0.123750	12.3750%	0.123750
C+		Caa3	CCC-	13.9221%	0.139221	13.9221%	0.139221
C	LOWER SPECULATIVE GRADE	Caa3	CCC-	54.6900%	0.546900	54.6900%	0.546900
C-		D	NA	100.0000%	1.000000	100.0000%	1.000000

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

Management of Credit Risk

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The credit risk management function of the Group, which rides on a sound credit culture is achieved through a combination of the following:

- **Appropriate Credit Policies:** The Group develops appropriate risk management policies in conjunction with the business units and other stakeholders, covering all the key areas of credit origination, management, collection, portfolio management etc. whilst also ensuring compliance with all regulatory requirements. The credit policies reinforce all the Group's lending and credit management decisions. The credit risk policies are reviewed periodically to ensure they continue to be relevant and robust enough to address existing and emerging credit risk exposures.

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

- **Establishment of Credit Approval Limits and Authorities**: There are various approval limits for different kinds of credit exposures and approval authorities, including the various risk committees such as the Management Credit Committee (MCC) and the Board Credit Committee (BCC). These limits are also guided by statutory impositions such as the single obligor limit and other concentrations' limits set by the Central Bank of Nigeria (CBN).The Group's single obligor limit is benchmarked to the regulatory cap of 20% of Shareholder's Funds unimpaired by loses. The sector limits are set based on the perceived riskiness of each sector but the Government exposures are capped at the regulatory limit of 10% of total loans.

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

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

- **Loan Monitoring & Reviews**: The various loans are monitored both at transaction and at portfolio levels to ensure a balanced and healthy portfolio in line with the portfolio development and balancing strategy of the Group.

- **Collateral Review, Monitoring & Management:** The Legal department reviews the collateral proposed by customers as part of the credit approval process to determine acceptability of the collateral. Beyond the initial assessment at the point of credit origination however, the Group also has a good collateral management review process in place, in order to reduce the risk of loss in the event of default. Our collateral management policy is linked to the internal ratings framework and has helped to reduce the estimated expected loss and capital charge on transactions. Collateral management in the Group includes periodic evaluation of coverage for each facility type; mark-to-market for stocks and commodities, revaluation benchmark for properties and acceptable standards for eligibility on all forms of collateral.

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

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

  Generally, all the contingent liabilities are also supported by tangible collaterals or a charge over the underlying goods depending on the assessment of the performance risks.

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Exposure to Credit Risk

		GROUP		COMPANY	
		LOANS AND ADVANCES TO CUSTOMERS		LOANS AND ADVANCES TO CUSTOMERS	
In thousands of Naira	**Note**	**2016**	**2015**	**2016**	**2015**
Maximum exposure to credit risk					
Carrying Amount	24(a)	**659,937,237**	592,957,417	**-**	-
Amount committed / guaranteed	42(b)	**159,383,506**	141,031,528	**-**	-
		819,320,743	733,988,945	**-**	-
Individually Impaired (At amortised cost)					
Very Low Risk		**-**	-	**-**	-
Low Risk		**526,744**	2,088,706	**-**	-
Acceptable Risk		**11,035,815**	11,612,776	**-**	-
Moderately High Risk		**932,486**	1,322,432	**-**	-
High Risk		**-**	-	**-**	-
Gross Amount		**12,495,045**	15,023,914	**-**	-
Collectively Impaired (At amortised cost)					
Very Low Risk		**-**	-	**-**	
Low Risk		**191,632**	1,083,434	**-**	-
Acceptable Risk		**8,383,429**	5,629,642	**-**	-
Moderately High Risk		**4,404,423**	3,633,172	**-**	-
High Risk		**-**	-	**-**	-
Gross Amount		**12,979,484**	10,346,248	**-**	-
Past due but not impaired (At amortised cost)					
Very low risk		**-**	-	**-**	
Low risk		**5,726,176**	12,895,661	**-**	-
Acceptable risk		**46,108,536**	46,213,785	**-**	-
Moderately high risk		**9,651,401**	2,721,234	**-**	-
High risk		**-**	-	**-**	-
Carrying amount		**61,486,113**	61,830,680	**-**	-
Past due but not impaired comprises					
1-29 days		**49,548,159**	59,549,626	**-**	-
30-59 days		**11,429,876**	28,249	**-**	-
60-89 days		**508,078**	2,252,805	**-**	-
Carrying amount		**61,486,113**	61,830,680	**-**	-
Neither past due nor impaired (At amortised cost)					
Very low risk		**35,643,254**	36,032,521	**-**	-
Low risk		**96,190,033**	97,365,534	**-**	-
Acceptable risk		**410,882,729**	328,144,790	**-**	-
Moderately high risk		**50,806,403**	62,316,014	**-**	-
High risk		**-**	-	**-**	-
Gross Amount		**593,522,419**	523,858,859	**-**	-
Total Gross amount (At amortised cost)		**680,483,061**	611,059,701	**-**	-
Impairment allowance:					
Specific	24(c)(i)	**(6,524,600)**	(11,488,991)	**-**	-
Collective	24(c)(ii)	**(14,021,224)**	(6,613,293)	**-**	-
Carrying amount		**659,937,237**	592,957,417	**-**	-

Credit risk exposure relating to off-balance sheet

In addition to the above, the Banking subsidiary had entered into lending commitments and financial guarantee contracts of N159.38billion (31 December 2015: N141.03billion) with counterparties as set below;

	2016	2015	2016	2015
Financial guarantees	**159,383,506**	141,031,528	**-**	-
	159,383,506	141,031,528	**-**	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

GROUP

31 DECEMBER 2016

	Loans and advances to customers		Investment securities	
In thousands of Naira	**Gross**	**Net**	**Gross**	**Net**
Very low risk	-	-	-	-
Low risk	526,744	340,820	-	-
Acceptable risk	11,035,815	4,995,828	-	-
Moderately high risk	932,486	633,797	-	-
High risk	-	-	-	-
Unrated	-	-	989,313	31,899
	12,495,045	5,970,445	989,313	31,899

31 DECEMBER 2015

	Loans and advances to customers		Investment securities	
In thousands of Naira	**Gross**	**Net**	**Gross**	**Net**
Very low risk	-	-	-	-
Low risk	2,088,706	1,260,628	-	-
Acceptable risk	11,612,776	2,062,235	-	-
Moderately high risk	1,322,432	212,060	-	-
High risk	-	-	-	-
Unrated	-	-	1,349,826	49,912
	15,023,914	3,534,923	1,349,826	49,912

Credit risk exposure relating to financial assets

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

GROUP

31 DECEMBER 2016

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

31 DECEMBER 2015

In thousands of Naira	**Cash and cash equivalents**	**Restricted reserve deposits**	**Non-pledged trading assets**	**Derivative assets held for risk management**	**Assets pledged as collateral**	**Investment securities**	**Other financial assets**
Very low risk	94,903,359	125,552,318	1,994,350	-	51,777,589	96,345,318	-
Low risk	86,018,339	-	-	-	-	30,200,817	-
Acceptable risk	-	-	-	1,479,760	-	-	-
Moderately high risk	-	-	-	-	-	-	-
High risk	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	8,764,012	16,655,644
	180,921,698	125,552,318	1,994,350	1,479,760	51,777,589	135,310,147	16,655,644

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

COMPANY

31 DECEMBER 2016

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

31 DECEMBER 2015

In thousands of Naira	Cash and cash equivalents	Restricted reserve deposits	Non-pledged trading assets	Derivative assets held for risk management	Assets pledged as collateral	Investment securities	Other financial assets
Very low risk	2,876,750	-	-	-	-	-	-
Low risk	4,354,446	-	-	-	-	169,466	-
Acceptable risk	-	-	-	-	-	-	-
Moderately high risk	-	-	-	-	-	-	-
High risk	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	1,844,155	1,420,000
	7,231,196	**-**	**-**	**-**	**-**	**2,013,621**	**1,420,000**

Past due but not impaired loans

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

Loans with Renegotiated Terms and the Forbearance Policy

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

Write-off Policy

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

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

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

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

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

Gross loan of N30.69billion, which were impaired were written off during year 2016 (2015: N7.17billion).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Collateral held and other credit enhancements and their financial effects

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

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

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Percentage of Exposure that is subject to an arrangement that requires collaterisation 2016	2015
Loans and Advances to Banks			
Reverse sale and purchase agreements	Marketable securities	100	100
Security borrowing	Marketable securities	100	100
Loans and Advances to Retail Customers			
Mortgage Lending	Residential Property	100	100
Personal Loans	None	-	-
Credit cards	None	-	-
Loans and Advances to Corporate Customers			
Finance leases	Property and equipment	100	100
Other lending to corporate customers	Legal Mortgage, mortgage debenture, fixed and floating charges over corporate assets, account receivables	91	92
Reverse sale and repurchase agreements	Marketable securities	100	100
Investment debt securities	None	-	-

Other admissible credit risk mitigants (accepted for comfort only) but not eligible as collateral include domiciliation agreements, trust receipts, negative pledges and master netting agreements with obligors that have investments in liabilities. The Group typically does not hold collateral against investment securities, and no such collateral was held at 31 December 2016 and 31 December 2015

Details of collateral held and the value of collateral as at 31 December 2016 are as follows:

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

Details of collateral held and their carrying amounts as at 31 December 2015 are as follows:

In thousands of Naira	Note	GROUP Total exposure	GROUP Value of collateral	COMPANY Total exposure	COMPANY Value of collateral
Secured against real estate		100,519,015	140,870,907	-	-
Secured by shares of quoted companies		2,099,461	1,622,509	-	-
Cash Collateral, lien over fixed and floating assets		282,659,034	331,992,720	-	-
Otherwise secured		78,410,455	32,835,059	-	-
Unsecured		147,371,736	-	-	-
		611,059,701	507,321,195	-	-

Loans and Advances to Corporate Customers

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

9 GRADE LGD MODEL - FACILITY RISK RATING;

	2016				2015			
	LGD	LGD - MIN	LGD - MAX	LGD GRADE	LGD	LGD - MIN	LGD - MAX	LGD GRADE
SECURED	0%	0%	4.99%	AAA	0%	0%	4.99%	AAA
	5%	5%	9.99%	AA	5%	5%	9.99%	AA
	10%	10%	14.99%	A	10%	10%	14.99%	A
	15%	15%	19.99%	BBB	15%	15%	19.99%	BBB
	20%	20%	34.99%	BB	20%	20%	34.99%	BB
	35%	35%	39.99%	B	35%	35%	39.99%	B
	40%	40%	44.99%	CCC	40%	40%	44.99%	CCC
UNSECURED	45%	45%	74.99%	CC	45%	45%	74.99%	CC
	75%	75%	100.00%	C	75%	75%	100.00%	C

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

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

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

Derivative assets held for risk management

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

	2016		2015	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets	1,246,480	1,018,912	797,200	1,479,760
Derivative liabilities	1,246,480	770,201	797,200	1,317,271

Concentration of credit risk

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Concentration by sector

In thousands of Naira

GROUP

	GROSS LOANS AND ADVANCES TO CUSTOMERS				GROSS LENDING COMMITMENTS AND FINANCIAL GUARANTEES	
	2016		2015		2016	2015
	GROSS LOAN	NON-PERFORMING LOAN (NPL)	GROSS LOAN	NON-PERFORMING LOAN (NPL)		
Administrative and Support Services	3,137,491	51,937	2,810,887	188,215	792,815	792,815
Agriculture	26,149,656	989,725	36,130,698	693,919	6,421,100	6,421,100
Commerce	58,599,844	5,938,287	62,435,107	4,697,513	22,651,529	22,651,529
Construction	2,904,358	32,865	6,795,618	1,897,933	52,632,454	34,280,476
Education	8,978,510	1,971,377	6,011,626	138,480	-	-
Finance and Insurance	30,751,224	151,637	25,929,197	46,837	3,755,806	3,755,806
General - Others	2,675,289	102,943	2,415,254	555,909	30,000	30,000
Government	6,735,198	22,008	828,927	17,108	-	-
Hospitality	8,250,533	230,474	5,631,602	28,428	5,141,978	5,141,978
Individual	124,459,406	12,912,736	134,670,018	3,144,428	-	-
Information and Communication	27,085,160	67,780	27,080,934	757,775	983,784	983,784
Manufacturing	51,923,524	202,827	53,827,478	2,725,919	41,794,084	41,794,084
Mining	433,860	389,351	-	-	-	-
Oil and Gas - Downstream	27,444,424	256,212	47,194,990	6,611,232	6,679,938	6,679,938
Oil and Gas - Upstream & Services	162,300,907	229,132	98,261,888	3	5,580,400	5,580,400
Power & Energy	43,951,586	32,999	27,227,859	-	567,476	567,476
Professional services	4,028,384	1,407,778	4,182,228	67,246	86,954	86,954
Real Estate	83,767,143	403,073	62,106,778	11	11,807,237	11,807,237
Transportation	6,906,564	81,388	7,518,612	67,698	457,951	457,951
	680,483,061	**25,474,529**	611,059,701	21,638,654	**159,383,506**	141,031,528

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

Concentration by location

In thousands of Naira

GROUP

	GROSS LOANS AND ADVANCES TO CUSTOMERS				GROSS LENDING COMMITMENTS AND FINANCIAL GUARANTEES	
	2016		2015		2016	2015
	GROSS LOAN	NON-PERFORMING LOAN (NPL)	GROSS LOAN	NON-PERFORMING LOAN (NPL)		
North East	6,028,792	296,157	5,764,706	105,108	-	107,828
North Central	40,219,136	5,684,222	54,159,227	3,833,527	16,775,394	17,712,686
North West	21,845,063	1,026,315	22,080,705	508,465	386,251	435,697
South East	14,124,424	1,206,198	13,250,670	676,983	755,053	2,595,316
South South	22,932,850	1,884,537	25,179,752	711,123	17,343,208	13,045,893
South West	557,949,742	15,377,100	477,705,054	19,534,958	124,123,600	107,134,108
Europe	17,383,054	-	12,919,587	-	-	-
	680,483,061	**25,474,529**	**611,059,701**	**25,370,164**	**159,383,506**	**141,031,528**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Trading Assets

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

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

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

GROUP

31 DECEMBER 2016

SECURITY TYPE	ISSUER RATING	0 - 30 days NGN '000	31 - 90 days NGN '000	91 -180 days NGN '000	181 - 365 days NGN '000	above 365 days NGN '000	Total NGN '000
FGN BONDS	BB-	990,508	-	-	-	-	990,508
NIGERIAN TREASURY BILLS	BB-	8,053,007	-	-	-	-	8,053,007
EQUITY INVESTMENTS	BB-	110,683	-	-	-	-	110,683
		9,154,198	**-**	**-**	**-**	**-**	**9,154,198**

31 DECEMBER 2015

SECURITY TYPE	ISSUER RATING	0 - 30 days NGN '000	31 - 90 days NGN '000	91 -180 days NGN '000	181 - 365 days NGN '000	above 365 days NGN '000	Total NGN '000
FGN BONDS	BB-	591,882	-	-	-	-	591,882
NIGERIAN TREASURY BILLS	BB-	1,247,395	-	-	-	-	1,247,395
EQUITY INVESTMENTS	BB-	155,073	-	-	-	-	155,073
		1,994,350	**-**	**-**	**-**	**-**	**1,994,350**

Cash and cash equivalents

The Group held cash and cash equivalents of N108.10billion as at 31 December 2016 (31 December 2015: N180.92billion). The cash and cash equivalents are held with the Central Bank, financial institutions and counterparties which are rated BBB- to AA based on acceptable external rating agency's ratings.

Settlement Risk

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

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

(c) **LIQUIDITY RISK**

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

Management of liquidity risk

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

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

- Liquidity risk identification at transaction, portfolio and entity levels using the defined early warning liquidity risk indicators such as deposit attrition, funding mismatch and funding concentrations to mention a few.
- Establishment of the Group's liquidity risk appetite, which is the amount of risk FCMB is willing to accept in pursuit of value using relevant liquidity risk ratios and assets and liability funding gaps.
- Establishment of methodologies for measuring and reporting on the Group's liquidity risk profile against set appetite and also sensitizing against unforeseen circumstances using liquidity risk scenario analysis.
- Establishment of preventive (limit setting and management) as well as corrective (Contingency Funding Plan -CFP) controls over liquidity risk.
- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency deposits and contingency liabilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and liabilities, and the extent to which they are encumbered.

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

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

i **Exposure to Liquidity Risk**

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

PERIOD	2016	2015
At 31 December	31.21%	35.78%
Average for the year	36.30%	38.59%
Maximum for the year	43.19%	48.56%
Minimum for the year	30.08%	32.97%

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

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

ii **Maturity Analysis for Financial Assets and Liabilities**

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

GROUP
31 DECEMBER 2016

In thousands of Naira	Note	Carrying amount	Gross nominal inflow / (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total
Non Derivative Assets										
Cash and cash equivalent	20	108,104,632	108,104,632	108,104,632	-	-	-	-	-	108,104,632
Restricted reserve deposit	21	139,460,914	139,460,914	139,460,914	-	-	-	-	-	139,460,914
Non-pledged trading assets	22(a)	9,154,198	9,824,129	9,824,129	-	-	-	-	-	9,824,129
Loans and advances to customers	24	659,937,237	680,483,061	93,264,963	36,750,065	64,791,421	24,371,570	379,168,446	82,136,596	680,483,061
Asset Pledged as Collateral	26	59,107,132	54,488,704	3,934,482	-	-	7,800,000	15,901,800	26,852,422	54,488,704
Investment securities	25	128,441,676	155,690,773	6,931,175	4,000,000	17,090,000	49,593,186	16,865,610	61,210,802	155,690,773
Other financial assets (net)	32(a)	11,470,338	26,799,187	16,781,791	-	-	183,009	9,834,387	-	26,799,187
		1,116,522,639	**1,174,851,400**	**378,302,086**	**40,750,065**	**81,881,421**	**81,947,765**	**421,770,243**	**170,199,820**	**1,174,851,400**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Derivative Assets										
Derivative assets	23	1,018,912	-	-	-	-	-	-	-	-
- Inflows		-	1,413,552	-	-	98,564	473,773	841,215	-	**1,413,552**
- Outflows		-	-	-	-	-	-	-	-	-
		1,018,912	**1,413,552**	**-**	**-**	**98,564**	**473,773**	**841,215**	**-**	**1,413,552**
Non Derivative Liabilities										
Deposits from banks	33	24,798,296	47,024,776	47,024,776	-	-	-	-	-	47,024,776
Deposits from customers	34	657,609,807	675,342,320	542,643,289	114,375,137	14,144,480	4,115,576	63,838	-	675,342,320
Borrowings	35	132,094,368	170,430,435	70,554,583	-	-	25,669,713	67,630,881	6,575,258	170,430,435
On-lending facilities	36	42,199,380	37,400,257	4,101,639	-	-	3,062,378	30,236,240	-	37,400,257
Debt securities issued	37	54,481,989	50,003,774	966,566	-	-	-	23,135,208	25,902,000	50,003,774
Other financial liabilities	39(a)	69,056,110	69,056,110	27,378,026	-	30,636,447	11,041,637	-	-	69,056,110
		980,239,950	**1,049,257,672**	**692,668,879**	**114,375,137**	**44,780,927**	**43,889,304**	**121,066,167**	**32,477,258**	**1,049,257,672**
Derivative Liabilities										
Derivative liability	23	770,201	-	-	-	-	-	-	-	-
- Inflows		-	-	-	-	-	-	-	-	-
- Outflows		-	1,156,484	-	-	86,406	402,608	667,470	-	1,156,484
		770,201	**1,156,484**	**-**	**-**	**86,406**	**402,608**	**667,470**	**-**	**1,156,484**

31 DECEMBER 2015

In thousands of Naira	**Note**	**Carrying amount**	**Gross nominal inflow / (outflow)**	**0 - 30 days**	**31 - 90 days**	**91 - 180 days**	**181 - 365 days**	**1 - 5 years**	**above 5 years**	**Total**
Non Derivative Assets										
Cash and cash equivalent	20	180,921,698	180,921,698	180,921,698	-	-	-	-	-	180,921,698
Restricted reserve deposit	21	125,552,318	125,552,318	125,552,318	-	-	-	-	-	125,552,318
Non-pledged trading assets	22(a)	1,994,350	1,964,546	1,994,350	-	-	-	-	-	1,994,350
Loans and advances to customers	24	592,957,417	584,623,850	90,558,713	100,630,380	33,921,364	34,241,517	283,352,178	41,919,698	584,623,850
Asset Pledged as Collateral	26	51,777,589	51,777,589	-	-	7,934,482	7,673,500	23,133,198	13,036,409	51,777,589
Investment securities	25	135,310,147	116,093,996	1,399,637	11,345,434	9,110,754	16,289,895	49,141,459	28,806,817	116,093,996
Other financial assets	32(a)	16,655,644	34,198,432	24,181,036	-	-	183,009	9,834,387	-	34,198,432
		1,105,169,163	1,095,132,429	424,607,752	111,975,814	50,966,600	58,387,921	365,461,222	83,762,924	1,095,162,233
Derivative Assets										
Derivative assets	23	1,479,760	-	-	-	-	-	-	-	-
- Inflows		-	994,740	-	-	-	-	994,740	-	994,740
- Outflows		-	-	-	-	-	-	-	-	
		1,479,760	994,740	-	-	-	-	994,740	-	994,740
Non Derivative Liabilities										
Deposits from banks	33	5,461,038	4,933,089	4,225,802	707,287	-	-	-	-	4,933,089
Deposits from customers	34	700,216,706	693,863,607	512,846,734	13,171,236	127,224,832	40,615,725	5,080	-	693,863,607
Borrowings	35	113,700,194	105,135,097	5,605,147	-	-	25,323,811	67,630,881	6,575,258	105,135,097
On-lending facilities	36	33,846,116	33,298,618	-	-	-	-	3,062,378	30,236,240	33,298,618
Debt securities issued	37	49,309,394	49,185,000	-	-	-	-	-	49,185,000	49,185,000
Other financial liabilities	39(a)	85,276,384	85,203,116	15,197,205	-	30,636,447	39,369,464	-	-	85,203,116
		987,809,832	971,618,527	537,874,888	13,878,523	157,861,279	105,309,000	70,698,339	85,996,498	971,618,527
Derivative Liabilities										
Derivative liability	23	1,317,271	-	-	-	-	-	-	-	-
- Inflows		-	-	-	-	-	-	-	-	-
- Outflows		-	915,730	-	-	-	-	-	915,730	915,730
		1,317,271	915,730	-	-	-	-	-	915,730	915,730

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

• demand deposits from customers are expected to remain stable or increase;
• unrecognised loan commitments are not all expected to be drawn down immediately; and

• retail mortgage loans have an original contractual maturity of between 10 and 15 years but an average expected maturity of six years because customers take advantage of early repayment options.

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

iii **Liquidity reserves**
The table below sets out the components of the Group's liquidity reserve.

In thousands of Naira	Note	2016		2015	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Balances with central banks	20	5,869,717	5,869,717	45,461,265	45,461,265
Cash and balances with other banks	20	102,234,915	102,234,915	135,460,433	135,460,433
Unencumbered debt securities issued by the Central Bank of Nigeria		107,769,203	91,052,889	98,339,668	75,914,691
Total liquidity reserve		**215,873,835**	**199,157,521**	**279,261,366**	**256,836,389**

Included in the unencumbered debt securities issued by central banks are; Federal Government of Nigeria (FGN) Bonds N57.10billion (31 December 2015: N57.83billion), Treasury Bills N50.56billion (31 December 2015: N40.36billion) under note 22(a), 25(a) and (b).

iv **Financial assets available to support future funding**

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

31 DECEMBER 2016

In thousands of Naira	Note	Encumbered		Unencumbered		
		Pledged as Collateral	Other*	Available as Collateral	Other**	Total
Cash and cash equivalents	20	-	-	108,104,632	-	108,104,632
Restricted reserve deposits	21	-	139,460,914	-	-	139,460,914
Derivative assets	23	-	-	-	1,018,912	1,018,912
Trading Assets	22(a)	-	-	-	9,154,198	9,154,198
Loans and Advances	24	-	-	-	659,937,237	659,937,237
Assets pledged as collateral	26	59,107,132	-	-	-	59,107,132
Investment Securities	25	-	-	128,441,676	-	128,441,676
Other financial assets (net)	32	-	-		11,470,338	11,470,338
Total Assets		**59,107,132**	**139,460,914**	**236,546,308**	**681,580,685**	**1,116,695,039**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

In thousands of Naira	Note	Encumbered		Unencumbered		
		Pledged as Collateral	Other*	Available as Collateral	Other**	Total
Cash and Cash Equivalents	20	-	-	180,921,698	-	180,921,698
Restricted reserve deposits	21	-	125,552,318	-	-	125,552,318
Derivative assets	23	-	-	-	1,479,760	1,479,760
Trading Assets	22(a)	-	-	-	1,994,350	1,994,350
Loans and Advances	24	-	-	-	592,957,417	592,957,417
Assets pledged as collateral	26	51,777,589	-	-	-	51,777,589
Investment Securities	25	-	-	135,310,147	-	135,310,147
Other financial assets (net)	32	-	-		16,655,644	16,655,644
Total Assets		**51,777,589**	**125,552,318**	**316,231,845**	**613,087,171**	**1,106,648,923**

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

v **Financial assets pledged as collateral**
The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2016 and 31 December 2015 is shown in the preceding table.
Financial assets are pledged as collateral as part of securities borrowing, clearing and client's collection transactions under terms that are usual and customary for such activities.

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

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

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

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

Overall authority for market risk is vested by the Board in ALCO which sets up limits for each type of risk in aggregate. However, market risk unit within Risk Management is responsible for limit tracking and reporting to the Chief Risk Officer and ultimately, Assets and Liability Committee. The Group employs a range of tools to monitor and ensure risk acceptance is kept within defined limit. Detail of market risk exposures as at 31 December 2016 are provided below:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

MARKET RISK MEASURES:

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

31 DECEMBER 2016

In thousands of Naira	Note	GROUP			COMPANY		
		Carrying Amount	Trading portfolios	Non-trading portfolios	Carrying Amount	Trading portfolios	Non-trading portfolios
Assets subject to market risk:							
Cash and cash equivalents	20	108,104,632	-	108,104,632	5,817,754	-	5,817,754
Restricted reserve deposits	21	139,460,914	-	139,460,914	-	-	-
Trading assets	22(a)	9,154,198	9,154,198	-	-	-	-
Derivative assets	23	1,018,912	-	1,018,912	-	-	-
Loans and advances to customers	24	659,937,237	-	659,937,237	-	-	-
Assets pledged as collateral	26	59,107,132	-	59,107,132	-	-	-
Investment securities	25	128,441,676	-	128,441,676	4,844,200	-	4,844,200
Other financial assets (net)	32(a)	11,470,338	-	11,470,338	2,080,271	-	2,080,271
Liabilities subject to market risk:							
Trading liabilities	22(b)	6,255,933	6,255,933	-	-	-	-
Derivative liabilities	23	770,201	-	770,201	-	-	-
Deposits from banks	33	24,798,296	-	24,798,296	-		-
Deposits from customers	34	657,609,807	-	657,609,807	-	-	-
Borrowings	35	132,094,368	-	132,094,368	-	-	-
On-lending facilities	36	42,199,380	-	42,199,380	-	-	-
Debt securities issued	37	54,481,989	-	54,481,989	-	-	-
Other financial liabilities	39(a)	69,056,110	-	69,056,110	642,807	-	642,807

31 DECEMBER 2015

In thousands of Naira	Note	GROUP			COMPANY		
		Carrying Amount	Trading portfolios	Non-trading portfolios	Carrying Amount	Trading portfolios	Non-trading portfolios
Assets subject to market risk:							
Cash and cash equivalents	20	180,921,698	-	180,921,698	7,231,196	-	7,231,196
Restricted reserve deposits	21	125,552,318	-	125,552,318	-	-	-
Trading assets	22(a)	1,994,350	1,994,350	-	-	-	-
Derivative assets	23	1,479,760	-	1,479,760	-	-	-
Loans and advances to customers	24	592,957,417	-	592,957,417	-	-	-
Assets pledged as collateral	26	51,777,589	-	51,777,589	-	-	-
Investment securities	25	135,310,147	-	135,310,147	2,013,621	-	2,013,621
Other financial assets (net)	32(a)	16,655,644	-	16,655,644	1,420,000	-	1,420,000
Liabilities subject to market risk:							
Derivative liabilities	23	1,317,271	-	1,317,271	-	-	-
Deposits from banks	33	5,461,038	-	5,461,038	-		-
Deposits from customers	34	700,216,706	-	700,216,706	-	-	-
Borrowings	35	113,700,194	-	113,700,194	-	-	-
On-lending facilities	36	33,846,116	-	33,846,116	-	-	-
Debt securities issued	37	49,309,394	-	49,309,394	-	-	-
Other financial liabilities	39(a)	85,276,384	-	85,276,384	359,343	-	359,343

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Exposure to interest rate risk - non trading portfolios

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

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

GROUP

		2016			2015		
In thousands of Naira	**Note**	**Carrying Amount**	**Rate sensitive**	**Non rate sensitive**	**Carrying Amount**	**Rate sensitive**	**Non rate sensitive**
Assets							
Cash and cash equivalents	20	108,104,632	16,938,622	91,166,010	180,921,698	18,866,390	162,055,308
Restricted reserve deposits	21	139,460,914	-	139,460,914	125,552,318	-	125,552,318
Non-pledged trading assets	22(a)	9,154,198	9,154,198	-	1,994,350	1,994,350	-
Derivative assets	23	1,018,912	34,682	984,230	1,479,760	87,868	1,391,892
Loans and advances to customers (gross)	24	680,483,061	680,483,061	-	611,059,701	611,059,701	-
Assets pledged as collateral	26	59,107,132	59,107,132	-	51,777,589	51,777,589	-
Investment securities	25	128,441,676	122,123,940	6,317,736	135,310,147	126,546,135	8,764,012
Other financial assets (gross)	32(a)	26,799,187	-	26,799,187	34,198,432	-	34,198,432
		1,152,569,712	**887,841,635**	**264,728,077**	**1,142,293,995**	**810,332,033**	**331,961,962**
Liabilities							
Trading liabilities	22(b)	6,255,933	6,255,933	-	-	-	-
Derivative liabilities	23	770,201	36,715	733,486	1,317,271	103,167	1,214,104
Deposits from banks	33	24,798,296	24,798,296	-	5,461,038	5,461,038	-
Deposits from customers	34	657,609,807	479,097,868	178,511,939	700,216,706	579,210,151	121,006,555
Borrowings	35	132,094,368	132,094,368	-	113,700,194	113,700,194	-
On-lending facilities	36	42,199,380	42,199,380	-	33,846,116	33,846,116	-
Debt securities issued	37	54,481,989	54,481,989	-	49,309,394	49,309,394	-
Other financial liabilities	39(a)	69,056,110	-	69,056,110	85,276,384	-	85,276,384
		987,266,084	**738,964,549**	**248,301,535**	**989,127,103**	**781,630,060**	**207,497,043**
Total interest repricing gap		**165,303,628**	**148,877,086**	**16,426,542**	**153,166,892**	**28,701,973**	**124,464,919**

GROUP

In thousands of Naira	**Note**	**0 - 30 days**	**31 - 90 days**	**91 - 180 days**	**181 - 365 days**	**1 - 5 years**	**above 5 years**	**Total rate sensitive**
31 DECEMBER 2016								
Assets subject to market risk:								
Cash and cash equivalents	20	16,938,622	-	-	-	-	-	16,938,622
Non-pledged trading assets	22(a)	9,154,198	-	-	-	-	-	9,154,198
Derivative assets	23	-	-	-	34,682	-	-	34,682
Loans and advances to customers	24	186,180,910	100,630,380	33,921,364	34,478,531	283,352,178	41,919,698	680,483,061
Assets pledged as collateral	26	7,329,543	-	7,934,482	7,673,500	23,133,198	13,036,409	59,107,132
Investment securities	25	4,863,501	11,345,434	9,110,754	17,688,354	50,309,080	28,806,817	122,123,940
		224,466,774	**111,975,814**	**50,966,600**	**59,875,067**	**356,794,456**	**83,762,924**	**887,841,635**
Liabilities subject to market risk:								
Trading liabilities		6,255,933	-	-	-	-	-	6,255,933
Derivative liabilities	23	-	-	-	36,715	-	-	36,715
Deposits from banks	33	24,091,009	707,287	-	-	-	-	24,798,296
Deposits from customers	34	305,123,981	13,171,236	120,181,846	40,615,725	5,080	-	479,097,868
Borrowings	35	18,394,174	-	-	39,477,030	67,647,906	6,575,258	132,094,368
On-lending facilities	36	8,353,264	-	-	3,609,876	30,236,240	-	42,199,380
Debt securities issued	37	7,614,595	-	-	184,337	-	46,683,057	54,481,989
		369,832,956	**13,878,523**	**120,181,846**	**83,923,683**	**97,889,226**	**53,258,315**	**738,964,549**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	Note	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	above 5 years	Total rate sensitive
31 DECEMBER 2015								
Assets subject to market risk:								
Cash and cash equivalents	20	18,866,390	-	-	-	-	-	18,866,390
Non-pledged trading assets		1,994,350	-	-	-	-	-	1,994,350
Derivative assets	23	-	-	-	-	87,868	-	87,868
Loans and advances to customers	24	116,994,564	100,630,380	33,921,364	34,241,517	283,352,178	41,919,698	611,059,701
Assets pledged as collateral	26	-	-	7,934,482	7,673,500	23,133,198	13,036,409	51,777,589
Investment securities	25	11,851,776	11,345,434	9,110,754	16,289,895	49,141,459	28,806,817	126,546,135
		149,707,080	**111,975,814**	**50,966,600**	**58,204,912**	**355,714,703**	**83,762,924**	**810,332,033**
Liabilities subject to market risk:								
Derivative liabilities	23	-	-	-	-	103,167	-	103,167
Deposits from banks	33	4,753,751	707,287	-	-	-	-	5,461,038
Deposits from customers	34	398,193,278	13,171,236	127,224,832	40,615,725	5,080	-	579,210,151
Borrowings	35	13,824,342	-	-	25,669,713	67,630,881	6,575,258	113,700,194
On-lending facilities	36	-	-	-	3,609,876	30,236,240	-	33,846,116
Debt securities issued	37	-	-	-	184,337.00	-	49,125,057	49,309,394
		416,771,371	**13,878,523**	**127,224,832**	**70,079,651**	**97,975,368**	**55,700,315**	**781,630,060**

Sensitivity of projected net interest income

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

GROUP

31 DECEMBER 2016

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

31 DECEMBER 2015

In thousands of Naira	Gross amount	Weighted average interest rate	Interest due at current weighted average rate	50bps	(50bps)	100bps	(100bps)
Assets subject to rate sensitive	810,332,033	15%	123,583,565	102,702,209	96,591,611	105,757,507	93,536,313
Liabilities subject to rate sensitive	781,630,060	8%	(59,646,733)	(48,832,908)	(41,830,740)	(52,333,991)	(38,329,657)
			63,936,832	53,869,301	54,760,871	53,423,516	55,206,656
Impact on net interest income				(10,067,531)	(9,175,961)	(10,513,316)	(8,730,176)

Exposure to other Market Risk Non-trading portfolios

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

Exposure to other Market Risk trading portfolios

The trading book includes the Treasury Bills and Federal Government of Nigeria bonds. The sensitivity to earnings was not considered because it does not have material impact on earnings. Currently, the Group manages and monitors the risk in the trading book using limit measurements, mark-to-market accounting and earnings at risk. There is a plan underway to implement value at risk and some other market risk measurment.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Foreign Exchange risk

FCMB takes on foreign exchange risks through its activities in both the trading and banking books. The Group engages in currency trading on behalf of itself and creates foreign currency positions on the banking book in the course of its financial intermediation role. The Group is thus exposed to the risk of loss on both its trading and banking book positions in the event of adverse movements in currency prices. The market-to-mark currency rates applied is the average interbank rates published by FMDQ OTC Securities Exchange (FMDQ).

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

The table below summarises foreign currency exposures of the Group as at year end;

GROUP
31 DECEMBER 2016

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
Assets							
Cash and cash equivalents	20	36,981,475	65,772,563	1,550,136	3,797,457	3,001	108,104,632
Restricted reserve deposit	21	139,460,914	-	-	-	-	139,460,914
Non-pledged trading assets	22(a)	9,154,198	-	-	-	-	9,154,198
Derivative assets	23	-	1,018,912	-	-	-	1,018,912
Loans and advances (net)	24	319,881,072	339,642,699	755	412,711	-	659,937,237
Investment securities	25	123,273,678	5,167,998	-	-	-	128,441,676
Asset Pledged as Collateral	26	59,107,132	-	-	-	-	59,107,132
Other financial assets	32	5,496,442	5,932,878	27,175	13,843	-	11,470,338
Total assets		**693,354,911**	**417,535,050**	**1,578,066**	**4,224,011**	**3,001**	**1,116,695,039**
Liabilities							
Trading liabilities	22(b)	6,255,933	-	-	-	-	6,255,933
Deposits from customers	34	500,144,925	147,517,276	2,130,552	7,817,044	10	657,609,807
Deposits from banks	33	-	24,798,296	-	-	-	24,798,296
Borrowings	35	13,168,768	118,925,600	-	-	-	132,094,368
On-lending facilities	36	42,199,380	-	-	-	-	42,199,380
Debt securities issued	37	54,481,989	-	-	-	-	54,481,989
Derivative liability	23	-	770,201	-	-	-	770,201
Other financial liabilities	39	23,788,783	42,762,884	449,528	2,054,863	52	69,056,110
Total Liabilities		**640,039,778**	**334,774,257**	**2,580,080**	**9,871,907**	**62**	**987,266,084**
Net on-balance sheet financial position		**53,315,133**	**82,760,793**	**(1,002,014)**	**(5,647,896)**	**2,939**	**129,428,955**
Off-balance sheet financial position	42(b)	**20,493,617**	**132,813,540**	**172,260**	**5,904,089**	**-**	**159,383,506**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

In thousands of Naira	Note	NGN	USD	GBP	EUR	OTHERS	Grand Total
Assets							
Cash and cash equivalents	20	75,327,852	94,493,368	3,778,743	7,319,209	2,526	180,921,698
Restricted reserve deposit	21	125,552,318	-	-	-	-	125,552,318
Non-pledged trading assets	22(a)	1,994,350	-	-	-	-	1,994,350
Derivative assets	23	-	1,479,760	-	-	-	1,479,760
Loans and advances (net)	24	355,331,473	237,266,008	233	359,703	-	592,957,417
Investment securities	25	132,490,452	2,801,100	-	18,595	-	135,310,147
Asset Pledged as Collateral	32	51,777,589	-	-	-	-	51,777,589
Other assets	30	11,242,207	10,425,032	24,575	11,601	-	21,703,415
Total assets		**753,716,241**	**346,465,268**	**3,803,551**	**7,709,108**	**2,526**	**1,111,696,694**
Liabilities							
Trading liabilities	22(b)	-	-	-	-	-	-
Deposits from customers	34	544,384,862	149,156,982	1,566,963	5,107,892	7	700,216,706
Deposits from banks	33	-	5,461,038	-	-	-	5,461,038
Borrowings	35	13,824,342	99,875,852	-	-	-	113,700,194
On-lending facilities	36	33,846,116	-	-	-	-	33,846,116
Debt securities issued	37	49,309,394	-	-	-	-	49,309,394
Derivative liability	23	-	1,317,271	-	-	-	1,317,271
Other liabilities	39	45,020,315	42,888,208	314,517	1,451,445	749	89,675,234
Total Liabilities		**686,385,029**	**298,699,351**	**1,881,480**	**6,559,337**	**756**	**993,525,953**
Net on-balance sheet financial position		**67,331,212**	**47,765,917**	**1,922,071**	**1,149,771**	**1,770**	**118,170,741**
Off-balance sheet financial position	42(b)	**3,172,311**	**132,813,540**	**172,260**	**5,904,089**	**-**	**142,062,200**

In line with Central Bank of Nigeria guidelines, percentage of foreign borrowings of the Banking subsidiary to the shareholders' fund of the Banking subsidiary as at 31 December 2016 is 77.74% (31 December 2015: 66.29%) which is above the limit of 75%. This is due to the recent flexible exchange rate introduced by the Central Bank of Nigeria.

Exposure to currency risks – Non-trading portfolios

At 31 December 2016, if foreign exchange rates at that date had been 10 percent lower with all other variables held constant, profit and equity for the period would have been N8.42billion (31 December 2015: N4.78billion) lower, arising mainly as a result of the decrease in revaluation of loans as compared to borrowings, foreign currency deposits and other foreign currency liabilities. If foreign exchange rates had been 10 percent higher, with all other variables held constant, profit and equity would have been N8.42billion (31 December 2015: N4.78billion) higher, arising mainly as a result of higher increase in revaluation of loans and advances than the increase on borrowings, foreign currency deposits and other foreign currency liabilities.

Foreign exchange risk (USD)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against USD, as the Group is mainly exposed to USD. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on statement of profit or loss and equity for each category of USD financial instruments held as at 31 December 2016. it includes the Group's USD financial instruments at carrying amounts.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Foreign exchange risk

In thousands of Naira	2016 Carrying amount	2016 10% decrease in the value of Naira against USD	2016 10% increase in the value of Naira against USD	2015 Carrying amount	2015 10% decrease in the value of Naira against USD	2015 10% increase in the value of Naira against USD
Financial assets						
Cash and cash equivalents	65,772,563	6,577,256	(6,577,256)	94,493,368	9,449,337	(9,449,337)
Derivative assets	1,018,912	101,891	(101,891)	1,479,760	147,976	(147,976)
Loans and advances to customers	339,642,699	33,964,270	(33,964,270)	237,266,008	23,726,601	(23,726,601)
Investment securities	5,167,998	516,800	(516,800)	2,801,100	280,110	(280,110)
Other assets	5,932,878	593,288	(593,288)	10,425,032	1,042,503	(1,042,503)
Impact on financial assets	417,535,050	41,753,505	(41,753,505)	346,465,268	34,646,527	(34,646,527)
Financial liabilities						
Deposits from banks	24,798,296	2,479,830	(2,479,830)	5,461,038	546,104	(546,104)
Deposits from customers	147,517,276	14,751,728	(14,751,728)	149,156,982	14,915,698	(14,915,698)
Borrowings	118,925,600	11,892,560	(11,892,560)	99,875,852	9,987,585	(9,987,585)
Derivative liabilities	770,201	77,020	(77,020)	1,317,271	131,727	(131,727)
Other liabilities	42,762,884	4,276,288	(4,276,288)	42,888,208	4,288,821	(4,288,821)
Impact on financial liabilities	334,774,257	33,477,426	(33,477,426)	298,699,351	29,869,935	(29,869,935)
Total increase / (decrease)	82,760,793	8,276,079	(8,276,079)	47,765,917	4,776,592	(4,776,592)

Foreign exchange risk (GBP)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against GBP, as the Group is mainly exposed to GBP. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on statement of profit or loss and equity for each category of GBP financial instruments held as at 31 December 2016. It includes the Group's GBP financial instruments at carrying amounts.

In thousands of Naira	2016 Carrying amount	2016 10% decrease in the value of Naira against GBP	2016 10% increase in the value of Naira against GBP	2015 Carrying amount	2015 10% decrease in the value of Naira against GBP	2015 10% increase in the value of Naira against GBP
Financial assets						
Cash and cash equivalents	1,550,136	155,014	(155,014)	3,778,743	377,874	(377,874)
Loans and advances to customers	755	76	(76)	233	23	(23)
Other assets	27,175	2,718	(2,718)	24,575	2,458	(2,458)
Impact on financial assets	1,578,066	157,808	(157,808)	3,803,551	380,355	(380,355)
Financial liabilities						
Deposits from customers	2,130,552	213,055	(213,055)	1,566,963	156,696	(156,696)
Other liabilities	449,528	44,953	(44,953)	314,517	31,452	(31,452)
Impact on financial liabilities	2,580,080	258,008	(258,008)	1,881,480	188,148	(188,148)
Total increase / (decrease)	(1,002,014)	(100,200)	100,200	1,922,071	192,207	(192,207)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Foreign exchange risk (EUR)

The following analysis details the Group's sensitivity to a 10 percent increase and decrease in the value of the Naira against EUR, as the Group is mainly exposed to EUR. 10 percent is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The table below summarises the impact on statement of profit or loss and equity for each category of EUR financial instruments held as at 31 December 2016. it includes the Group's EUR financial instruments at carrying amounts.

	2016			2015		
In thousands of Naira	**Carrying amount**	**10% decrease in the value of Naira against EUR**	**10% increase in the value of Naira against EUR**	**Carrying amount**	**10% decrease in the value of Naira against EUR**	**10% increase in the value of Naira against EUR**
Financial assets						
Cash and cash equivalents	**3,797,457**	**379,746**	**(379,746)**	7,319,209	731,921	(731,921)
Loans and advances to customers	**412,711**	**41,271**	**(41,271)**	359,703	35,970	(35,970)
Investment securities	**-**	**-**	**-**	18,595	1,860	(1,860)
Other assets	**13,843**	**1,384**	**(1,384)**	11,601	1,160	(1,160)
Impact on financial assets	**4,224,011**	**422,401**	**(422,401)**	7,709,108	770,911	(770,911)
Financial liabilities						
Deposits from customers	**7,817,044**	**781,704**	**(781,704)**	5,107,892	510,789	(510,789)
Other liabilities	**2,054,863**	**205,486**	**(205,486)**	1,451,445	145,145	(145,145)
Impact on financial liabilities	**9,871,907**	**987,190**	**(987,190)**	6,559,337	655,934	(655,934)
Total increase / (decresese)	**(5,647,896)**	**(564,789)**	**564,789**	1,149,771	114,977	(114,977)

(e) **OPERATIONAL RISK MANAGEMENT**

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

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

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

All business and process owners across the Group proactively identify weak-points/risks across their respective functions, activities, processes and systems using the Risk & Control Self-Assessment (RCSA). The Risk Management Division validates the risk maps for reasonability of assessments and completeness and recommends appropriate mitigating controls to reduce/eliminate inherent process risks. The Group conducts RCSA twice in a year but the risk register (outcome of the RCSA) can be updated at any point in time, triggered by change(s) to processes, activities, systems or other reasons such as introduction of new product/service or the occurrence of risk events.

The completed RCSAs are further subjected to analysis by the Risk Management department in order to understand the major vulnerabilities in the Group and their root causes. The outcome of such assessments, apart from being escalated to Executive Management and Board, are useful for improving the control environment. They are a risk-based form of addressing major issues that cut across most functions in the Group, thereby increasing effectiveness and efficiency of resolution.

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

Operational risk losses are periodically collated and analyzed by the Risk Management Division. The analyzed loss experience enables the Group to determine causal factors and put in place new controls/processes to mitigate the risk of re-occurrence. In addition, the loss collation and analysis process provides the Group with the basis for justifying the cost of new/improved controls and assessing their effectiveness.

The Group's loss experience is escalated to the Board Risk, Audit & Finance Committee supported by clearly defined remedial action plans to correct the root causes leading to the losses. Periodic operational risk meetings are held across the Group to boost risk awareness and entrench risk management culture in the Group. This meeting also affords risk owners to better appreciate control gaps and required remedial actions.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

The Group uses a combination of provision and insurance to mitigate residual risks arising from operational risk events. A number of insurance policies have been undertaken by the Group to minimize the loss in the event of an operational risk incident while provision is also made for expected operational risk losses in order to minimise major variations in the financial performance of the Group.

Capital is reserved for unexpected operational risks losses based on Basel II Basic Indicator Approach, as advised by the Central Bank of Nigeria. Existing operational risk practices will enable the Group to adopt the more advanced approaches in the near future - the standardised and Advanced Measurement Approach (AMA).

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

OPERATIONAL RISK LOSS EXPERIENCE

The Group continues to manage its various operational risk exposures in order to be within the Board approved risk appetite. It also ensures that all operational risk losses are recognised immediately in the financial period.

In line with the provisions of the Basel II Accord, operational risk within credit and market risks shall be duly recognised for effective management and accountability. However, for capital computation purposes, operational risk within credit risk shall be measured under credit risk while those captured under market risk will be measured under operational risk (Basel II Accord, paragraph 673).

Existing controls have been strengthened to address the identified lapses and the Group continues to collaborate with other stakeholders, including regulators to curb the spate of fraud, including virtual banking operational risk expsoures, which have understandably grown in recent time across the industry because of increased automation and migration of customers to alternate channels.

In response to observed trend and emerging risks, the Group took the following measures to curb the spate of operational risk events:

- All day (24/7) functional fraud monitoring team continues.
- Implementation of fraud monitoring solution to detect fraudulent card related transactions.
- Implementation of automated fraud alert system that monitors suspicious inflow (transactions from other banks) and outflow transactions from various e-channel platforms based on fraud trends.
- Monthly fraud awareness tips sent to customers and periodic fraud awareness training for staff.
- Proactive implementation of fraud prevention rules based on global and local fraud trends, and in line with the Group's risk appetite.
- Activities around the major areas of vulnerabilities have been reviewed in order to strenthen the controls in these areas.
- A second level authentication is being extended to critical internal and alternate channels/applications.

Information security management is getting increased attention in the Group. The information security office (ISO) is being strengthened with qualified personnel, improved security monitoring and incident response. The Group's cybersecurity strategy seeks to setup a matured Security Operations Center to address emerging cyber threat.

Operational Risk Management function in FCMB extends to the management of reputational and strategic risks.

Strategic risk: The risk of incurring an economic loss as a result of adverse impact of internal and external factors on the Group’s earnings and/or ability to achieve its strategic objectives. It is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It is also the risk associated with future business plans and strategies, including plans for entering new business lines, expanding existing services and enhancing infrastructure.

The Group is exposed to strategic risks in its business planning activities and strategic execution risk in all key operations impacted by the Group’s strategy. The crystallization of this risk could occur as a result of wrong strategic/ business decisions (e.g. poorly planned and executed decisions regarding mergers, divestures, acquisitions etc.), inadequate corporate strategy, improper analysis that can impact the implementation of key decisions, inability to respond promptly to business opportunities, lack of responsiveness to industry changes, improper communication of the Group’s strategic objectives, inability to recruit personnel with skills and experience required to execute strategy and lack of complete and accurate information. These could all directly or indirectly erode the Group’s earnings.

FCMB addresses strategic risk through its strategic risk management framework, providing guidance for the management of the Group’s strategic risks. It describes the processes, systems and controls established by the Group to identify, assess, monitor, control and report strategic risk. The Group also has a three year rolling corporate strategy plan, which is reviewed annually and closely monitored to ensure that strategic plans are properly aligned with the Group’s operating model. The Group scans the environment for any economic, regulatory, legal and political changes that might affect its strategy.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Reputational risk: The potential loss due to damage or erosion of goodwill as a result of failed risk management, weak corporate governance practices, environmental, social and ethical performance, poor customer relationship management practices, non-compliance with regulatory and statutory requirements, weak financial performance or any other factor that affects stakeholder perceptions of the Group.

Reputational risks to the Group could crystallize as a result of operating in a highly regulated environment with significant vulnerability to regulatory actions that may adversely impact the Group's reputation. FCMB recognizes the following as its sources of reputational risk, among others:

- Poor corporate governance; conflict of interest, executive compensation, influence on Board members, insider related lending;
- Compliance breaches: violation of regulations and laws, aiding/abetting illegal activities, tax structures or fraud, fraudulent disclosures;
- Poor employee relations; discrimination/harassment, poor employment conditions and welfare;
- Poor financial performance: missed projection and earnings surprise, significant earnings volatility, financial irregularities;
- Social, Environmental & Ethical: bribes/kick-backs, facilitating corruption, community / environmental neglect;
- Control failures: significant operational risk failures;
- Communications / Crisis Management: adverse stakeholder relations (media, investors, regulators, customers, trade unions, etc.);
- Poor customer relationship management: mis-selling, unfair/deceptive practices (e.g. high pricing, hidden transaction costs, illegal charges, over-charging etc.), mishandling of complaints, privacy/confidentiality breaches;

Reputational risk can materialize as a result of adverse opinions of stakeholders, operating losses, litigation, sanctions or fines imposed by regulators, failure of directors, management and staff to adhere to ethical code of conduct, failure to deliver quality service to customers, failure to address issues of public concern, labour unrest and failure to adhere to good employment practices. Consequently, the Group could suffer loss due to decline in customer base and loss of market share as well as deterioration of brand value.

The reputational risk management framework outlines how reputation risk is to be identified, assessed, mitigated and monitored. The Business and Operational Risk Management department monitors the major drivers of this risk. The Group also has formal policies (whistle blower policies, confidentiality policies, performance management framework and policies, code of business ethics, service delivery model, CRM Strategy/Service Charter, etc.) and procedures to control exposure to its recognized reputational risk drivers. In addition, the Group has developed a self-assessment process to mitigate identified reputational loss events. Events in relation to customer query are tracked to ensure they are treated within the established service level agreement and issues are escalated where necessary. The Group consciously seeks to understand stakeholders' expectations and perception by conducting survey which it uses to design and execute appropriate management responses.

Operational Risk Awareness

The Group intensified its operational risk awareness campaign in the course of the year through several mechanisms including electronic newsletters, risk meetings/workshops, continuous training and education of staff and customers. This is to embed risk management across the entire organization and significantly improve the risk management culture and buy-in amongst all employees.

Group Operational Risk Practices

The subsidiary companies continue to imrpove on their operational risk management activities and reporting, thereby enhancing the Enterprise Risk Management practices in the Group.

(f) **CAPITAL MANAGEMENT**

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

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

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

The Group's regulatory capital can be segmented into 2 tiers:

- Tier 1 capital includes; share capital, retained earnings and reserves created by appropriations to earnings. Book value of goodwill (where applicable) is deducted in arriving at Tier 1 capital. Deferred Tax and Regulatory Risk Reserve (RRR) are also deducted from capital but the RRR is recognised as balance sheet item (exposures are risk-weighted net of the provions in the RRR).

- Tier 2 capital includes preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to a maximum of 1.25% of risk assets, and hybrid instruments – convertible bonds, debt security qualifies for the tier 2 capital having met the conditions specified by CBN.

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As directed by the CBN, the banking subsidiary crossed over to the Basel II capital measurement standard since October, 2014, replacing the Basel I Capital Adequacy Ratio (CAR) computation with the Basel II Standardised Approach. Currently, CBN requires all deposit money banks in Nigeria to adopt the following approaches for the computation of Capital Adequacy Ratio under Pillar 1:

- Standardised Approach for Credit Risk
- Standardised Approach for Market Risk and
- Basic Indicator Approach for Operational Risk

In line with the CBN guideline for the Standardised Approach, the Risk Weighted Assets (RWA) for credit risks are derived using the CBN specified risk weights (RW) for the different asset classes.

The Bank also complies with the Pillar 2 requirement which requires it to do an assessment of internal capital required to cover all material risk exposures, including the credit, market and operational risks addressed under Pillar 1. This process, known as ICAAP, was completed for the last financial year. The Bank has sufficient capital under normal business conditions but would require additional capital under severe stress testing scenarios, triggered by events leading to significant non-performing loans and resultant provisioning. Apart from raising of additional tier 2 capital, the Bank is also taking the following measures to address vulnerabilities:

• Use of credit risk mitigants - Intensify secured lending and improved management of collateral;
• Diversification of the credit portfolio to the retail sectors in order to reduce risk and benefit from capital reduction;
• Integration of portfolio planning and capital management;
• Portfolio rebalancing where this is considered necessary;
• Entrenchment of capital discipline;
• Improvement in controls across the business to reduce operational risks;
• Focus on performance management in order to reduce the likelihood that that the Bank will not be able to meet its business forecast;
• Raisning of additional Tier 1 capital to be considered in the near future in order to improve the quality of capital and provide buffer for plausible losses.

The Bank continues to comply with the Pillar 3 requirement - market discipline through minimum disclosure requirements.

Internal Capital Adequacy Assessment Process (ICAAP)
The banking group observes the following procedures in the Internal Capital Adequacy Assessment Process (ICAAP):
(i) Material Risk Identification and Assessment (MRIA) Process.
(ii) Stress Testing & Scenario Analysis.
(iii) Internal Capital Assessment.
(iv) ICAAP Review & Approval.

(i) Material Risk Identification and Assessment (MRIA) Process
One of the key purposes of the ICAAP is to embed the principles of risk and capital management in the Group's business activities. The MRIA process identifies the key risk exposures of the Group, determines management's assessment of the residual risk exposures and the corresponding capital requirements. The steps below are essential to completing this risk assessment.

Risk Identification
A catalogue of material risks relevant to the Group are identified through a combination of the following activities:
(a) Review of the Group's operating environment – A forward and backward looking analysis of the Group's operating environment and business activities is conducted in order to identify various threats in the business and operating environment, including regulatory changes and implication on the business;

(b) Risk and Control Self-Assessment (RCSA) Review – The RCSA conducted by the various business and process owners are reviewed to identify existing and emerging risk factors;

(c) Review of Internal Control and Audit Reports – Reports of Internal Control and Group Internal Audit (GIA) are reviewed to identify observed lapses, vulnerabilities and trend in the control environment;

(d) Interviews – Interviews are conducted with key process owners to obtain/validate the material risks embedded in their functions.
(e) Material Risk Assessment Workshop – A workshop is held with key stakeholders (management and key process owners) in attendance. This serves to validate the materials risks already identified as well as the controls in place for managing such risks.

Risk Assessment
The activities carried out are as follows:
(a) An assessment of the identified risks is conducted by reviewing existing documentation, discussing with the risk owners and, where necessary, applying expert judgement;

(b) The inherent likelihood of occurrence and impact of the risk is determined;

(c) The controls designed to mitigate the risks are reviewed in order to determine the residual risk exposure of the Group

Although coordinated by Risk Management, the initial assessment above is done in conjunction with key stakeholders across the business before a more elaborate workshop is held with Management and key business and process owners. The risk assessment for the materials risks will culminate in the computation of capital for each risk exposure with the methodology also presented and validated at the workshop.

Usually, more than one material risk assessment workshop is held in order to complete and finalise review of the risk exposures, data and methodology used for the computation. This also becomes necessary in order to determine and agree the action plans to address observed lapses and gaps. The ICAAP documentation for the MRIA will include:

· Definition and sources of the risk;
· Manifestation of the risk and how it could impact the Group;
· Current mitigation techniques of the risks; and

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- Capital required for the residual risk exposure.

The ICAAP is also forward looking, ensuring that the capital plan considers the Group's strategic business plan and stress scenarios.

(ii) Stress Testing and Scenario Analysis

This is a simulation technique used to determine the effect of different financial situations on the Group's capital level. These financial situations are modelled to include different scenarios such as macro-economic stress, slow growth of some business areas, sector concentration risk, etc.

The stress testing considers:

- The assumptions about the level of adverse shocks (scenarios) and their duration, in order to ensure that they are severe but plausible.
- The framework used to assess the impact of adverse shocks on solvency (resilience) is sufficiently risk sensitive. This requires changes of risk parameters to be based on economic measures of solvency, in addition to the regulatory ones which may not be sufficiently risk-sensitive.

The stress testing is conducted by a team of key process and business owners and is also given sufficient focus and review at the workshops.

(iii) Assessment of Internal Capital

This is done by comparing the Group's Total Internal Capital (capital required to cover all material risks) with Own Funds (the amount of capital available to run the business). Any gap is the additional capital required to run the business of the Group in order to remain solvent and support its strategic business plan, even under near catastrophic event(s)

(iv) ICAAP Review & Approval

Although the Executive Management of the banking group and other key stakeholders play key role in the preparation of the Group's ICAAP, the Board of Directors (BOD) has overall responsibility for the ICAAP. Therefore, it is involved in the review of the ICAAP and the final approval of the document lies with it. Subsequent to the final review and approval of the Board of Directors, the ICAAP document is forwarded to the Central Bank of Nigeria (CBN), preparatory to its Supervisory Review and Evaluation Process (SREP).

The table below shows the break-down of the Group and the Banking subsidiary's regulatory capital as at 31 December 2016 and year ended 31 December 2015:

- Tier 1 capital includes; share capital, share premium, retained earnings and reserves created by appropriations to earnings less book value of goodwill (where applicable), deferred tax and under-impairment (Regulatory Risk Reserve) (RRR), losses for the current financial year, investment in own shares (treasury stock), including cross holding of related companies' equity, 50% of investments in unconsolidated banking and financial subsidiary/associate companies, excess exposure(s) over single obligor without CBN approval, exposures to own financial holding company, unsecured lending to subsidiaries within the same group.

- Tier 2 capital includes preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, hybrid instruments – convertible bonds, hybrid (debt / equity) capital instruments, eligible subordinated term debt (limited to 25% of total Tier 1 capital), Other Comprehensive Income, OCI (Actuarial and AFS Reserves), 50% of investments in unconsolidated banking and financial subsidiary/associate companies.

Debt securities issued qualify under tier 2 capital have met the following Central Bank of Nigeria conditions; they are unsecured, subordinated and fully paid-up, they are not redeemable at the initiative of the holder or without the prior consent of the Central Bank of Nigeria, the debt has an original maturity of at least five years; where there is no set maturity, repayment shall be subject to at least five years' prior notice.

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CAPITAL ADEQUACY COMPUTATION:

	BANKING GROUP	
	2016	**2015**
In thousands of Naira		
TIER 1 CAPITAL		
Share Capital	2,000,000	2,000,000
Share Premium	100,846,691	100,846,691
Statutory Reserves	20,776,185	19,036,957
Other reserves	10,373,853	13,957,238
Retained Earnings	22,809,165	10,986,648
Less: Goodwill	(5,993,863)	(5,993,863)
Deferred tax assets	(7,949,135)	(8,166,240)
Software	(3,432,040)	-
Regulatory risk reserve	(9,795,403)	(13,261,612)
Total qualifying tier 1 Capital	**129,635,453**	119,405,819
TIER 2 CAPITAL		
Translation Reserve	5,795,630	1,576,155
Debt securities issued	28,344,000	26,000,000
Total qualifying tier 2 Capital	**34,139,630**	27,576,155
Total regulatory Capital	**163,775,083**	146,981,974
Less: Investments in unconsolidated Subsidiaries	-	-
Total Qualifying Capital	**163,775,083**	146,981,974
<u>RISK WEIGHTED ASSETS</u>		
Risk-weighted Amount for Credit Risk	782,992,081	702,145,952
Risk-weighted Amount for Operational Risk	183,387,428	161,756,043
Risk-weighted Amount for Market Risk	23,854,782	6,972,450
	990,234,291	870,874,445
Capital adequacy ratio	**16.54%**	16.88%

Note on capital adequacy ratio

The Basel II capital adequacy ratio was 16.54% for the Banking Group, as at 31 December 2016 (31 December 2015: 16.88%), which is above the CBN minimum capital adequacy requirements of 15%.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

4 **Use of estimates and judgments**

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

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

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

These disclosures supplement the commentary on financial risk management (see Note 3).

Key sources of estimation uncertainty

(a) Impairment

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

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

A collective component of the total allowable is established for:

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

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

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

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

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

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

(b) Fair value

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

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

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

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

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

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

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

Financial Instruments measured at fair value

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

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In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
31 DECEMBER 2016					
ASSETS					
Non-pledged trading assets	22(a)	9,154,198	-	-	9,154,198
Derivative assets	23	-	1,018,912	-	1,018,912
Assets pledged as collateral		5,760,773	-	-	5,760,773
Investment securities	25(b)(c)	44,482,386	-	-	44,482,386
		59,397,357	1,018,912	-	60,416,269
LIABILITIES					
Trading liabilities	22(b)	6,255,933	-	-	6,255,933
Derivative liabilities	23	-	770,201	-	770,201
		6,255,933	770,201	-	7,026,134
31 DECEMBER 2015					
ASSETS					
Non-pledged trading assets	22(a)	1,994,350	-	-	1,994,350
Derivative assets	23	-	1,479,760	-	1,479,760
Assets pledged as collateral		7,934,482	-	-	7,934,482
Investment securities	25(b)(c)	42,981,457	1,729,924	-	44,711,381
		52,910,289	3,209,684	-	56,119,973
LIABILITIES					
Derivative liabilities	23	-	1,317,271	-	1,317,271
		-	1,317,271	-	1,317,271

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

Financial instruments not measured at fair value

The table below sets out the fair value of financial instruments not measured at fair value and analyses them by level in the fair value hierarchy into which each fair value measurement is categorised.

31 DECEMBER 2016

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	20	-	108,104,632		108,104,632	108,104,632
Restricted reserve deposits	21	-	139,460,914		139,460,914	139,460,914
Loans and advances to customers	24	-	635,420,659	-	635,420,659	659,937,237
Assets pledged as collateral	26	-	45,209,533	-	45,209,533	53,346,359
Investment securities	25(a)(d)	-	70,585,562	-	70,585,562	83,959,290
Other financial assets	32(a)(b)	-	11,470,338	-	11,470,338	11,470,338
LIABILITIES						
Deposits from banks	33	-	24,798,296	-	24,798,296	24,798,296
Deposits from customers	34	-	703,914,393	-	703,914,393	657,609,807
Borrowings	35	-	113,371,317	-	113,371,317	132,094,368
On-lending facilities	36	-	30,788,571	-	30,788,571	42,199,380
Debt securities issued	37	-	49,112,859	-	49,112,859	54,481,989
Other financial liabilities	39(a)		69,056,110		69,056,110	69,056,110

31 DECEMBER 2015

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	20	-	180,921,698	-	180,921,698	180,921,698
Restricted reserve deposits	21	-	125,552,318	-	125,552,318	125,552,318
Loans and advances to customers	24	-	635,420,659	-	635,420,659	592,957,417
Assets pledged as collateral	26	-	43,843,107	-	43,843,107	43,843,107
Investment securities	25(a)(d)	-	92,328,690	-	92,328,690	90,598,766
Other financial assets	32(a)(b)	-	16,655,644	-	16,655,644	16,655,644
LIABILITIES						
Deposits from banks	33	-	5,461,038	-	5,461,038	5,461,038
Deposits from customers	34	-	700,216,706	-	700,216,706	700,216,706
Borrowings	35	-	113,371,317	-	113,371,317	113,700,194
On-lending facilities	36	-	30,788,571	-	30,788,571	33,846,116
Debt securities issued	37	-	49,112,859	-	49,112,859	49,309,394
Other financial liabilities	39(a)	-	85,276,384	-	85,276,384	85,276,384

Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the market value of the loans, arrived at by recalculating the carrying amount of the loans using the estimated market rate for the loan types.

Deposits from banks and customers

- The estimated fair value of deposits, with no stated maturity, is the amount repayable on demand

- The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using the interest rates for new debts with similar remaining maturity.

Borrowings: the estimated fair value of borrowings represents the market value of the borrowings arrived at by recalculating the carrying amount of the borrowings using the estimated market rate for the borrowings.

On-lending facilities: the estimated fair value of on-lending facilities represents the market value of the on-lending facilities arrived at by recalculating the carrying amount of the on-lending facilities using the estimated market rate for the on-lending facilities.

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The carrying amount of all other financial liabilities are reasonable approximations of their fair values which are repayable on demand.

No fair value disclosures were provided for unquoted equity investment securities of N2.95billion (2015:N4.00billion) that are measured at cost because their fair value cannot be determined reliably.

(c) Depreciation and carrying value of property and equipment

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

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

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

(e) Income Taxes

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

(f) Deferred tax

The Group recognizes deferred tax assets based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's entities will have future taxable profits against which these assets can be used.

(g) Determination of regulatory risk reserves

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

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

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

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the retained reserve account to a "regulatory risk reserve".

- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of profit or loss and other comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained reserve account

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

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The banking subsidiary has complied with the requirements of the guidelines as follows:

Prudential adjustments for the year ended 31 December 2016

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

Prudential adjustments for the year ended 31 December 2015

In thousands of Naira	31 Dec 2015
Loans & advances:	
Specific impairment allowances on loans to customers	9,763,386
Collective impairment allowances on loans to customers	5,959,442
Total impairment allowances on loans	**15,722,828**
Other financial assets:	
Specific impairment allowances on unquoted equity securities	1,299,914
Specific impairment allowances on other assets	17,140,911
Operational risk provision	2,422,869
Total impairment allowances on other financial assets	**20,863,694**
Total impairment allowances by the Banking subsidiary (a)	**36,586,522**
Total regulatory impairment based on prudential gudielines (b)	**48,159,061**
Required balance in regulatory risk reserves (c = b - a)	**11,572,539**
Balance, 1 January 2015	**4,170,499**
Reversal during the year	**7,402,040**
Balance, 31 December 2015	**11,572,539**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

5 Operating segments

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

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.

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

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

Corporate Banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The corporate banking business unit caters for the specific needs of companies and financial institutions with an annual turnover in excess of N5billion.

Personal Banking - incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages. Retail banking business unit caters for needs of individuals.

Institutional Banking - government financing, financial institutions, multilateral agencies. The business unit caters for governments at the various levels and their agencies.

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

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

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

Information about operating segments

(i) The business segment results are as follows:

GROUP:

31 DECEMBER 2016

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

In thousands of Naira	Investment Banking	SME Banking	Commercial Banking	Corporate Banking	Personal Banking	Institutional Banking	Treasury & Financial Markets	TOTAL
External revenues:								
Net interest income	1,667,921	12,863,675	1,742,608	12,758,277	27,033,390	6,945,370	925,591	63,936,832
Net fee and commission income	2,068,067	2,843,954	442,674	3,428,280	5,020,879	449,371	1,581,129	15,834,354
Net trading income	(248,070)	-	-	-	-	-	1,188,355	940,285
Net loss from other financial instruments at FVTPL	-	-	-	-	-	-	149,846	149,846
Other revenue	2,435,433	2,055,980	505,930	1,729,177	871,580	1,039,894	197,288	8,835,282
Inter-segment revenue	-	803,210	26,341	(762,562)	620,215	406,402	(1,093,606)	-
Total segment net revenue	5,923,351	18,566,819	2,717,553	17,153,172	33,546,064	8,841,037	2,948,603	89,696,599
Other material non-cash items:								
Impairment losses on financial assets	931,397	1,493,174	501,761	10,093,361	1,942,208	71,558	-	15,033,459
Reportable segment profit before income tax	1,443,266	(2,320,844)	(343,638)	(140,735)	6,862,171	898,549	1,369,895	7,768,664
Reportable segment assets	28,803,998	96,395,584	26,023,109	360,271,530	145,717,183	27,584,490	299,868,722	984,664,616
Reportable segment liabilities	7,921,511	248,476,245	30,538,748	184,546,597	230,388,247	109,533,209	180,804,125	992,208,682

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

In thousands of Naira	GROUP 31 DEC 2016	GROUP 31 DEC 2015
Revenues		
Total net revenue for reportable segments	**117,274,394**	89,696,599
Unallocated amounts	**-**	-
Total revenue	**117,274,394**	89,696,599
Profit or loss		
Total profit or loss for reportable segments	**16,251,397**	7,768,664
Unallocated amounts	**-**	-
Profit before income tax	**16,251,397**	7,768,664

	GROUP 31 DEC 2016	GROUP 31 DEC 2015
Assets		
Total assets for reportable segments	**981,523,994**	984,664,616
Other unallocated amounts	**191,254,084**	174,869,560
Total assets	**1,172,778,078**	1,159,534,176
Liabilities		
Total liabilities for reportable segments	**983,935,883**	992,208,682
Other unallocated amounts	**9,969,201**	4,934,207
Total liabilities	**993,905,084**	997,142,889

Geographical areas

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

(iii) The Geographical information result for 31 December 2016 is as follows:

In thousands of Naira	NIGERIA	EUROPE	TOTAL
External revenues	115,989,648	1,284,746	117,274,394
Non-current assets (see note 5 (v) below)	49,792,824	134,922	49,927,746

(iv) The Geographical information result for 31 December 2015 is as follows:

In thousands of Naira	NIGERIA	EUROPE	TOTAL
External revenues	88,567,769	1,128,830	89,696,599
Non-current assets (see note 5 (v) below)	47,105,518	109,506	47,215,024

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

6 **Financial assets and liabilities**

Accounting classification measurement basis and fair values

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

31 DECEMBER 2016

In thousands of Naira	Note	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	20	-	-	-	108,104,632	-		108,104,632	108,104,632
Non-pledged trading assets	22(a)	9,154,198	-	-	-	-	-	9,154,198	9,154,198
Derivative assets	23	-	1,018,912	-	-	-	-	1,018,912	1,018,912
Loans and advances to customers	24	-	-	-	659,937,237	-	-	659,937,237	635,420,659
Assets pledged as collateral	26	-	-	53,346,359	-	5,760,773	-	59,107,132	47,188,357
Investment securities	25	-		78,868,832	-	49,572,844	-	128,441,676	115,067,948
Other financial assets (net)	32(a)(b)	-	-	11,470,338	-	-	-	11,470,338	11,470,338
		9,154,198	**1,018,912**	**143,685,529**	**768,041,869**	**55,333,617**	**-**	**977,234,125**	**927,425,044**
Trading liabilities	22(b)	6,255,933	-	-	-	-	-	6,255,933	6,255,933
Derivative liabilities	23	-	770,201	-	-	-	-	770,201	770,201
Deposits from banks	33	-	-	-	-	-	24,798,296	24,798,296	24,798,296
Deposits from customers	34	-	-	-	-	-	657,609,807	657,609,807	703,914,393
Borrowings	35	-	-	-	-	-	132,094,368	132,094,368	113,371,317
On-lending facilities	36	-	-	-	-	-	42,199,380	42,199,380	30,788,571
Debt securities issued	37	-	-	-	-	-	54,481,989	54,481,989	49,112,859
Other financial liabilities (net)	39(a)	-	-	-	-	-	69,056,110	69,056,110	69,056,110
		6,255,933	**770,201**	**-**	**-**	**-**	**980,239,950**	**987,266,084**	**998,067,680**

31 DECEMBER 2015

In thousands of Naira	Note	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	20	-	-	-	180,921,698	-	-	180,921,698	180,921,698
Non-pledged trading assets	22(a)	1,994,350	-	-	-	-	-	1,994,350	1,994,350
Derivative assets held	23	-	1,479,760	-	-	-	-	1,479,760	1,479,760
Loans and advances to customers	24	-	-	-	592,957,417	-	-	592,957,417	635,420,659
Assets pledged as collateral	26	-	-	43,843,107	-	7,934,482	-	51,777,589	47,188,357
Investment securities	25	-	-	86,518,754	-	48,791,393	-	135,310,147	133,653,816
Other financial assets	32(a)(b)	-	-	-	51,741,220	-	-	51,741,220	51,741,220
		1,994,350	**1,479,760**	**130,361,861**	**825,620,335**	**56,725,875**	**-**	**1,016,182,181**	**1,052,399,860**
Derivative liabilities held	23	-	1,317,271	-	-	-	-	1,317,271	1,317,271
Deposits from banks	33	-	-	-	-	-	5,461,038	5,461,038	5,461,038
Deposits from customers	34	-	-	-	-	-	700,216,706	700,216,706	700,216,706
Borrowings	35	-	-	-	-	-	113,700,194	113,700,194	113,371,317
On-lending facilities	36	-	-	-	-	-	33,846,116	33,846,116	30,788,571
Debt securities issued	37	-	-	-	-	-	49,309,394	49,309,394	49,112,859
Other financial liabilities	39(a)	-	-	-	-	-	85,276,384	85,276,384	85,276,384
		-	**1,317,271**	**-**	**-**	**-**	**987,809,832**	**989,127,103**	**985,544,146**

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

Investment securities - unquoted equity securities at cost

The above table includes N4.52billion (31 December 2015: N5.54billion) of equity investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is equal to the cost because their fair value cannot be reliably measured. The investments are neither redeemable nor transferable and there is no market for them.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira		GROUP 2016	2015	COMPANY 2016	2015
7	**Interest income**				
	Cash and cash equivalents	**737,089**	1,257,496	**311,792**	513,515
	Loans and advances to customers (see note (a) below)	**101,352,180**	99,646,910	**-**	-
	Investments in government & corporate securities:				
	– Available for sale	**7,061,490**	8,379,690	**-**	-
	– Held for trading	**145,197**	302,187	**-**	-
	– Held to maturity	**15,813,079**	13,997,282	**163,682**	22,911
		125,109,035	123,583,565	**475,474**	536,426

(a) Included in this amount is N2.44billion (2015: N2.16billion) interest income accrued on impaired loans and advances to customers.

(b) Included in the total interest income calculated using the effective interest method reported above that relate to financial assets not carried at fair value is N6.48billion (2015: N7.74billion)

		GROUP 2016	2015	COMPANY 2016	2015
8	**Interest expense**				
	Deposits from banks	**3,511,872**	626,980	**-**	-
	Deposits from customers	**31,049,656**	45,331,824	**-**	-
		34,561,528	45,958,804	**-**	-
	Borrowings	**12,517,031**	8,701,129	**-**	-
	Debt securities issued	**7,429,899**	4,159,858	**-**	-
	Onlending facitilies	**1,067,069**	826,942	**-**	-
		55,575,527	59,646,733	**-**	-
9	**Net impairment loss on financial assets**				
(a)	**Loans and advances to customers**				
	Specific impairment charge (see note 24 (c (i)))	**10,628,404**	6,993,587	**-**	-
	Collective impairment charge (see note 24 (c (ii)))	**24,365,162**	2,881,651	**-**	-
	Recoveries on loans previously written off	**(3,184,432)**	(1,670,592)	**-**	-
		31,809,134	8,204,646	**-**	-
(b)	**Other assets**				
	Impairment charge (see note 32 (c))	**3,607,348**	5,494,359	**-**	-
		3,607,348	5,494,359	**-**	-
(c)	**Investment in unquoted securities avaliable for sale**				
	Impairment for investment securities avaliable for sale	**-**	720,110	**-**	-
	Reversal of impairment	**-**	(75,398)	**-**	-
		-	644,712	**-**	-
(d)	**Investment in subsidiary/Goodwill**				
	Impairment charge (see note 30(b))	**105,589**	689,742	**105,589**	689,742
		105,589	689,742	**105,589**	689,742
		35,522,071	15,033,459	**105,589**	689,742

In thousands of Naira		GROUP 2016	2015	COMPANY 2016	2015
10	**Net fee and commission income**				
	Credit related fees	**339,148**	669,386	**-**	-
	Account Maintenance	**2,734,141**	2,359,010	**-**	-
	Letters of credit commission	**639,722**	430,571	**-**	-
	Commission on off-balance sheet transactions	**309,920**	595,502	**-**	-
	Cards & Service fees and commissions	**13,660,508**	14,944,500	**-**	-
	Gross Fee and commission income	**17,683,439**	18,998,969	**-**	-
	Card and cheque books recoverable expenses	**(3,009,230)**	(2,752,738)	**-**	-
	Other bank charges	**(492,822)**	(411,877)	**(66)**	-
	Fee and commission expense	**(3,502,052)**	(3,164,615)	**(66)**	-
	Net fee and commission income	**14,181,387**	15,834,354	**(66)**	-

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

		GROUP 2016	2015	COMPANY 2016	2015
11	**Net trading income**				
	Foreign exchange trading income	**4,853,488**	-	**-**	-
	Bonds trading income	**159,519**	198,971	**-**	-
	Treasury bills trading income	**676,846**	955,168	**-**	-
	Options & equities trading loss	**(2,806)**	(213,854)	**-**	-
		5,687,047	940,285	**-**	-
12	**Net income from other financial instruments at fair value through profit or loss**				
	Net income arising on:				
	Fair value gain on derivative financial instruments	**21,635**	149,846	**-**	-
		21,635	149,846	**-**	-
13	**Other income**				
	Dividends on equity investment securities in the subsidiaries (see note (a) below)	**-**	-	**2,130,271**	1,320,000
	Dividends on unquoted equity securities at cost (see note (b) below)	**448,538**	532,552	**121,924**	218,510
	Foreign exchange gains (see note (c) below)	**29,310,033**	5,431,496	**1,883,509**	201,710
	(Loss) / profit on disposal of investment securities (see note (d) below)	**(769,929)**	2,584,955	**42,387**	1,915,875
	(Loss) / profit on sale of property and equipment	**(1,408,352)**	231,328	**570**	108
	Other income (see note (f) below)	**270,527**	54,951	**-**	8,275
		27,850,817	8,835,282	**4,178,661**	3,664,478

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(a) The amount of N2.13billion represents N1.98billion from First City Monument Bank Limited in respect of year ended December 2016 and N150million received from FCMB Capital Markets Limited in respect of the year ended 31 December 2015 . The amount of N1.32billion represent dividend received from First City Monument Bank Limited in 2015.

(b) This amount N448.47million (31 December 2015: N532.55million) represents dividend income received from unquoted equity investments held by the Group.

(c) This amount represents foreign exchange revaluation gain due to naira devaluation.

(d) Included in this amount is a gain of N2.98m on disposal of Abuja Leasing Company, loss of N806.11million and N9.18million on disposal of Helios Towers Mauritius (HTM) Private Placement Underwriting and Environmental Remediation Holiding Company Plc respectively, see note 25 (c) below.

(e) Other income comprises:

Rental income	**264,901**	46,676	**-**	-
Recoveries	**5,626**	8,275	**-**	8,275
	270,527	54,951	**-**	8,275

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
14 Personel expenses				
Short term employee benefits (see note 44(b))	**21,244,177**	22,060,210	**198,053**	204,023
Contributions to defined contribution plans (see note 38)	**591,777**	683,196	**5,786**	8,640
Non-payroll staff cost (see (a) below)	**2,968,447**	2,744,275	**14,328**	25,697
	24,804,401	25,487,681	**218,167**	238,360

Staff loans

Staff receive loans priced below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the present value (PV) of cash flows discounted at the contractual rate and present value (PV) of cash flows discounted at market rate has been recognised as a prepaid employee benefit which is amortised to personnel expense, over the life of the loan which is included in non-payroll staff cost.

(a) Non-payroll staff cost includes NSITF expenses, ITF levy, medical expenses, club subscriptions and other related expenses not paid to staff.

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
15 Depreciation and Amortisation				
Amortisation of Intangibles (see note 30)	**577,724**	530,897	**963**	963
Depreciation of property and equipment (see note 29)	**3,896,347**	3,832,119	**23,399**	22,297
	4,474,071	4,363,016	**24,362**	23,260

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
16 General and administrative expenses				
Communication, stationery and postage	**2,011,650**	2,158,580	**4,743**	5,050
Business travel expenses	**1,169,406**	1,086,143	**4,627**	10,420
Advert, promotion and corporate gifts	**2,413,082**	2,535,098	**4,922**	27,698
Business premises and equipment costs	**4,237,677**	3,907,142	**18,974**	16,625
Directors' emoluments and expenses	**878,439**	886,320	**195,833**	196,344
IT expenses	**3,111,686**	2,995,891	**7,175**	2,565
Contract Services and training expenses	**5,389,460**	5,555,755	**2,538**	1,429
Vehicles maintenance expenses	**1,514,810**	1,340,287	**2,968**	1,015
Security expenses	**2,075,089**	2,047,753	**-**	-
Auditors' remuneration	**324,634**	287,061	**33,000**	30,000
Professional charges (see (a) below)	**2,528,131**	2,045,609	**87,189**	109,939
	25,654,064	24,845,639	**361,969**	401,085

(a) Professional charges represents fees to various consultants on strategy professional services, tax advisory services, custodian services, IT maintenance services and legal professional services.

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
17 Other operating expenses				
NDIC Insurance Premium & other insurances	**3,715,973**	3,999,259	**5,188**	2,987
AMCON Expenses	**5,620,300**	5,655,943	**-**	-
Others (see note (a) below)	**1,504,866**	2,627,503	**189,184**	297,184
	10,841,139	12,282,705	**194,372**	300,171
(a) Others comprises:				
AGM, meetings and shareholder expenses	**306,386**	262,754	**163,667**	140,194
Donation and sponsorship expenses	**169,018**	202,562	**-**	-
Entertainment expenses	**333,065**	286,175	**7,062**	5,452
Fraud and forgery expense	**16,411**	13,246	**-**	-
Rental expenses	**182,601**	398,871	**9,703**	54,420
Regulatory charges	**8,641**	13,314	**8,641**	13,314
Write offs	**123,146**	234,869	**111**	58
Provision for litigation	**276,838**	1,035,654	**-**	83,746
Penalty (see note 45)	**88,760**	180,058	**-**	-
	1,504,866	2,627,503	**189,184**	297,184

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
18 Earnings per share				
Basic and diluted earnings per share				
Profit attributable to equity holders	**14,338,882**	4,760,666	**3,730,260**	2,523,055
Weighted average number of ordinary shares in issue (in '000s)	**19,802,710**	19,802,710	**19,802,710**	19,802,710
	0.72	0.24	**0.19**	0.13

The Group does not have dilutive potential ordinary shares as at 31 December 2016 (December 2015: nil).

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19 Tax expense

(i) Current tax expense:				
Minimum tax (see note 19(v))	**988,364**	900,532	**-**	-
National Information Technology Development Agency (NITDA) levy (see note 19(v))	**159,471**	110,263	**19,351**	25,231
Tertiary education tax (see note 19(v))	**35,014**	124,292	**-**	-
Corporate income tax (see note 19(v))	**539,435**	1,882,491	**-**	-
(ii) Deferred tax expense/(reversal):				
Origination of temporary differences	**190,231**	(9,580)	**-**	-
Income tax expense	**924,151**	2,107,466	**19,351**	25,231
Total tax expense	**1,912,515**	3,007,998	**19,351**	25,231

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

	GROUP		COMPANY	
	2016			
Profit before tax		**15,978,648**		**3,749,611**
Income tax using the domestic corporation tax rate	**30.0%**	**4,793,594**	**30.0%**	**1,124,883**
National Information Technology Development Agency (NITDA) levy	**1.0%**	**159,471**	**0.5%**	**19,351**
Non-deductible expenses	**90.1%**	**14,398,317**	**0.0%**	**-**
Tax exempt income	**(96.1%)**	**(15,360,829)**	**(15.1%)**	**(567,722)**
Minimum tax	**6.2%**	**988,364**	**0.0%**	**-**
Unrecognised tax losses	**(19.4%)**	**(3,101,416)**	**(14.9%)**	**(557,161)**
Tertiary education tax	**0.2%**	**35,014**	**0.0%**	**-**
Total tax expense	**12.0%**	**1,912,515**	**0.5%**	**19,351**

	GROUP		COMPANY	
	2015			
Profit before tax		7,684,099		2,548,286
Income tax using the domestic corporation tax rate	30.0%	2,305,230	30.0%	764,486
National Information Technology Development Agency (NITDA) levy	1.0%	76,080	1.0%	25,231
Non-deductible expenses	46.0%	3,533,488	0.0%	-
Tax exempt income	(23.6%)	(1,813,717)	0.0%	-
Minimum tax	11.7%	900,532	0.0%	-
Unrecognised tax losses	(27.3%)	(2,101,324)	(30.0%)	(764,486)
Tertiary education tax	1.4%	107,709	0.0%	-
Total tax expense	39.1%	3,007,998	1.0%	25,231

(iv) The Banking subsidiary was assessed based on the minimum tax legislation for the year ended 31 December 2016 because of a tax exemption granted via Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 as contained in a gazette issued by the President of the Federal Republic of Nigeria, which took effect from 2 January 2012.

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

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

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

NAME OF PROFESSIONAL	FRC NUMBER
PEDABO ASSOCIATES LTD	FRC/2013/ICAN/00000000908

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(v) Current income tax liability				
Beginning of the year	**3,497,954**	4,363,544	**25,231**	114,246
Tax paid	**(1,935,705)**	(3,883,168)	**-**	(114,246)
Tax refund	**(424,971)**	-		-
Minimum tax	**988,364**	900,532	**-**	-
National Information Technology Development Agency (NITDA) levy	**159,471**	110,263	**19,351**	25,231
Tertiary education tax	**35,014**	124,292	**-**	-
Income tax expense	**539,435**	1,882,491	**-**	-
	2,859,562	3,497,954	**44,582**	25,231
Current	**2,859,562**	3,497,954	**44,582**	25,231
Non-current	**-**	-	**-**	-
	2,859,562	3,497,954	**44,582**	25,231

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
20 Cash and cash equivalents				
Cash	**27,925,361**	37,662,017	**-**	-
Current balances within Nigeria	**4,152,938**	383,933	**202,180**	4,354,446
Current balances outside Nigeria (see (b) below)	**53,217,994**	78,548,093	**-**	-
Placements with local banks (see (c) below)	**6,629,419**	11,780,077	**5,615,574**	2,876,750
Placements with foreign banks	**10,309,203**	7,086,313	**-**	-
Unrestricted balances with Central banks	**5,869,717**	45,461,265	**-**	-
	108,104,632	180,921,698	**5,817,754**	7,231,196
Current	**108,104,632**	180,921,698	**5,817,754**	7,231,196
Non-current	**-**	-	**-**	-
	108,104,632	180,921,698	**5,817,754**	7,231,196

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

(b) Balance with banks outside Nigeria include N22.62billion (Dec 2015: N12.87billion) which represents the naira value of foreign currency amounts held by the Banking subsidiary on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities (see Note 39).

(c) Placements with local banks includes N5.00billion (31 December 2015: N7.5billion) which represents overnight placements with Central Bank of Nigeria.

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
21 Restricted reserve deposits				
Restricted mandatory reserve deposits with central banks	**139,460,914**	125,552,318	**-**	-
	139,460,914	125,552,318	**-**	-
Current	**-**	-	**-**	-
Non-current	**139,460,914**	125,552,318	**-**	-
	139,460,914	125,552,318	**-**	-

(a) Restricted mandatory reserve deposits are not available for use in the Banking subsidiary's and Group's day-to-day operations. Mandatory reserve deposits is non interest-bearing and are computed as a fixed percentage of the Banking subsidiary qualifying deposit liabilities.

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
22(a) Trading assets				
Federal Government of Nigeria Bonds - listed	**990,508**	591,882	**-**	-
Treasury bills - listed	**8,053,007**	1,247,395	**-**	-
Equity securities	**110,683**	155,073	**-**	-
	9,154,198	1,994,350	**-**	-
Current	**9,154,198**	1,994,350	**-**	-
Non-current	**-**	-	**-**	-
	9,154,198	1,994,350	**-**	-
(b) Non-pledged trading liabilities				
Short sold positions - Federal Government of Nigeria Bonds	**1,872,112**	-	**-**	-
Short sold positions - Treasury bills	**4,383,821**	-	**-**	-
	6,255,933	-	**-**	-
Current	**6,255,933**	-	**-**	-
Non-current	**-**	-	**-**	-
	6,255,933	-	**-**	-

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
23 Derivative assets and liabilities				
Instrument type				
Assets: - options	**984,230**	1,391,892	**-**	-
- interest rate swap	**34,682**	87,868	**-**	-
	1,018,912	1,479,760	**-**	-
Current	**34,682**	-	**-**	-
Non-current	**984,230**	1,479,760	**-**	-
	1,018,912	1,479,760	**-**	-
Liabilities - options	**733,486**	1,214,104	**-**	-
- interest rate swap	**36,715**	103,167	**-**	-
	770,201	1,317,271	**-**	-
Current	**36,715**	-	**-**	-
Non-current	**733,486**	1,317,271	**-**	-
	770,201	1,317,271	**-**	-

Customer Transactions: The banking subsidiary has entered into options on Dated Brent with customers to allow those customers hedge their exposure to the oil price

Market Transactions: The Banking subsidiary has entered into back to back options on Dated Brent with regard to the customer transactions with market counterparties to completely mitigate the market risk exposure on the customer transactions

The Banking subsidiary has not applied hedge accounting.
The fair value gains of N21.64million was recognised during year (31 December 2015: N149.85 million) and have been presented in the statement of profit or loss, see note 12.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
24 Loans and advances to customers				
(a) Loans and advances to customers at amortised cost	**661,940,976**	595,948,369	**-**	-
Finance leases at amortised cost	**18,542,085**	15,111,332	**-**	-
	680,483,061	611,059,701	**-**	-
Less allowance for impairment	**(20,545,824)**	(18,102,284)	**-**	-
	659,937,237	592,957,417	**-**	-
Current	**355,211,185**	267,685,541	**-**	-
Non-current	**304,726,052**	325,271,876	**-**	-
	659,937,237	592,957,417	**-**	-

Group	Gross amount 2016	Impairment allowance 2016	Carrying Amount 2016	Gross amount 2015	Impairment allowance 2015	Carrying Amount 2015
Retail customers:						
Mortgage lending	**2,309,871**	**(50,082)**	**2,259,789**	2,154,538	(12,950)	2,141,588
Personal loans	**118,549,418**	**(7,165,024)**	**111,384,394**	128,795,993	(4,306,392)	124,489,601
Credit cards	**3,296,269**	**(189,268)**	**3,107,001**	2,249,009	(26,993)	2,222,016
Corporate customers:						
Finance leases	**18,542,085**	**(640,502)**	**17,901,583**	15,111,332	(250,943)	14,860,389
Other secured lending	**537,785,418**	**(12,500,948)**	**525,284,470**	462,748,829	(13,505,006)	449,243,823
	680,483,061	**(20,545,824)**	**659,937,237**	611,059,701	(18,102,284)	592,957,417

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

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(b) Finance lease				
Loan and advances to customers at amortised cost include the following finance lease:				
Gross investment:				
Less than one year	**6,600,748**	6,379,837	**-**	-
Between one and five years	**16,844,892**	14,160,372	**-**	-
More than five years	**3,151,694**	1,554,776	**-**	-
	26,597,334	22,094,985	**-**	-
Unearned finance income	**(8,055,249)**	(6,983,653)	**-**	-
Net investment in finance leases	**18,542,085**	15,111,332	**-**	-
Less impairment allowance	**(640,502)**	(250,943)	**-**	-
	17,901,583	14,860,389	**-**	-
Net investment in finance leases				
Net investment in finance leases, receivables:				
Less than one year	**5,432,213**	3,023,616	**-**	-
Between one and five years	**11,294,752**	11,063,356	**-**	-
More than five years	**1,815,120**	1,024,360	**-**	-
	18,542,085	15,111,332	**-**	-

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(c) Movement in allowances for impairment				
(i) Specific allowances for impairment				
Balance at 1 January	**11,488,991**	6,574,749	**-**	-
Impairment loss for the year:				
Charge for the year (See Note 9(a))	**10,628,404**	6,993,587	**-**	-
Write offs	**(15,592,795)**	(2,079,345)	**-**	-
	6,524,600	11,488,991	**-**	-
(ii) Collective allowances for impairment				
Balance at 1 January	**6,613,293**	8,820,658	**-**	-
Impairment loss for the year:				
Charge for the year (See Note 9(a))	**24,365,162**	2,881,651	**-**	-
Write offs (See (e) below)	**(16,957,231)**	(5,089,016)	**-**	-
	14,021,224	6,613,293	**-**	-
	20,545,824	18,102,284	**-**	-
(d) Classification of loans by security type				
Secured against real estate	**80,635,724**	100,519,015	**-**	-
Secured by shares of quoted companies	**1,702,798**	2,099,461	**-**	-
Cash Collateral, lien over fixed and floating assets	**380,513,407**	282,659,034	**-**	-
Otherwise secured	**64,026,625**	78,410,455	**-**	-
Unsecured	**153,604,507**	147,371,736	**-**	-
	680,483,061	611,059,701	**-**	-

(e) Impaired loans that are not individually significant are included in the collective impairment. Therefore when such loans are written off the cumulative impairment on them are taken from the collective impairment allowance.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
25	**Investment securities**				
	Held-to-maturity (see note (a) below)	**78,868,832**	86,518,754	**2,701,510**	169,466
	Available-for-sale (see note (b) below)	**49,572,844**	48,791,393	**2,142,690**	1,844,155
		128,441,676	135,310,147	**4,844,200**	2,013,621
	Current	**43,008,043**	46,516,610	**-**	-
	Non-current	**85,433,633**	88,793,537	**4,844,200**	2,013,621
		128,441,676	135,310,147	**4,844,200**	2,013,621
(a)	**Held-to-maturity investment securities**				
	Federal Government of Nigeria (FGN) Bonds - listed	**55,359,897**	56,088,570	**-**	-
	State Government Bonds - unlisted	**13,879,150**	15,118,111	**-**	-
	Treasury Bills	**-**	229,367	**-**	-
	Corporate bonds - unlisted	**9,629,785**	15,082,706	**2,701,510**	169,466
		78,868,832	86,518,754	**2,701,510**	169,466
(b)	**Available-for-sale investment securities**				
	Federal Government of Nigeria (FGN) Bonds - listed	**748,606**	1,148,445	**-**	-
	Treasury bills - listed	**42,506,502**	38,878,936	**-**	-
	Equity securities measured at fair value (see note (c) below) - listed / unlisted	**1,227,278**	2,954,076	**-**	-
	Unquoted equity securities measured at cost (see note (d)) - unlisted	**4,520,691**	5,538,704	**1,572,923**	1,572,923
	Unclaimed dividend investment fund- (see note (g))	**569,767**	271,232	**569,767**	271,232
		49,572,844	48,791,393	**2,142,690**	1,844,155
(c)	**Equity securities measured at fair value under available-for-sale investments**				
	Helios Towers Mauritius (HTM) Private Placement Underwriting	**-**	1,729,924	**-**	-
	DAAR Communications Underwriting	**37,277**	37,277	**-**	-
	Environmental Remediation Holiding Company Plc	**-**	10,450	**-**	-
	Unity Bank Plc	**615**	1,253	**-**	-
	UTC Nigeria Plc	**11**	11	**-**	-
	Central Securities Clearing System	**19,250**	19,215	**-**	-
	WAMCO	**-**	5,495	**-**	-
	Financial Derivative Ltd	**10,000**	10,000	**-**	-
	Industrial and General Insurance Plc	**4,901**	5,990	**-**	-
	Food Concepts Limited	**1,890**	2,310	**-**	-
	Zenith Bank Plc	**359,617**	342,551	**-**	-
	Legacy Short Maturity Fund	**33,366**	30,250	**-**	-
	Legacy Equity Fund	**46,000**	45,000	**-**	-
	Standard Alliance Co Plc	**714,350**	714,350	**-**	-
		1,227,278	2,954,076	**-**	-

In thousands of Naira		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(d)	**Unquoted equity securities at cost**				
	Credit Reference Company Limited	**61,111**	61,111	**-**	-
	Nigeria Inter-bank Settlement System Plc	**102,970**	102,970	**-**	-
	Africa Finance Corporation	**2,558,388**	2,558,388	**-**	-
	Rivers State Microfinance Agency	**-**	1,000,000	**-**	-
	Private Equity Funds	**1,572,923**	1,572,923	**1,572,923**	1,572,923
	SME Investments ((note (f) below)	**727,454**	1,087,967	**-**	-
	Africa Export-Import Bank, Cario	**144,805**	144,805	**-**	-
	Express Discount House	**64,415**	64,415	**-**	-
	Smartcard Nigeria Plc	**22,804**	22,804	**-**	-
	ATSC Investment	**50,000**	50,000	**-**	-
	Currency Sorting Co	**24,640**	24,640	**-**	-
	IMB Energy Master Fund	**100,000**	100,000	**-**	-
	FMDQ (OTC) Plc	**30,000**	30,000	**-**	-
	Society for Worldwide Interbank Financial Telecommunication (SWIFT)	**18,595**	18,595	**-**	-
		5,478,105	6,838,618	**1,572,923**	1,572,923
	Specific impairment for equities (note (e) below)	**(957,414)**	(1,299,914)	**-**	-
	Carrying amount	**4,520,691**	5,538,704	**1,572,923**	1,572,923
(e)	**Specific allowances for impairment on Unquoted equity securities at cost**				
	Balance at 1 January	**1,299,914**	1,299,914	**-**	-
	Write off during the year	**(342,500)**	-	**-**	-
	Balance at end	**957,414**	1,299,914	**-**	-

(f) Included in SME Investments is an amount of N324.5million representing the carrying amount of investment in Abuja Leasing Company which had been fully impaired. This investment was disposed during the year.

(g) In line with the Security and Exchange Commission (SEC) rule, CardinalStone Registrars Limited (Registrars to the Company) , had transferred N496.95m as the end of the year (2015: N255.04m) which represented 90% of the total unclaimed dividend under their custody to the Company. The Company earned an income of N56.62M (2015: N16.19m) within the year from the investment of the unclaimed dividend.

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

(i) Movement in investment securities

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

GROUP

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

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2015	7,831,564	68,079,431	69,156,739	3,219,096	148,286,830
Exchange differences	-	(179,232)	-	-	(179,232)
Additions	-	40,780,522	37,592,006	465,184.00	78,837,712
Disposals	(2,021,628)	(26,260,311)	(69,168,942)	-	(97,450,881)
Gains from changes in fair value recognised in profit or loss	-	-	-	-	-
Gains from changes in fair value recognised in other comprehensive incom	-	-	2,447,578	(730,204)	1,717,374
Interest accrued	-	15,267,910	-	-	15,267,910
coupon interest received	-	(11,169,566)	-	-	(11,169,566)
Balance at 31 December 2015	5,809,936	86,518,754	40,027,381	2,954,076	135,310,147

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

COMPANY

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

	Equity securities measured at cost through profit or loss	Debt securities at amortised cost	Debt securities at fair value through other comprehensive income	Equity securities at fair value through other comprehensive income	Total
Balance at 1 January 2015	2,828,220	-	-	-	2,828,220
Additions	-	169,466	-	-	169,466
Disposals	(984,065)	-	-	-	(984,065)
Balance at 31 December 2015	1,844,155	169,466	-	-	2,013,621

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
26 Assets pledged as collateral				
The nature and carrying amounts of the non tradable financial assets pledged as collaterals are as follows:				
Treasury Bills:				
– Available for sale	**3,827,205**	7,934,482	**-**	-
	3,827,205	7,934,482	**-**	-
Federal Government of Nigeria (FGN) Bonds:				
– Available for sale	**1,933,568**	-	**-**	-
– Held to maturity	**53,346,359**	43,843,107	**-**	-
	55,279,927	43,843,107	**-**	-
	59,107,132	51,777,589	**-**	-
Current	**11,734,482**	15,607,982	**-**	-
Non-current	**47,372,650**	36,169,607	**-**	-
	59,107,132	51,777,589	**-**	-

As at the year ended, the Group held no collateral, which it was permitted to sell or re -pledge in the absence of default by the owner of the collateral (31 December 2015: nil).

The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralized. These represents pledged assets to these parties;

Counterparties	Reasons for pledged securities	GROUP 2016	2015	COMPANY 2016	2015
Nigeria Inter-bank Settlement Plc (NIBSS)	Cards, POS transactions settlements	**2,184,482**	1,184,482	**-**	-
Interswitch Nigeria Limited	Cards, POS transactions settlements	**250,000**	250,000	**-**	-
Federal Inland Revenue Service(FIRS)	Third parties collection transactions	**2,500,000**	1,500,000	**-**	-
Central Bank of Nigeria (CBN)	Third parties clearing instruments / On-lending facilities to customers	**17,400,000**	15,000,000	**-**	-
Bank of Industry (BOI)	On-lending facilities to customers	**14,980,800**	14,980,800	**-**	-
Standard Bank London	Borrowed funds repo transactions	**15,173,422**	12,013,422	**-**	-
Stanbic IBTC	Borrowed funds repo transactions	**2,000,000**	6,848,885	**-**	-
Held-to-maturity pledged bonds at amortised cost		**4,511,151**	-	**-**	-
Fair value of treasury bills available for sale to pledged treasury bills		**107,277**	-	**-**	-
		59,107,132	**51,777,589**	**-**	**-**

In thousands of Naira	GROUP 2016	2015	COMPANY 2016	2015
27 Investment in Subsidiaries				
(a) Investment in subsidiaries comprises:				
First City Monument Bank Limited (see note (c) below)	**-**	-	**115,422,326**	115,422,326
FCMB Capital Markets Limited (see note (d) below)	**-**	-	**240,000**	240,000
CSL Stockbrokers Limited (CSLS) (see note (e) below)	**-**	-	**3,053,777**	3,053,777
CSL Trustees Limited (see note (f) below)	**-**	-	**220,000**	220,000

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	-	-	**118,936,103**	118,936,103
Specific allowances for impairment (see note (g) below)	**-**	-	**(795,331)**	(689,742)
Carrying amount	**-**	-	**118,140,772**	118,246,361
Current	**-**	-	**-**	-
Non-current	**-**	-	**118,140,772**	118,246,361
	-	-	**118,140,772**	118,246,361

	GROUP		COMPANY	
	2016	2015	2016	2015
Specific allowances for impairment				
Balance at 1 January	**-**	-	**689,742**	-
Charge for the year (see note 9(d))	**-**	-	**105,589**	689,742
Balance at 31 December	**-**	-	**795,331**	689,742

(b) **Group entities**

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

Company Name	Country of incorporation	Nature of Business	Percentage of equity capital held (Direct	Financial year end
(1) First City Monument Bank Limited (see Note (c) below)	Nigeria	Banking	100%	31-December
(2) FCMB Capital Markets Limited (see Note (d) below)	Nigeria	Capital Market	100%	31-December
(3) CSL Stockbrokers Limited (CSLS) (see Note (e) below)	Nigeria	Stockbroking	100%	31-December
(4) CSL Trustees Limited (see Note (f) below)	Nigeria	Trusteeship	100%	31-December

(c) This represents the cost of the Company's 100% equity holding in First City Monument Bank Limited. The Company was incorporated under the Companies and Allied Matters Act as a Private Limited Liability Company on 20 April,1982. It was licensed on 11 August, 1983 to carry on the business of Commercial Banking and Commercial Business on 1 September 1983. The Bank was converted into a Public Limited Liability Company and its shares listed on the Nigerian Stock Exchange on 21 December, 2004. The Bank was however delisted from the Nigerian Stock Exchange on 21 June 2013 and registered as a Limited Liability Company on 4 September 2013 following the group restructuring.

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

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

(f) This represents the cost of the Company's 100% equity holding in CSL Trustees Limited. The Company was incorporated in November 24, 2010. The company invested additional N180m in CSL Trustees Limiited in September 2015 in order to recapitalise the business in line with the new SEC minimum capitalisation policy of N300m for trustee businesses in Nigeria.

(g) The Directors of the company are of the opinion that, there is objective indication that the Goodwill recognised on the acquisition of CSL Stockbrokers Limited has been impaired due to the down turn in the stockbroking business. The cummulative impairment impairment as 31 December 2016 is N795.3million (2015: N689.74million).

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

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
28 Investment in associates				
(a) Investment in associate company:				
Balance at 1 January	**731,964**	647,399	**418,577**	418,577
Previously unrecognised reserve	**(36,277)**	-	**-**	-
Share of profit transfer out of reserve	**272,749**	84,565	**-**	-
Dividends paid	**(121,924)**	-	**-**	-
Balance at 31 December	**846,512**	731,964	**418,577**	418,577
(b) Summarised financial information of the Group's principal associates are as follows:				
Assets	**3,310,647**	3,166,075	**3,310,647**	3,166,075
Liabilities	**319,440**	579,628	**319,440**	579,628
Net assets	**2,991,208**	2,586,448	**2,991,208**	2,586,448
Revenues	**2,296,175**	2,278,438	**2,296,175**	2,278,438
Profit	**963,778**	970,469	**963,778**	970,469

(c) This represents the Company's 28.30% (2015: 28.30%) equity interest holding in Legacy Pension Managers Limited, a pension fund manager licensed to carry on the business of fund and pension management. The company was incorporated in April 2005 and commenced operations in May 2005. The Group acquired its initial 25% equity holding in February 2008.

29 Property and equipment

GROUP

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	Leasehold improvement and buildings	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost						
Balance at 1 January 2016	24,709,933	4,961,970	18,302,724	9,749,576	4,323,322	62,047,525
Additions during the year	1,730,717	448,463	2,306,037	87,014	(703,714)	3,868,517
Reclassifications	499,181	42,945	18,550	-	(560,676)	-
Transfer from accounts receivables	1,228,650	-	-	-	-	1,228,650
Transfer to intangible assets (see note 30)	-	-	-	-	(113,361)	(113,361)
Transfer to other prepaid expenses	(397,136)	-	-	-	(39,942)	(437,078)
Disposal during the year	(293,589)	(607,195)	(245,651)	(1,332,816)	-	(2,479,251)
Translation difference	8,975	8,975	18,450	189	-	36,589
Balance at 31 December 2016	**27,486,731**	**4,855,158**	**20,400,110**	**8,503,963**	**2,905,629**	**64,151,591**
Accumulated depreciation						
Balance at 1 January 2016	6,146,161	3,599,510	11,911,990	8,460,560	-	30,118,221
Transfer from accounts receivables	144,551	-	-	-	-	144,551
Transfer to other prepaid expenses	(121,567)	-	-	-	-	(121,567)
Charge for the year (see note 15)	653,320	636,695	1,992,527	613,805	-	3,896,347
Eliminated on Disposal	(20,069)	(584,036)	(255,460)	(1,336,623)	-	(2,196,188)
Translation difference	5,466	5,112	16,310	113	-	27,001
Balance at 31 December 2016	6,807,862	3,657,281	13,665,367	7,737,855	-	31,868,365
Carrying amounts:						
Balance at 31 December 2016	20,678,869	1,197,877	6,734,743	766,108	2,905,629	32,283,226
Balance at 31 December 2015	18,563,772	1,362,460	6,390,734	1,289,016	2,364,756	29,970,738

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended (31 December 2015: nil).
There were no restrictions on title of any property and equipment.
There were no property and equipment pledged as security for liabilities.
There were no contractual commitments for the acquisition of property and equipment.

COMPANY

In thousands of Naira	Leasehold improvement and buildings	Motor vehicles	Furniture, fittings and Equipment	Computer equipment	Capital Work in progress	Total
Cost						
Balance at 1 January 2016	5,181	61,226	7,634	3,205	-	77,246
Additions during the year	-	61,500	6,496	309	-	68,305
Disposal during the year	-	(49,043)	(119)	(536)	-	(49,698)
Balance at 31 December 2016	5,181	73,683	14,011	2,978	-	95,853
Accumulated depreciation						
Balance at 1 January 2016	1,159	29,442	3,962	1,420	-	35,983
Charge for the year (see note 15)	518	20,543	1,628	710	-	23,399
Eliminated on Disposal	-	(22,643)	(119)	(235)	-	(22,997)
Balance at 31 December 2016	1,677	27,342	5,471	1,895	-	36,385
Carrying amounts:						
Balance at 31 December 2016	3,504	46,341	8,540	1,083	-	59,468
Balance at 31 December 2015	4,022	31,784	3,672	1,785	-	41,263

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Current	**-**	-	**-**	-
Non-current	**32,283,226**	29,970,738	**59,468**	41,263
	32,283,226	29,970,738	**59,468**	41,263

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended (31 December 2015: nil).
There were no restrictions on title of any property and equipment.
There were no property and equipment pledged as security for liabilities.
There were no contractual commitments for the acquisition of property and equipment.

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
30 Intangible assets				
(a) **Software**				
Cost				
Beginning of the year	**5,491,892**	3,645,396	**3,851**	3,851
Additions during the year	**302,185**	542,269	**-**	-
Work-in-progress - additions during the year	**927,242**	1,297,032	**-**	-
Transfer from property and equipment (see note 29)	**113,361**	-	**-**	-
Translation difference for the year	**105,403**	7,195	**-**	-
End of the year	**6,940,083**	5,491,892	**3,851**	3,851
Amortisation				
Beginning of the year	**2,828,681**	2,292,156	**2,006**	1,043
Charge for the year (see note 15)	**577,724**	530,897	**963**	963
Translation difference for the year	**60,887**	5,628	**-**	-
End of the year	**3,467,292**	2,828,681	**2,969**	2,006
Carrying amount	**3,472,791**	2,663,211	**882**	1,845
(b) **Goodwill**				
Beginning of the year	**6,305,328**	6,995,070	**-**	-
Impairment charge (see note 9(d))	**(105,589)**	(689,742)	**-**	-
At end of the year	**6,199,739**	6,305,328	**-**	-
	9,672,530	8,968,539	**882**	1,845

(c) Goodwill is reviewed annually or more frequently for impairment when there are objective indicators that impairment may have occurred by comparing the carrying value to its recoverable amount. The recoverable amount has been calculated based on the value in use of the Cash Generating Units (CGUs), determined by discounting the future cashflows expected to be generated from the continuing use of the CGUs assets and thier ultimate disposal.. Impairment charge of N105.59m was taken in 2016 (2015:N689.74m) because the recoverable amount of these CGUs were determined to be lower.

(d) There were no capitalised borrowing costs related to the acquisition of any internal development of software during the year (31 December 2015: nil)

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In thousands of Naira

31 Deferred tax assets and liabilities

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

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets	Liabilities	Net	Assets	Liabilities	Net
		2016			2015	
Property and equipment	1,153,659	(62,017)	1,091,642	1,147,797	(56,155)	1,091,642
Defined benefits	(33,936)	23,698	(10,238)	157,779	-	157,779
Collective allowances for loan losses	2,330,958	(27,583)	2,303,375	2,339,356	(12,283)	2,327,073
Unrelieved tax loss carried forward	4,521,309	-	4,521,309	4,521,309	-	4,521,309
Net tax assets/ (liabilities)	7,971,990	(65,902)	7,906,088	8,166,241	(68,438)	8,097,803

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Deferred tax assets				
Current	**-**	-	**-**	-
Non-current	**7,971,990**	8,166,241	**-**	-
	7,971,990	8,166,241	**-**	-
Deferred tax liabilities				
Current	**-**	-	**-**	-
Non-current	**65,902**	68,438	**-**	-
	65,902	68,438	**-**	-

(b) **Movements in temporary differences during the year ended 31 December 2016;**

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

Movements in temporary differences during the year ended 31 December 2015;

GROUP	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive	Balance at 31 December
Property and equipment	1,082,062	9,580	-	1,091,642
Defined benefits	157,779	-	-	157,779
Allowances for loan losses	2,327,073	-	-	2,327,073
Unrelieved loss carried forward	4,521,309	-	-	4,521,309
	8,088,223	9,580	-	8,097,803

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(c) **Unrecognised deferred tax assets**				
Deferred tax assets have not been recognised in respect of the following items:				
Unrelieved losses	**6,470,327**	4,812,271	**437,545**	623,607
Provision for terminated gratuity not yet paid	**-**	(221,402)	**-**	-
Allowance for loan losses and other losses	**1,686,852**	(544,943)	**-**	-
Property and equipment (untilised capital allowance)	**3,236,344**	1,911,818	**16,236**	43,621
	11,393,524	5,957,744	**453,782**	667,228

Non recognition of deferred tax assets for the period (2015: Nil) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's entities will not have future taxable profits against which these assets can be used.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
32 Other assets				
(a) **Other financial assets:**				
Accounts receivables	**26,799,187**	34,198,432	**2,080,271**	1,420,000
(b) **Other non-financial assets:**				
Prepayments	**4,808,149**	4,469,162	**4,261**	5,398
Consumables	**500,632**	578,609	**-**	-
	32,107,968	39,246,203	**2,084,532**	1,425,398
Less specific allowances for impairment (note (c) below)	**(15,328,849)**	(17,542,788)	**-**	-
	16,779,119	21,703,415	**2,084,532**	1,425,398
Current	**1,635,951**	6,821,257	**2,084,532**	1,425,398
Non-current	**15,143,168**	14,882,158	**-**	-
	16,779,119	21,703,415	**2,084,532**	1,425,398
(c) **Movement in impairment on other assets**				
At start of the year	**17,542,788**	11,368,523	**-**	-
Increase in impairment during the year (see note 9(b))	**3,607,348**	6,244,359	**-**	-
Amounts written off	**(5,821,287)**	(70,094)	**-**	-
At year end	**15,328,849**	17,542,788	**-**	-

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
33 Deposits from banks				
Other deposits from banks	**24,798,296**	5,461,038	**-**	-
	24,798,296	5,461,038	**-**	-
Current	**24,798,296**	5,461,038	**-**	-
Non-current	**-**	-	**-**	-
	24,798,296	5,461,038	**-**	-
Other deposits from banks comprise:				
FBN UK Limited (see note (a) below)	**-**	5,083,993	**-**	-
Citibank Nigeria Limited, Nigeria (see note (b) below)	**16,007,010**	-	**-**	-
First Bank Of Nigeria Plc, Nigeria (see note (c) below)	**3,751,849**	-	**-**	-
Access Bank Plc, Nigeria (see note (d) below)	**5,004,110**	-	**-**	-
Other foreign banks	**35,327**	377,045	**-**	-
	24,798,296	**5,461,038**	**-**	**-**

(a) The amount of Nil (December 2015: N5,083,993,000 (USD 25,509,247) represents an interbank takings from FBN UK Limited repayable after a tenor of 170 days with an interest rate of 6 months LIBOR + 1.75%.

(b) The amount of N16.01billion (December 2015: Nil) represents an overnight interbank takings from Citibank Nigeria Limited.

(c) The amount of N3.75billion (December 2015: Nil) represents an overnight interbank takings from First Bank of Nigeria Plc.

(d) The amount of N5.00billion (December 2015: Nil) represents an overnight interbank takings from Access Bank Plc, Nigeria.

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

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
34 Deposits from customers				
Retail customers:				
Term deposits	**139,179,705**	142,859,562	**-**	-
Current deposits	**192,184,595**	213,835,277	**-**	-
Savings	**139,771,169**	112,728,490	**-**	-
	471,135,469	469,423,329	**-**	-
Corporate customers:				
Term deposits	**67,852,527**	109,786,822	**-**	-
Current deposits	**118,621,811**	121,006,555	**-**	-
	186,474,338	230,793,377	**-**	-
	657,609,807	700,216,706	**-**	-
Current	**657,545,969**	693,858,527	**-**	-
Non-current	**63,838**	6,358,179	**-**	-
	657,609,807	700,216,706	**-**	-

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
35 Borrowings				
(a) Borrowing comprise:				
Standard Bank, London (see note (b)(i) below)	**15,403,666**	9,981,231	**-**	-
International Finance Corporation (IFC) (see note (b)(ii) below)	**1,532,175**	1,668,644	**-**	-
International Finance Corporation (IFC) (see note (b)(iii) below)	**3,830,440**	4,171,610	**-**	-
International Finance Corporation (IFC) (see note (b)(iv) below)	**11,489,176**	10,009,976	**-**	-
International Finance Corporation (IFC) (see note (b)(v) below)	**8,616,882**	7,507,482	**-**	-
International Finance Corporation (IFC) (see note (b)(vi) below)	**4,825,856**	6,306,771	**-**	-
Netherlands Development Finance Company (FMO) (see note (b)(vii) below)	**5,943,078**	4,993,001	**-**	-
Netherlands Development Finance Company (FMO) (see note (b)(viii) below)	**5,943,078**	4,993,001	**-**	-
Netherlands Development Finance Company (FMO) (see note (b)(ix) below)	**1,527,534**	1,996,302	**-**	-
European Investment Bank (EIB) (see note (b)(x) below)	**10,077,908**	6,585,303	**-**	-
Standard Bank, S.A (see note (b)(xi) below)	**-**	5,016,923	**-**	-
Standard Bank, London (see note (b)(xii) below)	**1,645,727**	1,284,167	**-**	-
Citibank, Nigeria (see note (b)(xiii) below)	**-**	4,989,806	**-**	-
Citibank, N.A (OPIC) (see note (b)(xiv) below)	**16,839,062**	14,947,402	**-**	-
Commerzbank Led Syndicated Facility (see note (b)(xv) below)	**-**	15,424,233	**-**	-
African Export-Import Bank (Afreim) (see note (b)(xvi) below)	**30,553,398**	-	**-**	-
Engr. Tajudeen Amoo (see note (b)(xvii) below)	**1,257,692**	1,833,302	**-**	-
Financial Derivatives Company Limited (see note (b)(xviii) below)	**114,943**	268,980	**-**	-
First City Asset Management (FCAM) (see note (b)(xix) below)	**11,472,265**	8,236,220	**-**	-
Lafeef Akande (see note (b)(xx) below)	**34,200**	-	**-**	-
Mrs. Moyosore (see note (b)(xxi) below)	**40,034**	-	**-**	-
Temitope Popoola (see note (b)(xxii) below)	**-**	29,000		
Rosewood Property (see note (b)(xxiii) below)	**162,236**	-		
Micheal Ojo (see note (b)(xxiv) below)	**785,018**	-	**-**	-
Living Faith (see note (b)(xxv) below)	**-**	3,456,840	**-**	-
	132,094,368	113,700,194	**-**	-
Current	**57,871,204**	39,477,030	**-**	-
Non-current	**74,223,164**	74,223,164	**-**	-
	132,094,368	113,700,194	**-**	-

(b) i) The amount of N15,403,666,000 (31 December 2015: N9,981,231,402) represents a secured renewed facility of USD50,000,000.00, granted by Standard Bank, London repayable after a tenor of 5 years, maturing 30 June 2018 with an interest rate of 3 months LIBOR + 3.0% payable quaterly. The facility is secured by Federal Government of Nigeria bonds.

ii) The amount of N1,532,175,182 (31 December 2015: N1,668,643,768) represents an unsecured convertible facility of USD20,000,000.00, granted by International Finance Corporation (IFC) repayable after a tenor of 7 years, maturing 29 November 2017 with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

iii) The amount of N3,830,439,793 (31 December 2015: N4,171,610,364) represents the unsecured facility of USD 50,000,000.00, granted by International Finance Corporation (IFC) repayable after a tenor of 7 years maturing 29 November 2017 with an interest rate of 6-months LIBOR plus spread of 400-450 basis points payable semi-annually.

iv) The amount of N11,489,175,796 (December 2015: N10,009,976,291) represents an unsecured facility of USD50,000,000.00, granted by International Finance Corporation (IFC) repayable after a tenor of 5 years maturing 9 October 2019 with an interest rate of 3 months LIBOR + 3.65%.

v) The amount of N8,616,881,848 (31 December 2015: N7,507,482,219) represents an unsecured facility of USD37,500,000, granted by International Finance Corporation (IFC) repayable after a tenor of 5 years maturing 9 October 2019 with an interest rate of 6 months LIBOR + 4.75%.

vi) The amount of N4,825,855,785 (31 December 2015 :N6,306,770,699) represents an unsecured facility of USD31,500,000, granted by International Finance Corporation (IFC) repayable after a tenor of 3 years maturing 19 February 2017 with an interest rate of 6 months LIBOR + 4.0%.

vii) The amount of N5,943,078,366 (31 December 2015: N4,993,000,935) represents an unsecured facility of USD25,000,000 (MLN A1), granted by Netherlands Development Finance Company (FMO) repayable after a tenor of 6 years maturing 30 June 2020 with an interest rate of 6 months LIBOR + 4.5%.

viii) The amount of N5,943,078,366 (31 December 2015: N4,993,000,935 represents an unsecured facility of USD25,000,000 (MLN A2), granted by Netherlands Development Finance Company (FMO) repayable after a tenor of 6 years maturing 30 June 2020 with an interest rate of 6 months LIBOR + 4.5%.

ix) The amount of N1,527,533,568 (December 2015: N1,996,301,659) represents an unsecured facility of USD10,000,000, granted by Netherlands Development Finance Company (FMO) repayable after a tenor of 3 years maturing 30 June 2017 with an interest rate of 6 months LIBOR + 3.5%.

x) The amount of N10,077,908,423 (31 December 2015: N6,585,303,441) represents an unsecured facility of USD32,877,500, granted by European Investment (EIB) repayable after a tenor of 8 years maturing 22 September 2022 with an interest rate of LIBOR plus 4%.

xi) This represent an unsecured facility of USD 25,000,000 granted by Standard Bank S.A that has been repaid as at 31 December 2016 (31 December 2015 :N5,016,923,114). This was repayable after a tenor of 1 year matured 15 August 2016 with an interest rate of 3 months LIBOR + 5.1% payable quarterly.

xii)The amount of N1,645,727,280 (31 December 2015 :N1,284,166,852) represents an unsecured facility of USD 6,353,472 granted by Standard Bank, London repayable after a tenor of 1 year maturing 20 June 2017 with an interest rate of 2.6%.

xiii) This represent an unsecured facility of USD25,000,000 that has been repaid as at 31 December 2016 (31 December 2015 :N4,989,806,119) granted by Citi Bank, repayable after a tenor of 1 year matured 26 September 2016 with an interest rate of 3 months LIBOR + 3.10% payable quarterly.

xiv) The amount of N16,839,061,760 (31 December 2015 :N14,947,402,152) represents a facility of USD75,000,000 granted by Citibank OPIC, repayable after a tenor of 4 year maturing 15 August 2019 based on weekly certificate interest rate (CIR) payable quarterly.

xv) This represent an unsecured facility of USD77,000,000, that has been repaid as at 31 December 2016 (31 December 2015 :N15,424,233,304) granted by Commerz Bank, repayable after a tenor of 1 year maturing 11 November 2016 with an interest rate of 6 months LIBOR + 4.25%.

xvi) The amount of N30,553,398,269 (31 December 2015 : Nil) represents a facilty of USD100,000,000 granted by African Export Import (AFRIEXIM) Bank, repayable after a tenor of 5 years maturing 14 September 2021 with a nominal interest rate of 7.06% payable quarterly.

xvii) The amount of N1,257,692,000 (31 December 2015 :N1,833,302,000) represents the outstanding balance of the unsecured facilities granted by Engr. Tajudeen Amoo at average nominal interest of 16.67% maturing in 2017.

xviii) The amount of N114,943,000 (December 2015: N268,980,000) represents the outstanding balance of the unsecured facilities granted by Financial Derivatives Company Limited at average nominal interest of 16.67% maturing in 2017.

xix) The amount of N11,472,265,000 (31 December 2015 : N8,236,220,000) represents unsecured facilities granted by Credit Linked Investment Plan (CLIP), an investment plan managed by First City Asset Management Limited (FCAM), repayable after a tenor of 1 year maturing 2017 at rates ranging from 8% to 20%.

xx) The amount of N34,200,000 (31 December 2015 :Nil) represents an unsecured facility granted by Lateef Akande maturing in 2017.

xxi) The amount of N40,034,000 (31 December 2015 :Nil) represents an unsecured facility granted by Mrs Moyosore maturing 2017.

xxii) This represents a facility that has been repaid as at 31 December 2016, Nil (31 December 2015 :N29,000,000) granted by Temitope Popoola, repayable after a tenor of 1 year matured 26 August 2016 with an interest rate of 16.67%.

xxiii) The amount of N162,236,000 (31 December 2015 :Nil) represents an unsecured facility granted by Rosewood Property maturing in 2017.

xxiv) The amount of N785,018,000 (31 December 2015 :Nil) represents an unsecured facility granted by Micheal Ojo, maturing in 2017.

xxv) This represents a facility that has been repaid as at 31 December 2016, Nil (31 December 2015 : N3,456,840,000) granted by Living Faith at average nominal interest of 15.67% matured in 2016.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(c) Movement in borrowings account during the year was as follows:				
Balance, beginning of the year	**113,700,194**	99,540,346	**-**	-
Additions during the year	**33,996,484**	28,781,222	**-**	-
Repayments during the year	**(68,348,938)**	(14,742,847)	**-**	-
Translation difference	**52,746,628**	121,473	**-**	-
	132,094,368	113,700,194	**-**	-

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
36 On-lending facilities (see note (a) below)				
Bank of industry (BOI)	**30,683,610**	21,452,038	**-**	-
Commercial Agriculture Credit Scheme (CACS)	**8,998,286**	10,529,310	**-**	-
Micro, Small and Medium Enterprises Development Fund (MSMEDF)	**2,517,484**	1,864,768	**-**	-
	42,199,380	33,846,116	**-**	-
Current	**7,164,017**	3,062,378	**-**	-
Non-current	**35,035,363**	30,783,738	**-**	-
	42,199,380	33,846,116	**-**	-

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

The onlending facilities granted at below the market rate were measured at fair value on initial recognition and subsequently at amortised cost. The fair value gain on initial recognition was recognised in the statement of profit or loss.

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(b) Movement in on-lending facilities during the year was as follows:				
Balance, beginning of the year	**33,846,116**	14,913,521	**-**	-
Additions during the year	**9,432,449**	19,969,442	**-**	-
Repayments during the year	**(1,079,185)**	(1,036,847)	**-**	-
Balance, end of the year	**42,199,380**	33,846,116	**-**	-

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
37 Debt securities issued				
Debt securities at amortised cost:				
Bond issued (see note (a) below)	**54,481,989**	49,309,394	**-**	-
	54,481,989	49,309,394	**-**	-
Current	**966,566**	-	**-**	-
Non-current	**53,515,423**	49,309,394	**-**	-
	54,481,989	49,309,394	**-**	-

(a) The amount of N54.48billion (31 December 2015: N49.31billion) represents the amortised cost of additional N5.10billion, N23.19billon and N26billion, 7years, 17.25%, 5 year, 15% and 7 year, 14.25% unsecured corporate bonds issued at par in December 2016, November 2015 and November 2014 respectively. The Principal amount is repayable in December 2023, November 2020, November 2021 respectively, while the coupon is paid semi-annually. The amount represents the first, second and third trenches of a N100 billion debt issuance programme. The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the year ended 31 December 2016.

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(b) Movement in Debt securities issued during the year was as follows:				
Balance, beginning of the year	**49,309,394**	26,000,000	**-**	-
Accrued coupon interest for the year	**963,855**	174,186	**-**	-
Additions during the year	**5,072,202**	23,135,208	**-**	-
Coupon interest paid during the year	**(863,462)**	-	**-**	-
Balance, end of the year	**54,481,989**	49,309,394	**-**	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

38 Retirement benefit obligations

Defined contribution scheme

The Group and its employees make a joint contribution, 18% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. During the period, the Group has complied with the new Pension Reform Act 2014 and up to date payment of the new reviewed employer contribution of 10% remitted while employees' contribution remains at 8%.

	Group 2016	Group 2015	Company 2016	Company 2015
Total contributions to the scheme for the year were as follows:				
Balance at start of year	**50,544**	115,056	**-**	-
Charged to profit or loss (see note 14)	**591,777**	683,196	**5,786**	8,640
Employee contribution	**601,283**	958,440	**4,629**	6,912
Total amounts remitted	**(1,226,001)**	(1,706,148)	**(10,415)**	(15,552)
At year end	**17,603**	50,544	**-**	-
Current	**17,603**	50,544	**-**	-
Non-current	**-**	-	**-**	-
	17,603	50,544	**-**	-

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
39 Other liabilities				
(a) Other financial liabilities:				
Customers' deposit for letters of credits	**22,623,659**	12,868,864	**-**	-
Bank cheques/drafts	**3,544,274**	3,464,642	**-**	-
Proceeds from public offers	**73,268**	73,268	**-**	-
Accounts payable - negotiated letters of credits	**14,100,305**	26,500,628	**-**	-
Accounts payable - others	**28,217,649**	42,113,943	**145,852**	104,304
Accounts payable - unclaimed dividend (see note 25(g))	**496,955**	255,039	**496,955**	255,039
	69,056,110	85,276,384	**642,807**	359,343
(b) Other non-financial liabilities:				
Deferred income (see note (d) below)	**248,254**	147,354	**-**	-
Accrued expenses	**1,104,669**	1,372,513	**161,950**	216,377
Provision (see note (c) below)	**2,343,010**	2,878,983	**416,864**	427,317
	3,695,933	4,398,850	**578,814**	643,694
	72,752,043	89,675,234	**1,221,621**	1,003,037
Current	**69,056,110**	85,203,116	**1,221,621**	1,003,037
Non-current	**3,695,933**	4,472,118	**-**	-
	72,752,043	89,675,234	**1,221,621**	1,003,037

(c) **Movement in provision during the year ended 31 December 2016:**

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

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

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

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

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

In thousands of Naira	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
40 Share capital				
(a) **Authorised**				
30billion ordinary shares of 50k each (2015: 30billion)	**15,000,000**	15,000,000	**15,000,000**	15,000,000
(b) **Issued and fully paid**				
19.8billion ordinary shares of 50k each (2015: 19.8billion)	**9,901,355**	9,901,355	**9,901,355**	9,901,355

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

41 Share premium and reserves

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

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

(b) **Statutory reserve**: Nigerian banking regulations require the Banking subsidiary to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital However, the Banking subsidiary transferred 15% of its 'profit after tax to statutory reserves as at year end (31 December 2015: 15%).

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

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

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

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

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

42 Contingencies, claims and litigation;

(a) Legal Proceedings

The Group in its ordinary course of business is presently involved in 343 cases as a defendant (31 December 2015: 293) and 42 cases as a plaintiff (31 December 2015: 36). The total amount claimed in the 343 cases against the Banking subsidiary is estimated at N51.87billion (31 December 2015: N72.39billion) while the total amount claimed in the 42 cases instituted by the Banking subsidiary is N7.70billion (31 December 2015: N27.48billion). The Directors of the Group are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Group and are not aware of any other pending and or threatened claims or litigation which may be material to the financial statements.

(b) Contingent liabilities and commitments

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

Nature of instruments

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

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

	GROUP		COMPANY	
In thousands of Naira	**2016**	**2015**	**2016**	**2015**
Performance bonds and guarantees	**94,047,228**	82,687,009	**-**	-
Clean line letters of credit	**65,336,278**	58,344,519	**-**	-
	159,383,506	141,031,528	**-**	-
Current	**80,200,040**	73,208,281	**-**	-
Non-current	**79,183,466**	67,823,247	**-**	-
	159,383,506	141,031,528	**-**	-

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

43 Group subsidiaries and related party transactions

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

FCMB Group Plc is the ultimate parent company and its subsidiaries are as listed in note 43 (b) below.

(b) **Subsidiaries:**

The Group's effective interests and investments in subsidiaries as at 31 December 2016 are shown below.

Entity	Form of holding	Effective holding	Nominal share capital held N'000	Country of incorporation	Nature of Business
(1) First City Monument Bank Limited	Direct	100%	115,422,326	Nigeria	Banking
(2) FCMB Capital Markets Limited	Direct	100%	240,000	Nigeria	Capital Market
(3) CSL Stockbrokers Limited (CSLS)	Direct	100%	3,053,777	Nigeria	Stockbroking
(4) CSL Trustees Limited (CSLT)	Direct	100%	220,000	Nigeria	Trusteeship
(5) Credit Direct Limited (CDL)	Indirect	100%	366,210	Nigeria	Micro-lending
(6) FCMB (UK) Limited (FCMB UK)	Indirect	100%	7,791,147	United Kingdom	Banking
(7) First City Asset Management Limited (FCAM)	Indirect	100%	50,000	Nigeria	Asset Management
(8) FCMB Financing SPV Plc.	Indirect	100%	250	Nigeria	Capital Raising

(c) **Significant restrictions**

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The carrying amounts of Group subsidiaries' assets and liabilities are N1,171.31billion and N1,003.35billion respectively (31 December 2015: N1,167.03billion and N1,015.15billion respectively).

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

(d) **Condensed Financial Information**

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

RESULTS OF OPERATIONS	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
Operating income	4,654,069	112,580,970	603,400	1,212,462	291,287	119,342,188	(2,067,794)	117,274,394
Operating expenses	(798,870)	(63,426,387)	(578,683)	(865,827)	(103,909)	(65,773,675)	-	(65,773,675)
Provision expense	(105,589)	(35,310,997)	19,462	(124,947)	-	(35,522,071)	-	(35,522,071)
Share of post tax result of associate	-	-	-	-	-	-	272,749	272,749
Profit before tax	**3,749,611**	**13,843,587**	**44,179**	**221,688**	**187,378**	**18,046,442**	**(1,795,045)**	**16,251,397**
Tax	(19,351)	(1,767,776)	(7,021)	(64,105)	(54,262)	(1,912,515)	-	(1,912,515)
Profit after tax	**3,730,260**	**12,075,811**	**37,158**	**157,583**	**133,116**	**16,133,927**	**(1,795,045)**	**14,338,882**
Other comprehensive income	-	4,102,299	-	20,797	-	4,123,096	-	4,123,096
Total comprehensive income for the year	**3,730,260**	**16,178,110**	**37,158**	**178,380**	**133,116**	**20,257,023**	**(1,795,045)**	**18,461,978**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FINANCIAL POSITION	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
Assets								
Cash and cash equivalents	5,817,754	106,424,322	454,134	609,555	1,841,853	115,147,618	(7,042,986)	108,104,632
Restricted reserve deposits	-	139,460,914	-	-	-	139,460,914	-	139,460,914
Trading assets	-	8,411,629	-	742,569	-	9,154,198	-	9,154,198
Derivative assets	-	1,018,912	-	-	-	1,018,912	-	1,018,912
Loans and advances to customers	-	659,700,223	148,974	71,163	16,877	659,937,237	-	659,937,237
Assets pledged as collateral	-	59,107,132	-	-	-	59,107,132	-	59,107,132
Investment securities	4,844,200	123,257,882	840,523	1,014,910	926,163	130,883,678	(2,442,002)	128,441,676
Investment in subsidiaries	118,140,772	-	-	-	-	118,140,772	(118,140,772)	-
Investment in associates	418,577	-	-	-	-	418,577	427,935	846,512
Property and equipment	59,468	32,147,706	37,431	32,466	6,155	32,283,226	-	32,283,226
Intangible assets	882	9,425,903	-	39,869	-	9,466,654	205,876	9,672,530
Deferred tax assets	-	7,949,134	22,856	-	-	7,971,990	-	7,971,990
Other assets	2,084,532	16,531,447	16,889	228,760	68,431	18,930,059	(2,150,940)	16,779,119
	131,366,185	**1,163,435,204**	**1,520,807**	**2,739,292**	**2,859,479**	**1,301,920,967**	**(129,142,889)**	**1,172,778,078**
Financed by:								
Trading liabilities	-	6,255,933	-	-	-	6,255,933	-	6,255,933
Derivative liabilities	-	770,201	-	-	-	770,201	-	770,201
Deposits from banks	-	24,798,296	-	-	-	24,798,296	-	24,798,296
Deposits from customers	-	664,652,793	-	-	-	664,652,793	(7,042,986)	657,609,807
Borrowings	-	132,094,368	-	-	-	132,094,368	-	132,094,368
On-lending facilities	-	42,199,380	-	-	-	42,199,380	-	42,199,380
Debt securities issued	-	56,923,992	-	-	-	56,923,992	(2,442,003)	54,481,989
Retirement benefit obligations	-	17,603	-	-	-	17,603	-	17,603
Current income tax liabilities	44,582	2,605,048	97,633	60,981	51,318	2,859,562	-	2,859,562
Deferred tax liabilities	-	-	25,245	38,043	2,614	65,902	-	65,902
Other liabilities	1,221,621	70,516,071	242,058	597,118	2,326,109	74,902,977	(2,150,934)	72,752,043
Share capital	9,901,355	2,000,000	500,000	943,577	50,000	13,394,932	(3,493,577)	9,901,355
Share premium	115,392,414	100,846,690	-	1,733,250	170,000	218,142,354	(102,749,940)	115,392,414
Retained earnings	4,806,213	24,519,165	655,872	(539,701)	259,438	29,700,987	2,757,253	32,458,239
Other reserves	-	35,235,663	-	(93,976)	-	35,141,687	(14,020,701)	21,120,986
	131,366,185	**1,163,435,203**	**1,520,808**	**2,739,292**	**2,859,479**	**1,301,920,967**	**(129,142,889)**	**1,172,778,078**
Acceptances And Guarantees	**-**	**159,383,506**	**-**	**-**	**-**	**159,383,506**	**-**	**159,383,506**

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(ii) The condensed financial data of the consolidated entities as at 31 December 2015 were as follows:

RESULTS OF OPERATIONS	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
Operating income	4,200,904	84,900,404	1,036,396	738,156	193,847	91,069,707	(1,373,108)	89,696,599
Operating expenses	(962,876)	(64,344,004)	(657,103)	(992,235)	(75,930)	(67,032,148)	53,107	(66,979,041)
Provision expense	(689,742)	(14,102,062)	(169,575)	(72,080)	-	(15,033,459)	-	(15,033,459)
Share of post tax result of associate	-	-	-	-	-	-	84,565	84,565
Profit /(loss) before tax	2,548,286	6,454,338	209,718	(326,159)	117,917	9,004,100	(1,235,436)	7,768,664
Tax	(25,231)	(2,912,113)	(7,600)	(29,679)	(33,375)	(3,007,998)	-	(3,007,998)
Profit after tax	**2,523,055**	**3,542,225**	**202,118**	**(355,838)**	**84,542**	**5,996,102**	**(1,235,436)**	**4,760,666**
Other comprehensive income	-	2,328,244	-	(112,376)	-	2,215,868	-	2,215,868
Total comprehensive income for the year	**2,523,055**	**5,870,469**	**202,118**	**(468,214)**	**84,542**	**8,211,970**	**(1,235,436)**	**6,976,534**

(iii) The condensed financial position of the consolidated entities as at 31 December 2015 were as follows:

FINANCIAL POSITION

	FCMB GROUP PLC	FCMB LIMITED GROUP	FCMB CM LIMITED	CSL STOCKBROKERS LIMITED GROUP	CSL TRUSTEES LIMITED	TOTAL	CONSOLIDATION JOURNAL ENTRIES	GROUP
Assets								
Cash and cash equivalents	7,231,196	177,771,439	1,387,506	2,178,664	3,160,825	191,729,630	(10,807,932)	180,921,698
Restricted reserve deposits	-	125,552,318	-	-	-	125,552,318	-	125,552,318
Trading assets	-	1,839,277	65	155,008	-	1,994,350	-	1,994,350
Derivative assets	-	1,479,760	-	-	-	1,479,760	-	1,479,760
Loans and advances to customers	-	592,671,607	154,994	111,474	19,342	592,957,417	-	592,957,417
Assets pledged as collateral	-	51,777,589	-	-	-	51,777,589	-	51,777,589
Investment securities	2,013,621	124,464,886	-	8,104,452	727,188	135,310,147	-	135,310,147
Investment in subsidiaries	118,246,361	-	-	-	-	118,246,361	(118,246,361)	-
Investment in associates	418,577	-	-	-	-	418,576.98	313,387	731,964
Property and equipment	41,263	29,807,468	64,923	47,453	9,631	29,970,738	-	29,970,738
Intangible assets	1,845	8,608,845	-	46,384	-	8,657,074	311,465	8,968,539
Deferred tax assets	-	8,166,241	-	-	-	8,166,241	-	8,166,241
Other assets	1,425,398	28,004,875	113,671	572,391	33,587	30,149,922	(8,446,507)	21,703,415
	129,378,261	**1,150,144,305**	**1,721,159**	**11,215,826**	**3,950,573**	**1,296,410,124**	**(136,875,948)**	**1,159,534,176**
Financed by:								
Derivative liabilities	-	1,317,271	-	-	-	1,317,271	-	1,317,271
Deposits from banks	-	5,461,038	-	-	-	5,461,038	-	5,461,038
Deposits from customers	-	711,024,639	-	-	-	711,024,639	(10,807,933)	700,216,706
Borrowings	-	113,700,194	-	-	-	113,700,194	-	113,700,194
On-lending facilities	-	33,846,116	-	-	-	33,846,116	-	33,846,116
Debt securities issued	-	49,309,394	-	-	-	49,309,394	-	49,309,394
Retirement benefit obligations	-	48,471	2,073	-	-	50,544	-	50,544
Current income tax liabilities	25,231	3,307,694	122,616	12,887	29,526	3,497,954	-	3,497,954
Deferred tax liabilities	-	26,874	5,033	34,986	1,545	68,438	-	68,438
Other liabilities	1,003,037	83,698,922	325,653	9,306,207	3,573,180	97,906,999	(8,231,765)	89,675,234
Share capital	9,901,355	2,000,000	500,000	943,577	50,000	13,394,932	(3,493,577)	9,901,355
Share premium	115,392,414	100,846,691	-	1,733,250	170,000	218,142,355	(102,749,941)	115,392,414
Retained earnings	3,056,224	13,411,730	765,784	(584,929)	126,322	16,775,131	406,306	17,181,437
Other reserves	-	32,145,271	-	(230,152)	-	31,915,119	(11,999,038)	19,916,081
	129,378,261	**1,150,144,305**	**1,721,159**	**11,215,826**	**3,950,573**	**1,296,410,124**	**(136,875,948)**	**1,159,534,176**
Acceptances And Guarantees	**-**	**142,062,200**	**-**	**-**	**-**	**142,062,200**	**-**	**141,031,528**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Key management personnel compensation for the year comprises;

In thousands of Naira	GROUP 31 DEC 2016	GROUP 31 DEC 2015	COMPANY 31 DEC 2016	COMPANY 31 DEC 2015
Key management personnel compensation				
Short-term employee benefits	**573,608**	533,766	**80,639**	74,510
Post-employment benefits	**17,519**	8,498	**7,508**	8,498
	591,127	542,264	**88,147**	83,008
Loans and advances	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**
At start of the year	**2,457,904**	11,562,679	**-**	-
Granted during the year	**13,569,044**	410,354	**-**	-
Repayment during the year	**(1,329,765)**	(9,515,129)	**-**	-
At end of of the year	**14,697,183**	2,457,904	**-**	-
Interest earned	**1,706,217**	629,879	**-**	-

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined contribution plan on their behalf. Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favorable than those given to other staff. No impairment has been recognized in respect of loans granted to key management (31 December 2015: Nil). Mortgage loans amounting to N610.28million (31 December 2015: N528.92million) are secured by the underlying assets. All personal loans are unsecured. The mortgage and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

Loans and advances outstanding:

Included in loans and advances is an amount of N14.70billion (31 December 2015:N2.03billion) representing credits facilities to companies in which certain Directors have interests. The balances as at 31 December 2016 and 31 December 2015 were as follows:

In thousands of Naira

Name of company / Individual	Relationship	Name of Directors related to the companies	*Facility type*	*31 Dec 2016*	*31 Dec 2015*	*Status*	*Security Status*
Dynamic Industries Limited	Directors-Shareholders	Alhaji Mustapha Damcida	Overdraft	82,930	278,568	Performing	Perfected
Dynamic Industries Limited	Directors-Shareholders	Alhaji Mustapha Damcida	Term loan	858,957	845,645	Performing	Perfected
Primrose Property Investment Ltd.	Directors-Shareholders	Otunba M. O Balogun	Term loan	-	126,053	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Alhaji Mustapha Damcida	Overdraft	-	66,870	Performing	Perfected
Chellarams Plc	Directors-Shareholders	Alhaji Mustapha Damcida	Term loan	-	157,547	Performing	Perfected
S & B Printers Limited	Directors-Shareholders	Mr. Babajide Balogun	Term loan	-	10,000	Performing	Perfected
Chapel Hill Advisory Partners	Directors-Shareholders	Mr. Mobolaji Balogun	Term loan	186,252	374,552	Performing	Perfected
Credit Direct Limited	Subsidiary	-	Term loan	-	17,025	Performing	Perfected
Poly Products Nigeria Plc	Directors-Shareholders	Mr. Olusegun Odubogun	Term loan	-	11,000	Performing	Perfected
Toyset Venture Limited	Directors-Shareholders	Mr. Olusegun Odubogun	Term loan	-	140,000	Performing	Perfected
First Concept Properties Ltd	Directors-Shareholders	Mr Babajide Balogun	Term loan	13,569,044	-	Performing	Perfected
				14,697,183	**2,027,260**		

Other receivables:		31 Dec 2016	31 Dec 2015
First City Asset Management Limited	Directors-Shareholders	-	7,376,891
FCMB Capital Markets Limited	Directors-Shareholders	150	24,377
Credit Direct Limited	Subsidiary	-	2,630,318
CSL Trustees Limited	Directors-Shareholders	-	2,858
CSL Stockbrokers Limited	Directors-Shareholders	-	48,095
		150	10,082,539

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Deposits outstanding

Included in deposit is an amount of N8.90billion (31 December 2015: N5.53billion) representing deposits from companies in which certain Directors have interests. The balances as at 31 December 2016 and 31 December 2015 were as follows:

In thousands of Naira

Name of company / Individual	***Relationship***	***Type of***	***31 Dec 2016***	***31 Dec 2015***
ATSC International Limited	Shareholder	Current Account	217	892
Bluechip Holding Limited	Shareholder	Current Account	376	6,339
Chapel Hill Advisory Partners	Shareholder	Current Account	1,349	14,442
Credit Direct Limited	Subsidiary	Current Account	1,630,327	738,918
CSL Stockbrokers Limited	Directors-Shareholders	Current Account	434,381	333,627
CSL Stockbrokers Limited	Directors-Shareholders	Time Deposit	90,000	720,902
CSL Trustees Limited	Directors-Shareholders	Current Account	88,333	143,974
CSL Trustees Limited	Directors-Shareholders	Time Deposit	153,130	68,699
Dynamic Industries Limited	Directors-Shareholders	Current Account	309,879	372,585
FCMB Capital Markets Limited	Directors-Shareholders	Current Account	460,065	664,721
FCMB Capital Markets Limited	Directors-Shareholders	Time Deposit	45,750	986,271
FCMB UK Limited	Subsidiary	Current Account	441	441
FDC Consulting Limited	Directors-Shareholders	Current Account	4,130	2,667
Financial Derivatives Company	Directors-Shareholders	Current Account	5	5
First City Asset Management Limited	Directors-Shareholders	Current Account	334,288	80,440
First City Asset Management Limited	Directors-Shareholders	Time Deposit	1,350,976	454,024
Gulvaris Capital Partners Limited	Directors-Shareholders	Current Account	27,722	4,877
Helios Investment Partners	Directors-Shareholders	Current Account	312	-
Helios Towers Nigeria Limited	Directors-Shareholders	Current Account	3,024,512	-
Lafarge Cement Wapco Nig Plc	Directors-Shareholders	Current Account	12,700	27,576
Lana Securities Limited	Shareholder	Current Account	233	296
Poly Products Nigeria Limited	Directors-Shareholders	Current Account	4,653	18,286
Primrose Development Company Limited	Shareholder	Current Account	9,420	4,045
Primrose Investments Limited	Shareholder	Current Account	288	17,605
Primrose Investments Limited	Shareholder	Time Deposit	125,130	819,278
Primrose Nigeria Limited	Shareholder	Current Account	77	77
Primrose Properties Investment Limited	Shareholder	Current Account	116,102	28,799
S&B City Printers Limited	Directors-Shareholders	Current Account	78,314	15,887
Toyset Venture Limited	Directors-Shareholders	Current Account	-	181
First Concept Properties Ltd	Directors-Shareholders	Current Account	595,083	-
			8,898,193	**5,525,854**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

44 EMPLOYEES AND DIRECTORS

EMPLOYEES

(a) The average number of persons employed during the year by category

	GROUP 2016 Number	GROUP 2015 Number	COMPANY 2016 Number	COMPANY 2015 Number
Executive directors	13	12	1	1
Management	658	719	7	9
Non-management	2,815	3,412	4	4
	3,486	4,143	12	14

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

In thousands of Naira

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Short term employee benefits	21,244,177	22,060,210	198,053	204,023
Contributions to defined contribution plans	591,777	683,196	5,786	8,640
Non-payroll staff cost	2,968,447	2,744,275	14,328	25,697
	24,804,401	25,487,681	218,167	238,360

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

	GROUP 2016 Number	GROUP 2015 Number	COMPANY 2016 Number	COMPANY 2015 Number
Less than N1,800,000.00	589	849	-	-
N1,800,001 - N2,500,000	241	315	-	-
N2,500,001 - N3,500,000	750	1,428	-	-
N3,500,001 - N4,500,000	446	18	-	-
N3,500,001 - N5,500,000	403	454	1	2
N5,500,000 and above	1,057	1,079	11	12
	3,486	4,143	12	14

(d) **DIVERSITY IN EMPLOYMENT**

i). A total of 1,360 women were in the employment of the Group during the financial year ended 31 December 2016 (2015: 1,598), which represents 39% of the total workforce (2015: 39%).

ii). A total of 15 women were in the top management position as at the year ended 31 December 2016 (2015 :15), which represents 25% of the total workforce in this position (2015: 25%). There was no woman on the Board of the Company.

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

GRADE LEVEL	2016 MALE	2016 FEMALE	2016 TOTAL	2015 MALE	2015 FEMALE	2015 TOTAL
Assistant General Manager (AGM)	21	6	**27**	23	6	29
Deputy General Manager (DGM)	19	5	**24**	15	6	21
General Manager (GM)	5	4	**9**	7	3	10
TOTAL	**45**	**15**	**60**	45	15	60

	2016 MALE	2016 FEMALE	2016 TOTAL	2015 MALE	2015 FEMALE	2015 TOTAL
Executive Director (ED)	**5**	**1**	**6**	4	1	5
Deputy Managing Director (DMD)	**0**	**0**	**0**	0	0	0
Group Managing Director/Chief Executive Officer (GMD / CEO)	**6**	**0**	**6**	6	0	6
Non - Executive Directors	**17**	**3**	**20**	18	2	20
TOTAL	**28**	**4**	**32**	28	3	31

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(e) DIRECTORS

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

	GROUP		COMPANY	
In thousands of Naira	**2016**	**2015**	**2016**	**2015**
Fees	**181,742**	197,800	**85,500**	89,775
Sitting allowances	**59,150**	63,160	**21,600**	22,410
Executive compensation	**573,608**	533,766	**80,639**	74,510
	814,500	794,726	**187,739**	186,695
Directors' other expenses	**63,939**	91,594	**8,094**	9,649
	878,439	886,320	**195,833**	196,344
The Directors' remuneration shown above includes:				
The Chairman	**10,500**	10,500	**10,500**	10,500
Highest paid director	**80,965**	80,433	**80,639**	74,510

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

	2016	**2015**	**2016**	**2015**
Below N1,000,000	2	9	0	0
N1,000,001 - N5,000,000	0	1	0	0
N5,000,001 - N10,000,000	0	4	0	0
N10,000,001 and above	30	17	10	10
	32	31	**10**	10

45 Compliance With Banking Regulations

During the year ended 31 December 2016, the Banking subsidiary contravened the following section of the provision of the Banks and Other Financial Institutions Act and relevant CBN circulars and was penalised as follows:

Section	**Nature**	**No of times**	**Penalties N'000**
CBN Circular BSD/DIR/GEN/LAB/07/011-The circular stipulates the timelines for the submission of daily, monthly, quarterly and semi-annual returns concurrently via the e-FASS and FinA Applications; Daily returns are to be submitted on or before 10:00 a.m. of the following working day;	Late rendition of daily returns	18	2,450
CBN Circular TED/FEM/FPC/GEN/01/016-The circular stipulates guidelines for the operations of International Money Transfer Services (IMTS) in Nigeria.	Illegal International Money Transfer Services	1	15,000
CBN Circular FPR/DIR/GEN/ADM/01/010 directing that Suspicious Transaction Reports (STRS) And Currency Transaction Reports (CTRS) be rendered	Failure to file a Suspicious Transactions Report (STR) in respect of 99 account (minor accounts) linked to a BVN.	1	60,000
Code of conduct in the Nigerian Banking Industry (professional code of ethics and business conduct) Section 3:7 Confidentiality of Customers' Information.	Unlawful disclosure of customers information to third party by FCMB	1	2,000
CBN Circular BPS/DIR/CIR/01/008 on Non-refund of monies to customers shortchanged by ATM's non dispense or partial dispense error.	Non refund of customers fund shortchanged by ATM non-dispense/partial dispense error	1	4,800
Total			**84,250**

During the year, the stockbroking subsidiary (CSL Stockbrokers Limited) was penalised N4.51 million by the Securities and Exchange Commission on the operations of nominee account.

The penalties totalling N88.76million were paid during the year.(2015 :N180.06million)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

46 Events after the Reporting Period

There were no significant events after the reporting period which could have a material effect on the financial position of the Company and Group as at 31 December 2016 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed (2015:none).

47 Reconciliation notes to consolidated and separate statement of cashflows

	Note	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
(i) Fair value gain on financial assets held for trading;					
Gross trading income before fair value adjustments		**5,741,669**	1,191,498	**-**	-
Fair value gain on financial assets adjustments		**(54,622)**	(3,143)	**-**	-
Net trading income (see note 11)	11	**5,687,047**	1,188,355	**-**	-
(ii) Interest received					
Balance at end of the year (interest receivables, overdue interest and loan fees)		**34,170,971**	19,546,352	**-**	-
Accrued Interest income during the year	7	**125,109,035**	122,610,566	**475,474**	484,314
Amortised cost on financial assets adjustments		**(2,319,078)**	2,137,632	**-**	-
Balance at start of the year (interest receivables, overdue interest and loan fees)		**(19,546,352)**	(15,484,058)	**-**	-
Interest received during the year		**137,414,576**	128,810,492	**475,474**	484,314
(iii) Interest paid					
Balance at end of of the year (interest payables, interest prepaid and deferred Fcy charges)		**4,432,468**	4,387,304	**-**	-
Accrued Interest expense during the year	8	**55,575,527**	59,780,400	**-**	-
Amortised cost on financial liabilities adjustments		**132,893**	15,070,784	**-**	-
Balance at start of the year (interest payables, interest prepaid and deferred Fcy charges)		**(4,387,304)**	(4,924,574)	**-**	-
		55,753,584	**74,313,914**	**-**	**-**
(iv) VAT paid					
This relates to monthly remittances to the tax authorities with respect vatable services, which amount to		**884,172**	770,249	**-**	-
(v) Acquisition of investment securities and Proceeds from sale and redemption of investment securities					
Balance at start of the year	25	**135,310,147**	148,286,830	**2,013,621**	2,828,220
Amortised cost on financial assets adjustments		**(9,103,459)**	8,541,688	**430,966**	2,179,637
Add: Acquisition of investment securities during the year		**79,557,022**	85,257,087	**2,442,000**	440,698
Less: Proceeds from sale and redemption of investment securities		**(77,322,034)**	(106,775,458)	**(42,387)**	(3,434,934)
Balance at end of of the year	25	**128,441,676**	135,310,147	**4,844,200**	2,013,621
(vi) Effect of exchange rate fluctuations on cash and cash equivalents held					
Balance at end of of the year on net translated foreign balances at closing exchange rates		**115,692,662**	(68,424,778)	**1,518,678**	(13,331)
Balance at start of the year on net translated foreign balances at opening exchange rates		**(68,424,778)**	66,434,610	**(13,331)**	7,719
		47,267,884	**(1,990,168)**	**1,505,347**	**(5,612)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(vii) **Net Increase/(decrease) in other liabilities**					
Closing balance for the year	39	**72,752,043**	89,675,234	**1,221,621**	1,003,037
Total amounts remitted under retirement benefit obligations	38	**(1,226,001)**	(1,706,148)	**(10,415)**	(15,552)
Opening balance for the year	39	**(89,675,234)**	(121,063,480)	**(1,003,037)**	(678,428)
		(18,149,192)	(33,094,394)	**208,169**	309,057
(viii) **Proceeds from sale of property and equipment**					
(Loss) / gain on sale of property and equipment		**(1,408,352)**	231,328	**570**	108
Cost eliminated on disposal during the year		**3,707,901**	2,120,374	**49,698**	4,661
Accumulated depreciation and impairment losses - eliminated on Disposal		**(2,051,637)**	(2,262,698)	**(22,997)**	(4,661)
Proceeds from sale of property and equipment		**247,912**	89,004	**27,271**	108
(ix) **Net interest income**					
Interest income	7	**125,109,035**	123,583,565	**475,474**	536,426
Interest expense	8	**(55,575,527)**	(59,646,733)	**-**	-
		69,533,508	63,936,832	**475,474**	536,426
(x) **Net (increase)/decrease restricted reserve deposits**					
Opening balance for the year	21	**125,552,318**	146,105,573	**-**	-
Closing balance for the year	21	**(139,460,914)**	(166,658,828)	**-**	-
Net (increase)/decrease restricted reserve deposits		**(13,908,596)**	(20,553,255)	**-**	-
(xi) **Net (increase)/decrease Derivative assets held held for risk management**					
Opening balance for the year	23	**1,479,760**	4,503,005	**-**	-
Fair value gain on financial assets adjustments		**511,135**	397,152	**-**	-
Closing balance for the year	23	**(1,018,912)**	(1,479,760)	**-**	-
		971,983	3,420,397	**-**	-
(xii) **Net (increase)/decrease non-pledged trading assets**					
Opening balance for the year	22(a)	**1,994,350**	741,917	**-**	-
Fair value gain on financial assets adjustments		**162,503**	14,740	**-**	-
Closing balance for the year	22(a)	**(9,154,198)**	(1,994,350)	**-**	-
		(6,997,345)	(1,237,693)	**-**	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(xiii) **Net (increase)/decrease loans and advances to customers**					
Opening balance for the year	24	**592,957,417**	617,979,790	**-**	-
Amortised cost on financial assets adjustments		**2,096,505**	-	**-**	-
Closing balance for the year	24	**(659,937,237)**	(592,957,417)	**-**	-
		(64,883,315)	25,022,373	**-**	-
(xiv) **Net (increase)/decrease in other assets**					
Opening balance for the year	32	**21,703,415**	26,087,683	**1,425,398**	5,452,080
Closing balance for the year	32	**(16,779,119)**	(21,703,415)	**(2,084,532)**	(1,425,398)
		4,924,296	4,384,268	**(659,134)**	4,026,682
(xv) **Net increase/(decrease) in deposits from banks**					
Closing balance for the year	33	**24,798,296**	5,461,038	**-**	-
Opening balance for the year	33	**(5,461,038)**	(4,796,752)	**-**	-
		19,337,258	664,286	**-**	-
(xvi) **Net increase/(decrease) in deposits from customers**					
Closing balance for the year	34	**657,609,807**	712,449,662	**-**	-
Opening balance for the year	34	**(700,216,706)**	(746,029,752)	**-**	-
		(42,606,899)	(33,580,090)	**-**	-
(xvii) **Net increase/(decrease) in on-lending facilities**					
Closing balance for the year	36	**42,199,380**	33,846,116	**-**	-
Amortised cost on financial liabilities adjustments		**(594,476)**	(573,181)	**-**	-
Opening balance for the year	36	**(33,846,116)**	(14,913,521)	**-**	-
		7,758,788	18,359,414	**-**	-
(xviii) **Net increase/(decrease) in derivative liabilities held held for risk management**					
Closing balance for the year	23	**770,201**	1,317,271	**-**	-
Fair value gain on financial liabilities adjustments		**(526,053)**	(401,541)	**-**	-
Opening balance for the year	23	**(1,317,271)**	(4,194,185)	**-**	-
		(1,073,123)	(3,278,455)	**-**	-
(xix) **Net increase/(decrease) in debt securities issued**					
Opening balance for the year	37	**49,309,394**	26,174,186	**-**	-
Additions during the year		**5,104,000**	23,135,208	**-**	-
Accrued coupon interest for the year		**966,566**	921,789	**-**	-
Coupon interest paid during the year		**(1,219,710)**	(993,173)	**-**	-
Amortised cost on financial liabilities adjustments		**323,739**	71,384	**-**	-
Closing balance for the year	37	**54,483,989**	49,309,394	**-**	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

48 Financial Reporting Council's Certification Requirement for Professionals Engaged in Financial Reporting Process

In line with Financial Reporting Council of Nigeria certification requirement for professionals engaged in financial reporting process: External Auditors, Officers of reporting entities and other professional providing assurance to reporting entities. Below are list of professionals engaged in the financial reporting process relating to financial statements for the year ended 31 December 2016.

S/N	NAME OF PROFESSIONAL	FRC_NUMBER	ROLE
1	PEDABO ASSOCIATES LTD	FRC/2013/ICAN/00000000908	Tax Consultant
2	I.R. AKINTOYE & CO.	FRC/2014/ICAN/00000007015	Tax Consultant
3	ADEGBONMIRE AND ASSOCIATES	FRC/2013/00000000001226	Property & Valuation Experts
4	AKUJURU ASSOCIATES	FRC/2014/00000004631	Property & Valuation Experts
5	ALAGBE & PARTNERS	FRC/2013/NIESV/00000004334	Property & Valuation Experts
6	ARIGBEDE & CO.	FRC/2014/00000004634	Property & Valuation Experts
7	AUSTIN CHINEGWU & CO.	FRC/2015/NIESV/00000012501	Property & Valuation Experts
8	BAMIGBOLA CONSULTING	FRC/2013/NIESV/00000000897	Property & Valuation Experts
9	BAYO ADEYEMO & ASSOCIATES	FRC/2013/NIESV/00000005193	Property & Valuation Experts
10	BAYO OYEDEJI & CO.	FRC/2013/NIESV/00000003983	Property & Valuation Experts
11	BEN EBOREIME & CO.	FRC/2013/NIESV/00000003232	Property & Valuation Experts
12	BIODUN OLAPADE & CO.	FRC/2013/NIESV/00000004303	Property & Valuation Experts
13	BOLA OLAWUYI CONSULTING	FRC/2014/NIESV/00000007657	Property & Valuation Experts
14	CHIKE MONEME & PARTNERS	FRC/2014/00000005796	Property & Valuation Experts
15	CHUMA EZEALIGO ASSOCIATES	FRC/2013/NIESV/00000004822	Property & Valuation Experts
16	DIPO FAKOREDE & CO.	FRC/2013/NIESV/00000000324	Property & Valuation Experts
17	DIYA FATIMILEHIN & CO.	FRC/2013/NIESV/00000000754;FRC/2013/NIESV/00000002773	Property & Valuation Experts
18	GAB OKONKWO & CO.	FRC/2013/NIESV/00000002220	Property & Valuation Experts
19	IMO EKANEM & CO.	FRC/2012/NIESV/00000000114	Property & Valuation Experts
20	J OKARO AND ASSOCIATES	FRC/2015/NIESV/00000002947	Property & Valuation Experts
21	JOE NWORAH & CO.	FRC/2015/NIESV/00000010760	Property & Valuation Experts
22	JOHN ZEDOMI & ASSOCIATES	FRC/2013/NIESV/00000002415	Property & Valuation Experts
23	JOSEPH ADEGBILE AND CO.	FRC/2013/NIESV/00000004005	Property & Valuation Experts
24	KNIGHT FRANK	FRC/2013/0000000000584	Property & Valuation Experts
25	LANSAR AGHAJI & CO.	FRC/2015/00000006074	Property & Valuation Experts
26	LOLA ADEYEMO & CO.	FRC/2015/NIESV/00000010805	Property & Valuation Experts
27	MGBEODURU SAM & CO.	FRC/2013/NIESV/00000003326	Property & Valuation Experts
28	NWOKOMA NWANKWO & COMPANY	FRC/2012/0000000000200	Property & Valuation Experts
29	O.S. BORONI ASSOCIATES	FRC/2013/NIESV/00000003393	Property & Valuation Experts
30	ODUDU & CO.	FRC/2012/0000000000124;FRC/2012/NIESV/00000000198	Property & Valuation Experts
31	OKEY OGBONNA & CO.	FRC/2013/NIESV/00000000964	Property & Valuation Experts
32	PAUL OSAJI & CO.	FRC/2013/00000001098	Property & Valuation Experts
33	PHIL NWACHUKWU & ASSOCIATES	FRC/2014/NIESV/00000009853	Property & Valuation Experts
34	RAWLINGS EHUMADU AND CO.	FRC/2013/NIESV/00000002351	Property & Valuation Experts
35	SAM NWOSU & CO.	FRC/2013/NIESV/00000002538	Property & Valuation Experts
36	UNIGWE & CO.	FRC/2012/0000000000130	Property & Valuation Experts
37	VIC ONWUMERE & CO.	FRC/2015/NIESV/00000010974	Property & Valuation Experts
38	VICTOR OKPEVA & CO.	FRC/2013/NIESV/00000003029	Property & Valuation Experts
39	YEMI OLUGBILE & CO.	FRC/2013/00000000001227	Property & Valuation Experts
40	YINKA KAYODE & CO.	FRC/2013/00000000001197	Property & Valuation Experts

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

49 PROVISION OF NON-AUDIT SERVICES

The detalis of non-audit services and the applicable fees paid during the year ended 31 December 2016 were;

	DESCRIPTION OF NON-AUDIT SERVICES	FEE PAID (N'000)
i	Professional services rendered in connection with the Nigeria Deposit Insurance Corporation (NDIC) certification.	4,200
ii	Professional services rendered in connection with Reporting Accountant review of financial information	3,500
iii	Professional fees in respect of facilitation of management retreat.	41,975
iv	Professional services rendered in respect to assurance services for system upgrade	30,450
v	Provision of compensation advisory services	1,000
vi	Annual subscription to KPMG Ethics Line	1,500
vii	Professional services rendered in connection with the Loan Covenant Certificate on borrowings from European Investment Bank	3,500
		86,125

50 DIVIDEND PER SHARE

	GROUP		COMPANY	
In thousands of Naira	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**
Dividend Proposed	**1,980,271**	1,980,271	**1,980,271**	1,980,271
Number of shares in issue and ranking for dividend	**19,802,710**	19,802,710	**19,802,710**	19,802,710
Proposed dividend per share	**10k**	10k	**10k**	10k
Dividend paid during the year	**1,980,271**	4,950,678	**1,980,271**	4,950,678

The Board of Directors recommended a cash dividend of 10 kobo per issued and paid up ordinary share for the year ended 31 December 2016. This is subject to approval at the Annual General Meeting. Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipents.

OTHER NATIONAL DISCLOSURES

OTHER INFORMATION
VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP				COMPANY			
	31 DEC 2016		31 DEC 2015		**31 DEC 2016**		31 DEC 2015	
In thousands of Naira		**%**		%		**%**		%
GROSS INCOME	**176,351,973**		152,507,947		**4,654,135**		4,200,904	
GROUP'S SHARE OF ASSOCIATE'S PROFIT	**272,749**		84,565		**-**		-	
INTEREST EXPENSE & CHARGES	**(59,077,579)**		(62,811,348)		**(66)**		-	
	117,547,143		89,781,164		**4,654,069**		4,200,904	
IMPAIRMENT LOSSES	**(35,522,071)**		(15,033,459)		**(105,589)**		(689,742)	
ADMINISTRATIVE OVERHEAD	**(36,495,203)**		(37,128,344)		**(556,341)**		(701,256)	
VALUE ADDED	**45,529,869**	**100**	37,619,361	100	**3,992,139**	**100**	2,809,906	100
D I S T R I B U T I O N								
EMPLOYEES								
Wages, salaries, pensions, gratuity and other employee benefits	**24,804,401**	**54%**	25,487,681	68%	**218,167**	**5%**	238,360	8%
GOVERNMENT								
Taxation	**1,912,515**	**4%**	3,007,998	8%	**19,351**	**0%**	25,231	1%
THE FUTURE								
Replacement of property and equipment / intangible assets	**4,474,071**	**10%**	4,363,016	12%	**24,362**	**1%**	23,260	1%
Profit for the period (including statutory and regulatory risk reserves)	**14,338,882**	**31%**	4,760,666	13%	**3,730,260**	**93%**	2,523,055	90%
VALUE ADDED	**45,529,869**	**100%**	37,619,361	100%	**3,992,139**	**100%**	2,809,906	100%

This statement represents the distribution of the wealth created through the use of the Group's assets through its own and its employees' efforts.

OTHER INFORMATION
FIVE YEARS FINANCIAL SUMMARY

GROUP

In thousands of Naira	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013	31 DEC 2012
ASSETS EMPLOYED					
Cash and cash equivalents	**108,104,632**	180,921,698	126,293,809	199,700,305	123,451,740
Restricted reserve deposits	**139,460,914**	125,552,318	146,105,573	73,473,096	57,891,360
Non-pledged trading assets	**9,154,198**	1,994,350	741,917	2,921,358	1,169,708
Derivative assets	**1,018,912**	1,479,760	4,503,005	1,697,606	1,980,135
Loans and advances to customers	**659,937,237**	592,957,417	617,979,790	450,532,965	357,798,798
Assets pledged as collateral	**59,107,132**	51,777,589	53,812,420	50,516,904	40,793,601
Investment securities	**128,441,676**	135,310,147	148,286,830	163,638,236	244,525,619
Assets classified as held for sale	**-**	-	-	-	13,547,417
Investment in associates	**846,512**	731,964	647,399	568,512	467,456
Property and equipment	**32,283,226**	29,970,738	28,391,807	26,812,277	26,331,166
Intangible assets	**9,672,530**	8,968,539	8,348,310	7,580,528	11,894,789
Deferred tax assets	**7,971,990**	8,166,241	8,166,241	6,346,025	4,937,656
Other assets	**16,779,119**	21,703,415	26,087,683	24,492,358	23,756,311
	1,172,778,078	1,159,534,176	1,169,364,784	1,008,280,170	908,545,756
FINANCED BY					
Share capital	**9,901,355**	9,901,355	9,901,355	9,901,355	9,520,534
Share premium	**115,392,414**	115,392,414	115,392,414	115,392,414	108,747,612
Treasury shares	**-**	-	-	(8,625)	(775,381)
Retained earnings	**32,458,239**	17,181,437	26,238,677	13,109,779	765,475
Other reserves	**21,120,986**	19,916,081	8,832,985	5,311,806	13,757,163
Trading liabilities	**6,255,933**	-	-	-	-
Derivative liabilities	**770,201**	1,317,271	4,194,185	1,355,634	1,980,135
Deposits from banks	**24,798,296**	5,461,038	4,796,752	-	52,000
Deposits from customers	**657,609,807**	700,216,706	733,796,796	715,214,192	646,216,767
Liabilities classified as held for sale	**-**	-	-	-	9,038,589
Borrowings	**132,094,368**	113,700,194	99,540,346	59,244,230	26,933,018
On-lending facilities	**42,199,380**	33,846,116	14,913,521	-	-
Debt securities issued	**54,481,989**	49,309,394	26,174,186	-	-
Retirement benefit obligations	**17,603**	50,544	115,056	124,674	109,008
Other long term benefits	**-**	-	-	1,258,317	335,397
Current income tax liabilities	**2,859,562**	3,497,954	4,363,544	4,333,353	2,850,275
Deferred tax liabilities	**65,902**	68,438	41,487	35,282	22,067
Other liabilities	**72,752,043**	89,675,234	121,063,480	83,007,759	88,993,097
	1,172,778,078	1,159,534,176	1,169,364,784	1,008,280,170	908,545,756
Acceptances and guarantees	**159,383,506**	141,031,528	211,926,443	105,730,673	121,081,334
PROFIT AND LOSS ACCOUNT					
	12months Dec 2016	*12months Dec 2015*	*12months Dec 2014*	*12months Dec 2013*	*12months Dec 2012*
Gross earnings	**176,351,973**	152,507,947	148,637,409	130,995,439	116,832,323
Profit before tax	**16,251,397**	7,768,664	23,874,783	18,116,143	16,248,019
Tax	**(1,912,515)**	(3,007,998)	(1,809,636)	(2,183,244)	(1,126,315)
Profit after tax	**14,338,882**	4,760,666	22,065,147	15,932,899	15,121,704
Transfer to reserves	**14,338,882**	4,760,666	22,133,257	16,001,155	15,292,372
Earnings per share - basic and diluted (naira)	**0.72**	0.24	1.12	0.81	0.77

NB: FCMB Group Plc was incorporated in Nigeria as a financial holding company on November 20, 2012, under the Companies and Allied Matters Act, in response to the CBN's Regulation on the Scope of Banking Activities and Ancillary Matters (Regulation 3). Following the group restructuring, FCMB Group Plc emerged as holding company, with First City Monument Bank Plc (“the bank“) as subsidiary.

First City Monument Bank Plc was delisted from the Nigerian Stock Exchange on 21 June 2013, and the shares of FCMB Group Plc listed same day. The bank was re-registered as a Private Limited Liability company in September 2013, and is now known as First City Monument Bank Limited. The financials stated above for 2012 were that of First City Monument Bank Plc and the subsidiaries while year 2013 to 2016 relates to FCMB Group Plc.

OTHER INFORMATION
FIVE YEAR FINANCIAL SUMMARY

COMPANY In thousands of Naira	31 DEC 2016	31 DEC 2015	31 DEC 2014	31 DEC 2013	31 DEC 2012
ASSETS EMPLOYED					
Cash and cash equivalents	**5,817,754**	7,231,196	4,056,165	2,150,389	-
Investment securities	**4,844,200**	2,013,621	2,828,220	2,514,439	-
Investment in subsidiaries	**118,140,772**	118,246,361	118,756,103	118,716,103	-
Investment in associates	**418,577**	418,577	418,577	407,800	-
Property and equipment	**59,468**	41,263	56,337	9,801	-
Intangible assets	**882**	1,845	2,808	3,771	-
Other assets	**2,084,532**	1,425,398	5,452,080	7,679,886	-
	131,366,185	129,378,261	131,570,290	131,482,189	-
FINANCED BY					
Share capital	**9,901,355**	9,901,355	9,901,355	9,901,355	-
Share premium	**115,392,414**	115,392,414	115,392,414	115,392,414	-
Retained earnings	**4,806,213**	3,056,224	5,483,847	6,027,752	-
Current income tax liabilities	**44,582**	25,231	114,246	60,277	-
Other liabilities	**1,221,621**	1,003,037	678,428	100,391	-
	131,366,185	129,378,261	131,570,290	131,482,189	-
Acceptances and guarantees	**-**	-	-	-	-
PROFIT AND LOSS ACCOUNT					
	12months Dec 2016	*12months Dec 2015*	*12months Dec 2014*	*12months Dec 2013*	*12months Dec 2012*
Gross earnings	**4,654,135**	4,200,904	6,672,890	6,370,000	-
Profit before tax	**3,749,611**	2,548,286	5,450,877	6,088,029	-
Tax	**(19,351)**	(25,231)	(53,969)	(60,277)	-
Profit after tax	**3,730,260**	2,523,055	5,396,908	6,027,752	-
Transfer to reserves	**3,730,260**	2,523,055	5,396,908	6,027,752	-
Earnings per share - basic and diluted (Naira)	**0.19**	0.13	0.27	0.30	-