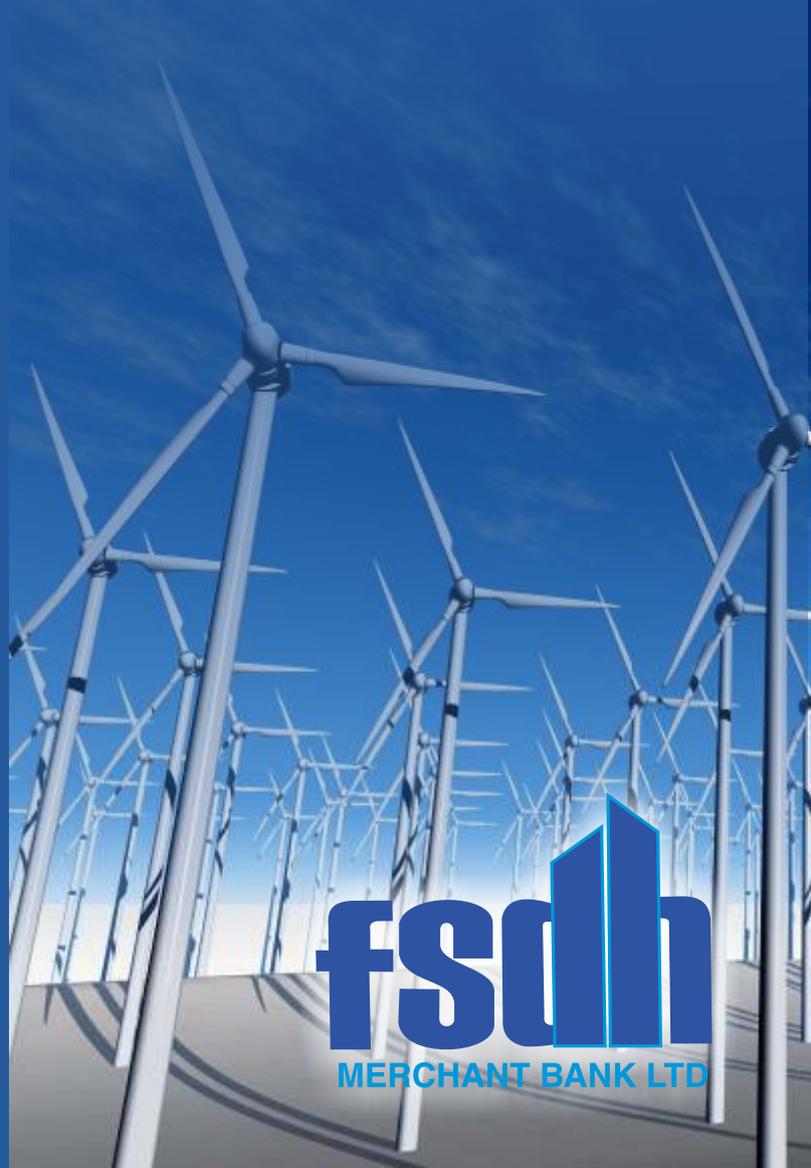


Annual Report + Accounts 2015

Harnessing Opportunities



fscdh
MERCHANT BANK LTD



The Windmill

A windmill converts wind energy into rotational energy by means of vanes called sails or blades.

It gathers all it has to give the best, which is also the aim of FSDH to harness every opportunity and offer benefits to customers and stakeholders.

In modern times, windmills are used for various purposes including pumping water, pond aeration, drainage and electricity generation. Windmills are excellent for locations where the delivery of electricity is difficult or unpredictable, turning arid and barren desert lands into arable and profitable lands.

FSDH is very much like the windmill turning seemingly challenging circumstances into gold mines of opportunities and delivering unequaled merchant banking services to its clients.

Harnessing Opportunities

“ A PESSIMIST SEES THE DIFFICULTY IN EVERY OPPORTUNITY; AN OPTIMIST SEES THE OPPORTUNITY IN EVERY DIFFICULTY. ”

Winston Churchill



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FSDH Merchant Bank Ltd

FSDH continues to review and realign its operations to take advantage of new opportunities that emerge in the Merchant banking sector.

Like windmills that convert energy to power, FSDH harnesses identified opportunities to create tangible value for our various customers and stakeholders.





Shareholders, Locations + Addresses

Skye Bank Plc
Ecobank Nigeria Plc
KMC Investments Ltd
Stanbic IBTC Bank Plc
Unity Bank Plc
UBA Asset Management Ltd
FSDH Staff Co-operative Society
International Finance Corporation (IFC)
Diamond Pension Fund Custodian/Trustfund Plc

AllCO Insurance Plc
Intermarket Services Ltd.
Heritage Bank Ltd
Unico CPFA Ltd
Williams Street Trustees Ltd

Head Office

UAC House (5th -8th Floors) 1/5 Odunlami Street,
PMB 12913, Lagos
01-2702880-2 (3 lines)
01-2702885-6 (Investors Group)
01-2716280 (Bank Dealing only)
Fax: 01-2716274

Abuja Office

Ground Floor, Leadway House
Plot 1061, Herbert Macaulay Way,
Central Business District,
Abuja-Nigeria.
Tel: 234-9-2918821, Mobile: 08035886115

Port Harcourt Office

2nd Floor, Skye Bank Building,
5 Trans Amadi Road, Port Harcourt,
084-463308, 084-463174
084-463174, 084-463308
08024081331
Fax: 084-463174

Directors + Advisers

Chairman	Osaro Isokpan	
Directors:	Hamda Ambah	Executive Director
	Olufunsho Olusanya	Executive Director
	Muhibat Abbas	Representing UNICO CPFA Limited
	Daniel Agbor	Representing KMC Investments Limited
	Myma Belo-Osagie	Representing KMC Investments Limited
	Olufemi Agbaje	Representing KMC Investments Limited
	Bello Garba	Representing KMC Investments Limited
	Sobandele Sobanjo	Representing ALLCO Insurance Plc
	Vincent Omoike	Independent Director
Managing Director / CEO:	Rilwan Belo-Osagie	

**Registered Address:**

UAC House (5th - 8th Floors)
1/5 Odunlami Street,
Lagos

Company Secretary

Alsec Nominees Ltd
St. Nicholas House, (10th Floor)
Catholic Mission Street
Lagos

Solicitors

Udo Udoma and Belo-Osagie
St. Nicholas House, (10th Floor)
Catholic Mission Street
Lagos

Auditors

PricewaterhouseCoopers
252E, Muri Okunola Street
Victoria Island
Lagos
Partner: Anthony Oputa
ICAN Number: 11105
FRC Number:
FRC/2013/ICAN/00000000/980

RC: 199528

Board of Directors



Osaro Isokpan



Rilwan Belo-Osagie



Muhibat Abbas



Olufemi Agbaje



Daniel Agbor



Bello Garba



Hamda Ambah



Sobandele Sobanjo



Olufunsho Olusanya



Myma Belo-Osagie



Vincent Omoike

Despite the challenging business environment in 2015, our performance was encouraging. It is a confirmation that our efforts to expand our operations and product mix to reap the full benefits of our Merchant Banking licence is beginning to yield the desired results. We are therefore confident that we will continue to maximise shareholder value by constantly re-inventing and realigning our operations and services to exceed the expectations of our various stakeholders.

Osaro Isokpan
Chairman

Distinguished Shareholders, it is with great pleasure that I welcome you all to the 4th Annual General Meeting of our Company, FSDH Merchant Bank Limited. I hereby present to you the financial statements of the FSDH Group for the year ended December 31, 2015 and the factors that influenced the results. The results I am presenting today represent the statement of affairs for our third year of operations as a Merchant Bank having started full merchant banking operations on January 15, 2013. Before I present the results, permit me to review the operating environment under which we operated.

Global Economic Environment

The global economy faced weak and unbalanced growth in 2015. It was dominated by low oil prices because of excess supply coupled with weak demand. The advanced economies led by the United States (U.S.) showed prospects of a more sustainable growth rate, while the emerging market economies, with the exception of India, experienced decelerating growth. The International Monetary Fund (IMF) has noted that the downside risks to the global growth outlook include declining commodity prices, depreciating emerging market currencies and increasing financial market volatility. In December 2015, the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve System increased its Federal Funds Rate (Fed Rate) by 25 basis points to 0.25%-0.50%. This was the first increase since June 29, 2006 and has resulted in an increase in rates and yields in the U.S. The U.S Dollar has also appreciated against major currencies.

The IMF in its World Economic Outlook (WEO), January 2016 update estimated that the global economy grew by 3.1% in 2015, down from 3.4% recorded in 2014 and expects it to increase to 3.4% in 2016. Growth in the U.S. is estimated at 2.5% in 2015 and to increase to 2.6% in 2016. The U.S. growth is expected to be supported by lower energy prices, reduced fiscal drag, strengthened balance sheets, and an improving housing market. In the Eurozone, growth was estimated at 1.5% in 2015 and to increase to 1.7% in 2016. The Eurozone recovery is hinged on lower oil prices, monetary easing, and the depreciation of the Euro.

The Chinese economy, which drove much of the global growth in previous years, is decelerating and is expected to slowdown further in 2016. Growth in China is estimated at 6.9% in 2015 and is expected to decline further to 6.3% in 2016. The Indian economy is estimated at 7.3% in 2015 and is expected to grow by 7.5% in 2016. The growth in the Sub-Saharan Africa region is estimated at 3.5% in 2015, a decrease from 5% in 2014. However, the region is expected to grow by 4% in 2016. The slowdown in 2015 was primarily driven by the declining commodity prices and the lower demand from China (the largest single trade partner of Sub-Saharan Africa). The tightening of global financial conditions also impacted the region's growth.

The weak and uneven global economic recovery has lowered oil demand and created global excess supply of over one million barrels per day (mbd). The Organization of Petroleum Exporting Countries (OPEC) currently produces above its collective quota of 30mbd. It exceeded the quota by about 1.7mbd as at November 2015. The OPEC meeting in December 2015 could not agree on a production cut to boost oil prices. The OPEC Reference Basket of Crudes (ORB) declined by 39.88% to US\$31.26 per barrel between 2014 and 2015. The Bonny Light Price dropped by 33.91% to US\$36.92 per barrel during the same period. The oil price has dropped by about 67% between June 2014 and December 2015. This has had a significant negative effect on the revenue and the foreign exchange inflow into Nigeria with attendant negative implications for the value of the Naira.

Operating Environment in Nigeria

Nigeria witnessed a successful general election in 2015. For the first time in the history of the country, there was a seamless democratic transition from a ruling party to an opposition party. This has been widely hailed as a sign of deepening democracy and a new Nigeria. The impact is also positive for the business community in Nigeria. Although significant progress has been made to resolve the security challenges in some areas of Northern Nigeria, there are still isolated pockets of violence that hinder economic activity. The new government has declared its commitment to ending the insurgency that is the main cause of the security challenges.

According to the National Bureau of Statistics (NBS), the Nigerian economy grew by 2.79% in 2015 and it is expected to grow by 3.78% in 2016; both significantly lower than the 6.22% growth rate recorded in 2014. The oil sector contracted by 5.45% in 2015, compared with the contraction of 1.32% recorded in 2014. The non-oil sector recorded a growth rate of 3.75% in 2015, lower than the 7.18% growth rate recorded in 2014. The non-oil sector growth was primarily driven by growth in the Crop Production, Financial Services, Telecommunications, and Trade sectors, amongst others.

The data from the Debt Management Office (DMO) shows that Nigeria's total debt stock as at December 31, 2015 stood at N12.60trn, an increase of 12.10% from the December 31, 2014 figure of N11.24trillion. The debt-to-GDP ratio is estimated to be about 13.36%, which is much lower than the critical level of 40%. Although the debt-to-GDP is low and sustainable, the ratio of debt service to revenue at about 35% is high. This will continue to drain government's revenue. There are indications that the Federal Government will approach the debt market to finance part of the deficit in the proposed 2016 budget. This is likely to lead to higher interest rates in 2016.

The Central Bank of Nigeria (CBN) adopted various strategies to stabilize the value of the Naira in 2015. The persistent demand pressure at the foreign exchange market led to a significant withdrawal from the external reserves to defend the value of the Naira. The CBN closed the Retail Dutch Auction System (RDAS) window of the foreign exchange market in February 2015 to curb the persistent drawdown from the external

“ In spite of the challenges that we see in the economy and in the financial markets in the year 2016, we have identified some opportunities which your bank is poised to take advantage of. We will continue to explore and expand relationships with our esteemed customers in carefully selected industries and to offer our tailor made solutions. We see increased need in the economy for financial advisory services and are poised to exploit this opportunity. ”

reserves. The Apex Bank further introduced administrative measures to curb the demand for foreign exchange by prohibiting access to the foreign exchange market for the importation of a number of items. This led to a growing disparity between the exchange rates of the Naira at the official window and in the parallel market. Although the currency depreciated in both markets, at the official window the Naira depreciated by 14.72% in 2015 to close at US\$1/N197, compared with 2014 closing figure of US\$1/N168 while in the parallel market it depreciated by 29.26% to close at US\$1/N270 in 2015, compared with US\$/N191 as at the end of December 2014. As regards the country's reserves, according to the CBN, the 30-Day Moving Average of Nigeria's external reserves as at December 31, 2015 stood at US\$29.07billion, representing a decrease of US\$5.40billion or 15.67%, compared with US\$34.47billion at the end of December 2014. The administrative measures that the CBN adopted in the foreign exchange market were to limit the drawdown from the external reserves.

The inflation rate remained below 10% in 2015 despite an upward trend toward the end of the year. The upward pressure on the inflation rate emanated largely from inadequate infrastructure and power supply that raised the cost of production in the country. Other factors include the security challenges in some areas of Northern Nigeria and the pass through effect of imported inflation on domestic prices from the depreciation of the Naira. The drop in global commodity prices and the weak purchasing power in the country moderated the general price level in 2015.

The CBN implemented the Treasury Single Account (TSA) on behalf of the Federal Government of Nigeria (FGN) on September 15, 2015. This led to a significant liquidity squeeze in the banking system. However, the CBN subsequently injected funds into the system through the reduction of the Cash Reserve Requirement (CRR) from 31% to 25% at its Monetary Policy Committee (MPC) meeting on September 21-22, 2015. Thereafter, the inter-bank market was awash with funds. The fact that most banks continued to remain cautious as regards lending also contributed to the excess liquidity in the inter-bank market. Consequently, yields on fixed income securities and inter-bank rates dropped lower than the inflation rate resulting in negative real returns to investors.

The decline in oil prices and the unfavourable macroeconomic conditions in Nigeria had an adverse impact on the equity market in 2015. The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated by 17.36% to close at 28,642.25 points. Other specific factors that affected the market in 2015 were the regulatory headwinds faced by the banks and the effect of the devaluation of the Naira on the operating costs of the manufacturing companies. The incessant security challenges in some areas of Northern Nigeria also contributed to the poor performance of the stock market. Foreign investors that hitherto generated a significant proportion of the activity in the capital market were largely absent in 2015 because of their concerns over the exchange rate of the Naira. As a result of the foregoing issues, there was also general apathy towards equity investments on the part of Nigerian investors, both retail and institutional.

Operations

During the year under review, your bank continued to make progress on the operational efficiency front to

ensure improved risk management, enhance controls and cost efficiency while striving to enhance the customer experience for our clients. We engaged Oracle Financial Software Services (OFSS) to make adjustments to our Flexcube core banking applications in order to achieve further processing efficiency.

I am happy to inform you that the British Standards Institute (BSI) adjudged our information security policies and practices to be of international standard. It therefore awarded us the ISO27001 certification which is the International Standards Organisation certification for information security.

In line with the CBN Code of Corporate Governance, a board evaluation exercise had been completed for FSDH for the nine consecutive year. KPMG Professional Services conducted the exercise. The report recorded continued improvement in our board performance and also identified areas of possible improvement. As usual, we will review recommendations with a view to further improving the performance of the board.

Financial Performance

The Group realised a Profit Before Tax (PBT) of N4.72billion for the financial year ended December 31, 2015 despite the tough economic environment. This represents an increase of 29.67% over N3.64billion for the year ended December 31, 2014. Similarly, Profit After Tax (PAT) for the group increased by 34.98% to N4.09billion from N3.03billion for the year ended December 31, 2014. Earnings Per Share (EPS) for the group was 141kobo which is 37kobo more than the 104kobo that was recorded in the previous financial year.

The Bank realised a PBT of N3.38billion for the financial year ended December 31, 2015 which is an increase of 30.50% over the PBT of N2.59billion recorded for the year ended December 31, 2014. Similarly, PAT for the Bank increased by 35.74% from N2.49 billion for the year ended December 31 2014 to N3.38billion for the year ended December 31, 2015.

The increase in profitability resulted from an increase in interest income as well as fee and commission income. The increase in the operating expenses was due to the need to boost our staff strength to improve client coverage and enable us to achieve the objectives of the Group. Our cost to income ratio decreased to 52.25%, down from 56.25% in 2014. We will continue to

broaden our earnings base as permitted by our Merchant Banking licence.

During the period under review all our subsidiaries posted profits. FSDH Asset Management (FSDH-AM) contributed a profit of N307.93million, while Pensions Alliance Limited (PAL) and FSDH Securities (FSDH-SEC) added N983.06million and N63.27million respectively to the Profit After Tax of the group. When compared with the PAT for the year ended 31 December 2014, this is an increase of 126.31% and 32.03% for FSDH – SEC and PAL respectively, but a decrease of 3.61% for FSDH AM. The marginal decline in the performance of FSDH AM during the period was mainly the result of investor apathy towards equity-based mutual funds because of the negative performance of the stock market.

Despite the challenging business environment in 2015, our performance was encouraging. It is a confirmation that our efforts to expand our operations and product mix to reap the full benefits of our Merchant Banking licence is beginning to yield the desired results. We are therefore confident that we will continue to maximise shareholder value by constantly re-inventing and realigning our operations and services to exceed the expectations of our various stakeholders.

Dividend

The Board of Directors is recommending, subject to your approval, the sum of N2.60billion as dividend payment for the year ended 31 December 2015. This amount translates to 93.20kobo per share which is also 66.45kobo more than the 26.75kobo per share paid at the end of the 2014 financial year. We will also continue to strike a good balance between our obligation to reward shareholders and the need to retain earnings in order to finance future expansion and growth. Having considered all of the above, we ask for your approval to pay this dividend.

Outlook

The current low oil price poses a significant challenge to the revenue of the country and banks' lending to the sector. In addition, the increase in the Fed Rate in the U.S. may increase the cost of funds in the international markets. It may also result in the flow of funds to the U.S and consequently have an adverse impact on the exchange rates in the emerging markets. The Federal Government of Nigeria (FGN) has indicated that it intends to run a fiscal deficit in excess of N2.2trillion in

the fiscal year 2016. This is to reflate the economy and place it on a sustainable growth path. The FGN expects to raise additional funds in addition to the N900billion it plans to borrow from the domestic market. The aforementioned factors are likely to make 2016 a very challenging year for banking business in Nigeria. The FGN has indicated its desire to grow the non-oil sector of the economy in order to diversify the revenue base from oil. It is hoped that this will lead to massive infrastructure development to make the economy more competitive and thus create financing opportunities in other sectors.

In spite of the challenges that we see in the economy and in the financial markets in the year 2016, we have identified some opportunities which your bank is poised to take advantage of. We will continue to explore and expand relationships with our esteemed customers in carefully selected industries and to offer our tailor made solutions to them. We see increased need in the economy for financial advisory services and are poised to exploit this opportunity. We have reviewed our lending to the sectors that are considered to be most vulnerable to the current economic challenges. It is pertinent to note, however, that no sector is entirely immune to the current challenges. We have therefore concluded that we will continue to exercise caution in our risk asset creation and management irrespective of the sector. Consequently, we will continue with our usual conservative approach where risk assets are concerned in order to ensure that we continue to build a portfolio of risk assets that will stand the test of time.

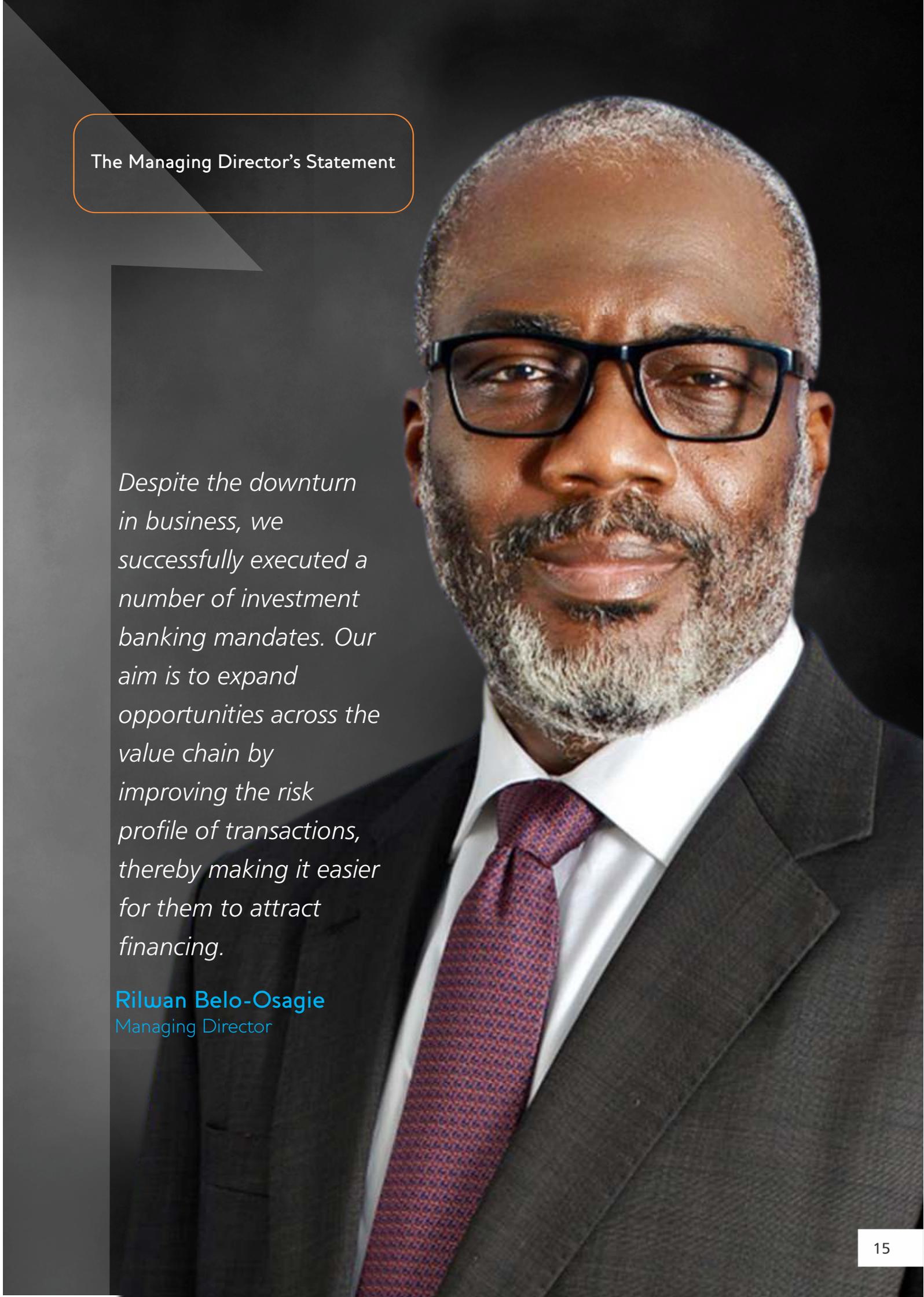
As we enter into a new growth phase in our business as a Merchant Bank, we will continue to take advantage of unfolding opportunities in the market place. We will constantly re-invent our business to meet the demands of our customers for premium world class service.

I seize this opportunity to thank our stakeholders for their continued support and to assure them that the FSDH Group will continue to justify the confidence reposed in it.

Thank you.



Osaro Isokpan
Chairman

A close-up portrait of Rilwan Belo-Osagie, a middle-aged Black man with a grey beard and glasses, wearing a dark suit, white shirt, and a patterned tie. He is looking directly at the camera with a slight smile. The background is dark and out of focus.

The Managing Director's Statement

Despite the downturn in business, we successfully executed a number of investment banking mandates. Our aim is to expand opportunities across the value chain by improving the risk profile of transactions, thereby making it easier for them to attract financing.

Rilwan Belo-Osagie
Managing Director

As we stabilized after the first two years of our operations as a merchant bank, we focused on three broad initiatives. The first was to build and nurture the necessary relationships that we require in all our business segments. The second was to build the capacity that will give us a strong competitive advantage in the market place and the third was to develop the supportive systems and processes that will provide the necessary backbone for our operations. In 2015, we pursued these objectives vigorously despite the instability in our environment.

In the investment banking space, we have continued to expand our relationships with operators in the various segments that we have chosen to operate in. Despite the downturn in business, we successfully executed a number of investment banking mandates. Our aim is to expand opportunities across the value chain by improving the risk profile of transactions, thereby making it easier for them to attract financing.

We are also partnering with development financial institutions through co-lending agreements. This will enable us to identify viable projects that can be refinanced, thus increasing the ability of sponsors to embark on new projects. The investment banking department works in close collaboration with the Treasury and Corporate Banking Departments. It also works closely with our asset management and stockbroking subsidiaries. This is to ensure that we provide investment banking services across the value chain of transactions. The synergy that is generated in this process ensures that we lower transaction costs of projects and therefore improve their viability.

As regards corporate banking, we have continued to expand our customer base by taking advantage of the opportunities across the value chain of our top-tier customers. To ensure that we maintain our current risk acceptance criteria, transactions are structured around identifiable cash flows. We also exploited our efficient and effective service delivery capabilities to tap into emerging opportunities. Due to the uncertainties in the operating environment, speed and efficiency in the service delivery process have acquired greater importance for customers of banks and other non-bank financial institutions. We have therefore leveraged on our service delivery capabilities to build a number of new relationships. Furthermore, we have deployed a robust

“ We look forward, therefore, to replicating in the merchant banking sector the same success we achieved as a discount house. As we seek to do this, we are mindful of the peculiarities of our current operating environment and the need for greater flexibility and adaptability. To this end, we have taken special care to ensure that our systems, processes and strategies are designed to respond dynamically to our environment in order to ensure that we sustain our competitive position and remain relevant to our customers. ”

payment platform which has linked us online with all Nigerian banks via the NIBSS NIP platform. In addition to enabling us to provide liquidity and cash management services to our corporate customers, this platform has also made it possible to provide services to customers beyond the geographical areas where we have physical branches.

In the Treasury Group, we have carefully refined our approach to market segmentation in order to ensure better reach and coverage of the segments. The new approach ensures that products and services are tailored to cater for the unique needs of each market segment. This has made it possible for us to identify gaps that were not hitherto obvious and has made product development more effective. In addition, we leveraged on the improvement in our Asset and Liabilities Management (ALM) process to create additional value both for the bank and for the customers. This was reflected in the effectiveness of our pricing and risk management strategies. The ALM process was further enhanced during

the year through the development of a comprehensive dashboard that integrates all aspects of our ALM process. This dashboard provides a balance between profitability, capital adequacy and liquidity.

Growth in our asset management business was affected negatively by the general decline in stock prices quoted on the Nigerian Stock Exchange. This has made equity mutual funds unattractive to investors. In order to improve returns we restructured our fixed income funds by streamlining the asset allocation criteria. The aim was to improve the yield on the fund and minimize volatility in returns. We also expanded distribution channels through the creative use of online platforms and direct marketing. These initiatives ensured that despite the challenges in the stock market, our asset under management achieved a growth of 7% in 2015.

The problems in the capital market continued throughout the year. These problems were worsened by the uncertainties that trailed the 2015 elections and the delay in forming the government after the elections. Thus, despite the fact that profitability in our stock broking subsidiary increased by 25%, the stockbroking business has not yet fully recovered from the slump occasioned by the exit of foreign investors in the market. At current prices, however, a good number of stocks present medium to long-term investment opportunities for discerning investors. As the market regains confidence, there will be a gradual recovery which will create the necessary momentum that will attract more investors into the market.

Our pension fund management business operating through our subsidiary, Pensions Alliance Limited (PAL) has continued to show steady growth. Assets Under Management (AUM) grew by 13% from N173.8 billion in 2014 to N196.3 billion in 2015, despite the funding gaps from the public sector and the withdrawal of over N10 billion of the Police Fund. The withdrawal was part of the planned transfer of the Police Fund to the newly established Police Closed Pension Fund Administrator (NPPFA). The country's fiscal challenges impacted negatively on the operations of pension fund administrators. Funding from the public sector was not regular and some states are yet to implement the new Pensions Reform Act. Despite the challenges, we believe that there are still opportunities for growth in the

business. However, achieving growth in the business requires sound investment management skills, effective marketing, strong service delivery capabilities and the development of value-adding products and services. To this end, PAL is investing in technology to enhance service delivery capabilities. Additional service centres are being established across the country while a number of initiatives aimed at improving the "PAL PENSIONS" brand have been embarked upon.

The end of 2015 marks the third year of our operations as a merchant bank. Three years is an important benchmark for assessing the performance of business organizations. In the banking industry in particular, it is usually the minimum threshold required by many counterparties before a full banking relationship can be established. However, FSDH has enjoyed full banking relationships with a large number of counterparties, despite the fact that we did not meet the three-year performance criteria as a merchant bank. Our performance in the past three years has justified the confidence that counterparties have reposed in us - a confidence derived from a 20-year history of excellent operations as a discount house. The group's Profit before tax (PBT) has grown steadily over these three years. In 2013, the group recorded a PBT of N2.065 billion. This grew by 76% to N3.642 billion in 2014. For the year ended 31st December, 2015, PBT stood at N4.72 billion representing a growth of 29.67% over the PBT for 2014. Thus we have achieved a compounded annual growth rate of 51% in our first three years of operation as a merchant bank.

We look forward, therefore, to replicating in the merchant banking sector the same success we achieved as a discount house. As we seek to do this, we are mindful of the peculiarities of our current operating environment and the need for greater flexibility and adaptability. To this end, we have taken special care to ensure that our systems, processes and strategies are designed to respond dynamically to our environment in order to ensure that we sustain our competitive position and remain relevant to our customers.



Rilwan Belo-Osagie
Managing Director



FSDH...

continuously evolving a culture of excellence

From the very beginning at FSDH, a lot of weight was placed on the importance of creating and nurturing a strong organisational culture. We see culture as a strong binding force to integrate the members of an organization.. At FSDH, we make it a point to inspire our employees to work as a team wherein they not only know what they should do but also why they should do it.

Our company's culture wheel consists of five essential elements namely; Customer Orientation, High performance, Collaboration, Learning and Image Building set on the premise that successful organisations are driven by their unique culture and values. This ethos has been the key to the last two decades of success at this firm.

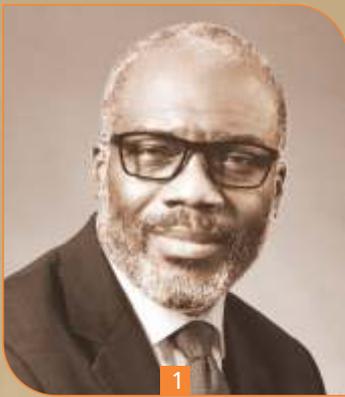
In order to harness opportunities and achieve client satisfaction, one must tackle "below the water line" issues and our culture helps us to address these issues. First, to achieve HIGH PERFORMANCE, a strong culture provides the greatest source of competitive advantage. At FSDH, employees are given various work incentives and are expected to be contributors by sharing our commitment to leadership both in business and in the society at large. Second, a CUSTOMER ORIENTATED environment ensures that our employees imbibe the concept that "The Customer Is King" which subsequently sparks up innovation and fuels the mutually beneficial relationship between us and our clients. Third, a high level of COLLABORATION is based around the synergy required to achieve a common goal. Despite the strenuous environment in which we operate, our employees are fully equipped to work collectively in order for us to remain at the forefront of the industry. Fourth, we believe that LEARNING is a daily event whereby an organisation's ability to learn and translate that learning into action is the ultimate competitive advantage. Finally, our IMAGE, encompassing both financial and non-financial is as good as the services we provide, hence, we endeavour to present ourselves in a clear and consistent way.

Our devotion to building a premier organisation informs our understanding that an organisational culture is built brick by brick. Consistency is crucial, persistence is paramount and gentle, behind-the-scene encouragement is invaluable. This is why our employees and clients have remained loyal to us over the years.

At FSDH, we make every effort to give people more than they expect to get.....That is simply what we do to accelerate and sustain good results.

The Executive Management

1. Rilwan Belo-Osagie
2. Hamda Ambah
3. Olufunsho Olusanya
4. Robert Ajjamah
5. Richard Osuagwu
6. Fola Wiltshire
7. Stella-Marie Omogbai
8. Babatunde A. Obidare
9. Ikponmwoza Izedonmwun



...recognising two of our very best...

The FSDH Persons of the Year

The Best of the Best

As part of the FSDH Culture, we ensure that our people take the pride of place in our success story and have remained committed to the FSDH brand over the years.

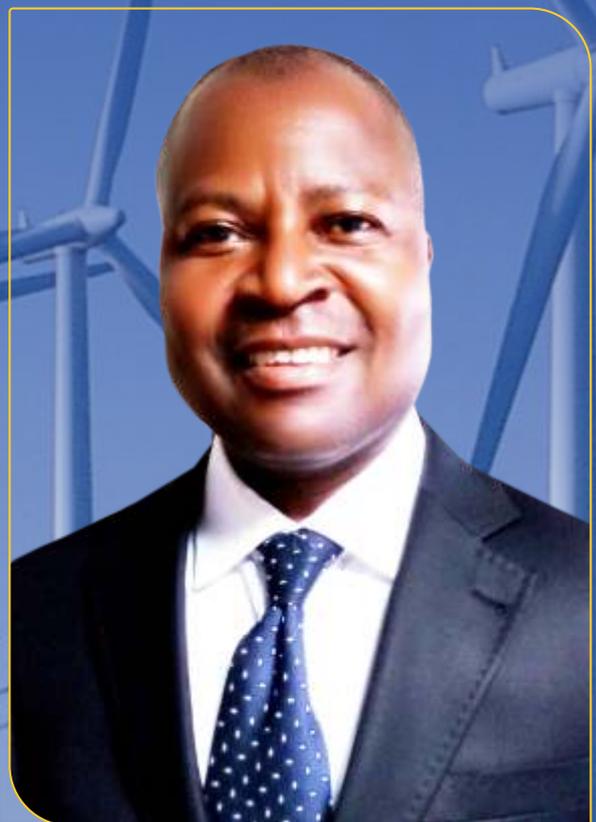
In appreciation of this commitment, we present to you:

Mr. Olukayode James of the Foreign Operations Unit - (Senior Staff category)

Mr. Busuyi Ogundare of the Ed's Office, Treasury, International Banking and Financial Institutions - (Junior Staff category)



Mr. Olukayode James
(Senior Category)



Mr. Busuyi Ogundare
(Junior Category)

FSDH SUSTAINABILITY REPORT

FSDH Merchant Bank Limited (“FSDH”) in partnership with the Central Bank of Nigeria (“CBN”) remains committed to the provisions of the Nigerian Sustainable Banking Principles (“NSBP”) by ensuring the necessary compliance of its business operations and credit processes with the articulated environmental and social standards. In 2015, necessary consideration was given to Environmental Impact Assessment in line with the provisions of the Sustainable Banking Principles before all credits were approved.

A committee was set up by the Board of Directors of the Bank to oversee the alignment of the Bank's processes and operations with the provisions of the NSBP. The committee on assumption of duty recommended various steps to achieve the given mandate and identified the respective roles of the internal stakeholders within the Bank as well as expectations from external stakeholders. The roles were communicated and compliance was monitored by the committee.

The Bank, being aware of its responsibilities has continued to create awareness amongst its stakeholders on the importance and benefits of maintaining a sustainable community life and the implication of non-compliance. Some of the awareness programmes set up within the Bank and in its business operations include the display of sustainable signages at strategic locations around the office, periodic reminders to members of staff on the need to keep abreast with the provisions of the sustainable principles and the development of a sustainability questionnaire for suppliers/clients/vendors. These initiatives have helped to promote the integration of the environmental and social considerations in the Bank's operations.

Furthermore, to monitor the compliance of its customers and suppliers with the requirements of the NSBP, the Bank through third party consultants conducted environmental and social risk assessments to determine the impact of their operations on the communities where they operate.

Regarding gender issues, the Bank in line with the CBN Policy on Gender Diversity, is required to have a minimum of 30% female representation both at the Board and Senior Management levels. In the year under review, 35% of the Bank's members of staff and 42% of Management staff were female. This confirms the Bank's commitment to equal employment opportunities for all irrespective of gender.

The Bank, also in recognition of the contribution of the feminine gender to the overall performance in the industry, gives necessary support/ encouragement and an enabling



environment to the Women's Economic Empowerment Committee of the Bank for all programmes and activities that will position the feminine gender for an improved balance of opportunities within the bank and their individual lives.

At FSDH, necessary compliance with the provisions of the sustainable principles is paramount in our business operations and that of our clients/suppliers/vendors to ensure a safe environment for all.

The FSDH Group Subsidiaries

FSDH Securities Limited

World economic performance in 2015 across the main countries and regions remained uneven according to the International Monetary Fund in its October, 2015 edition. The recovery in advanced economies picked up slightly, while activities in emerging markets and developing economies slowed down for the fifth year in a row, which primarily reflected low commodity prices.

The downside risks to the outlook for emerging markets and developing economies increased particularly as a result of declining commodity prices, reduced capital flows, pressure on their currencies, and increasing financial market volatility. Global growth for 2015 therefore averaged 3.1 percent, 0.3 percentage points lower than in 2014.

The Nigerian economy also witnessed extensive external pressures due to revenue shortfalls as a result of the sustained low price of crude oil in the international markets, dwindling foreign capital inflows especially for portfolio investments and also the withdrawing of credit lines to both Nigerian banks and businesses by international banks and trading partners. Internally, security challenges, inadequate infrastructure and depressed business confidence contributed to a slowdown in the pace of growth in the economy.

As a result of both external and internal pressures, the economy recorded poor performance in major economic indices as the growth in Gross Domestic Product (GDP) declined to about 2.4% in 2015 as against 6.5% in 2014. Inflation inched up to 9.4% year on year, unemployment was at a record high of about 25% while the exchange rate depreciated by about 15% officially and over 50% in the parallel market.

The Nigerian equities market, as one of the major barometers for measuring the performance of the economy, reflected the state of the economy with all performance indices closing the year in negative territory when compared with the performance in 2014. The All Share Index (ASI) declined by 17% as at December 31, 2015 to close at 28,642.25 (2014- 34,657.15); the volume traded declined by 14% while the market turnover declined by 31% (N950billion) when compared with the turnover of N1.38trillion in 2014.

During the year, the regulators continued to implement policies geared towards enhancing the market and attracting both local and foreign investors. The Securities and Exchange Commission (SEC) introduced new regulations in respect of the Minimum Regulatory Capital prescribed for different categories of capital market operators. These regulations require capital market operators to decide whether to increase their capitalization, reclassify their operating licences to the level commensurate with their current level of capitalization or to exit the market entirely. The SEC also launched the much awaited N5billion National Investors Protection Fund (NIPF) to compensate investors for

pecuniary losses arising from the insolvency, bankruptcy or negligence of non-broker/dealer capital market operators.

The Nigerian Stock Exchange implemented a set of Minimum Operating Standards (MOS) for all stockbroking firms. This is a set of standards that stockbroking firms are required to comply with in the areas of governance, personnel, equipment, competitiveness and technology. Also launched during the year were the X-Box which is a platform for filing returns electronically and the Premium Board Index which is expected to serve as a benchmark for investors looking to track the performance of large firms that are considered to demonstrate excellent corporate governance and sustainable business models. At present, only three companies: Dangote Cement Plc, FBN Holdings Plc, and Zenith International Bank Plc are listed on the premium board.

Compliance with regulation is one of our distinguishing factors and we are glad to report that FSDH Securities Limited met the regulatory capital requirement to retain our registration with the Securities and Exchange Commission as a Broker/Dealer. FSDH Securities also met the Minimum Operating Standards set by the Nigerian Stock Exchange.

Despite the challenges faced by the stock market in 2015, our operations were profitable and we recorded a profit after tax that was more than double the figure for 2014.

We at FSDH Securities Limited believe that the Nigerian equities market has a positive long term outlook. This is because presently, many of the blue-chip companies' are trading at prices significantly below both their book and intrinsic values. Aligning our strategy with that of our parent company, FSDH Merchant Bank Limited, we are committed to providing our clients with relevant advisory services and the platforms to enable them to actualize their investment objectives.

As we look forward to year 2016, we expect that some of the challenges facing the economy will be resolved to engender growth and also attract both portfolio and direct investments from both local and foreign investors.



Ikechukwu Duru
MD, FSDH Securities Ltd.

Pensions Alliance Limited

The Nigerian Pensions Industry continues to develop bolstered by evolving regulatory oversight and increasing innovation by industry players to increase industry penetration. The National Pension Commission (PenCom) reported Industry Assets under Management (AUM) at N5.22 trillion as at November 2015, representing 13.2% growth for 2015 and 20.8% 5-year compounded annual growth rate (CAGR). This also translates to an AUM/GDP ratio of 4.5% for Nigeria, versus 68.6% and 68.3% for South Africa and Chile, respectively, emphasizing the low penetration within the industry.

Registrations and subsequent contributions within the industry have been hindered by persistent weak compliance by mostly the small and medium enterprises (SMEs), and generally, little participation from the informal sector. Consequently, new registrations declined at an annualized rate of -2% over the 5 year to December 2015. Given that the informal sector represents 80% of working population, plans to include the informal sector within the system are underway, which should boost the industry over the near to medium term. Overall, as at December 2015, the total number of retirement savings account (RSA) holders was reported at 6.9 million, 7.64% higher than the end of 2014.

The number of operators in the industry remained 32 in 2015, comprising of 21 Open Pension Fund Administrators (PFAs), 7 Closed PFAs, and 4 Pension Fund Custodians.

Major developments in the industry during the year:

- Draft amendment to the guidelines for the investment of pension assets, including the guidelines for a multi-fund structure were released – this involves breaking the RSA fund into 3 sub-funds, thereby creating options to match contributors' risk appetites to the funds' investment strategy.



Dave Uduanu
MD/CEO, PAL

- Draft guidelines on withdrawal from RSA for residential mortgage – this will enable contributing RSA holders to use up to 25% their savings as equity contribution towards a mortgage loan.
- Draft guidelines for additional voluntary contributions (AVC) withdrawals from RSA – this provides more clarity on the magnitude and frequency of withdrawals. It proposes that an RSA holder may withdraw up to 20% of balance in voluntary contributions portion of the RSA not more than once every 4 years. Subsequent withdrawals will be based on additional contributions after the latest withdrawal.

Despite the fact that 2015 was quite challenging for financial markets, PAL Pensions' AUM grew 13.32% from N173.8 billion at the end of 2014 to N197 billion as at end of December 2015. Following the 16.1% decline of the Nigeria Stock Exchange All Share Index (NSE ASI) in 2014, the equity market continued its downward trend in 2015 due to the impact of lower crude oil prices and naira devaluation on the economy. Brent crude oil prices declined 34% to \$37.28 per barrel in 2015. Over the same period, external reserves declined 15.6% to \$29.1 billion while the naira weakened 7.7% in the interbank market to N199.41/USD and touched a low of N286/USD in the parallel market. Ultimately, all of these events led to further net portfolio outflows and consequently, the NSE ASI declined 17% in 2015.

In the bond market, yields trended lower over the year in spite of an increase in inflation. This was on the back of growing liquidity in the system as well as the expansionary stance taken by the Central Bank of Nigeria (CBN) at the tail end of the year i.e. reducing the monetary policy rate (MPR) to 11% (+2%/-7%) from 13% (+/- 2%), and cash reserve ratio (CRR) from 31% to 20%. As a result, sovereign bond yields declined over 400bps during the year.

In spite of the difficulties in the macroeconomic environment, the company's financial performance remained strong in 2015 with Operating Income growing 15% to N3.04 billion, and PAT growing 35% to N983 million for the year. This represents a 565bps increase in operating margin to 46.6% in 2015. The company remained competitive in its investment strategies and acquired new accounts to boost revenue and also embarked on the use of technology to enhance internal efficiencies in order to reduce operating costs.

The company took some measures to enhance the brand visibility and also invested in some corporate social responsibility (CSR) initiatives. The company developed its social media outreach during the year in a bid to reach youths fresh out from university by embarking on an online media marketing campaign. As a result, the company's online fan-base increased from about 44,000 at the end of 2014 to over 150,000 at the end of 2015. Also, in continuation of the company's CSR financial literacy campaign, we launched the PAL financial literacy club in some secondary schools based in Lagos to encourage knowledge of financial tools and entrench good habits from an early age.

In conclusion, we remain optimistic about the Nigerian Pension industry, given its relatively low penetration rate and potential for supporting development within the economy. We believe PAL Pensions is well positioned to grow with the industry, given its strong brand coverage and strategies for the near to medium term.

The FSDH Group Subsidiaries

FSDH Asset Management Limited

As the Nigerian equities market began to record a dismal performance in early 2015, it became clear to FSDH Asset Management that there was a need to unlock opportunities available in other asset classes for the benefit of our stakeholders. To achieve this, we focused on providing our clients with investment opportunities in both local and foreign currency denominated fixed income securities, with the aim of ensuring that returns were maximised. This strategy paid off, as we witnessed a significant increase in the number of clients during the year. In addition to this, the assets under management of the company increased by 13% during the period.

As a step toward the achievement of our long-term goal to ensure a developed REIT market in Nigeria, we organised the first in the series of our biennial REIT Seminars, with a focus on unlocking the investment opportunities in real estate investments via the REIT structure in Nigeria. The feedback from the seminar revealed that there is a need for further engagement with other stakeholders to ensure that the enabling environment required is put in place in order to create a vibrant REIT market in Nigeria.

In 2016, our core objective is to increase value to all stakeholders in the company by ensuring that we continue to harness the legitimate investment opportunities that exist within our environment. We will achieve this by creating new products and re-designing existing ones where necessary to enhance the returns to our clients and shareholders alike.

Collective Investment Schemes

The three SEC Registered Collective Investment Schemes managed by FSDH AM are: The UPDC REIT, Coral Growth Fund and the Coral Income Fund.

UPDC Real Estate Investment Trust

The UPDC REIT remains the largest Real Estate Investment Trust listed on The Nigerian Stock Exchange (NSE) with a Net Asset Value of N30.8bn as at December 31, 2015. The REIT is closed-ended and its units trade on the floor of The NSE. In line with our commitment to ensure that our all stakeholders unlock value on their investment, the REIT made an interim distribution of 43k per unit for the 6 months ended June 2015.

Coral Growth Fund

The CGF is an equity based fund which must invest a minimum of 35% in equities and can invest up to a maximum of 65% in equities. Since inception, 15 years ago, the annual average return of the CGF has been 16.80%, thus



Olumayowa Ogunwemimo
MD, FSDH Asset Management Ltd.

outperforming the NSE All Share Index (NSE ASI), which returned 13.69% over the same period. The total return to investors who had invested in the CGF at inception on February 1, 2001 is 627.74%, which compares favourably to a total return of 226.52% achieved by the NSE ASI

We appreciate all our clients, who started this investment journey with us 15 years ago.

Coral Income Fund

The Coral Income Fund (CIF) was established in 2006 and invests exclusively in fixed income securities. In 2015, the structure of the CIF was amended to ensure that it delivers enhanced returns to its investors. The restructuring achieved the desired goals, as the Fund returned 11.63% in 2015, thus outperforming the average yield of the 91-day Treasury bills, which was 9.52% over the same period. From its inception in May 2006 to December 31, 2015, the CIF has achieved a return of 102.70%

Corporate Social Responsibility

“Life isn't about getting and having, it's about giving and being.”
- Kevin Kruse

“Always be on the lookout for that spark of opportunity that could change your life or someone close to you forever.”
- Peter Simmons

“Strive not to be a success, but rather to be of value.”
-Albert Einstein

FSDH, as a responsible corporate citizen, supports worthy and deserving charitable causes within its immediate environment and the nation at large.

Part of our ethos is to give back to the society that we benefit from.

Over the years, our CSR initiatives have been geared towards meeting the needs of communities and people around us. We are confident that our efforts in the community continue to have a positive impact on all its members. This has informed our focus on key need areas of youth development/ education, support for the less privileged, the handicapped and general healthcare in our society.

The manner in which we embrace our CSR demonstrates our resolve to contribute to the growth and development of the nation. We will continue to maintain our approach of supporting institutions that are focused on improving society while also on occasion directly contributing to the needy..

Our CSR initiatives align with the tenets of our culture of enhancing the learning culture, collaboration and team building.

To this end, we are committed to ensuring that we take up opportunities that come our way to contribute to the enhancement and betterment of the lives of the disadvantaged and vulnerable in society.

FSDH currently sponsors the following organizations on an on- going basis:

Beth Torrey Home and School in Zaria.

Children's Developmental Centre in Lagos.

Nigeria Society for the Blind - Vocational Training Centre, Oshodi, Lagos

Dominican Sisters College in Anambra State

Cerebral Palsy Centre in Surulere

Details of some of the organizations we support are outlined below: Children's Development Centre (CDC)

FSDH Merchant Bank Limited, as part of our Corporate Social Responsibility drive over the years, has partnered with the Children's Development Centre through annual financial donations for the upkeep of the children and young adults at the Centre since July 2002. The Children's Developmental Centre is a service-oriented, not-for-profit organisation that is dedicated to providing children and young people with developmental disabilities a Sense of Belonging in the society.



A Teacher with the Children at the Centre



Young adult at the Centre with a Teacher

SCHOOL RENOVATION/REHABILITATION PROJECT

FSDH also embarked on and concluded the renovation/rehabilitation of Holy Cross Catholic School on Catholic Mission street, Lagos. In line with our drive to enhance the learning culture of schools within our business environment, FSDH identified the need to renovate the school building and facilities that were completely dilapidated. The school environment is now conducive for learning



The picture of the front view of the school building before renovation



The picture of the front view of the school building after the renovation



The picture of one of the class rooms before renovation



The picture of one of the classrooms after the renovation

MEDICAL TREATMENT IN INDIA

FSDH fully sponsored the medical treatment of a baby girl with a hole in the heart by ensuring that she and her parents were able to go to India for the surgery required to correct her heart condition. The surgery was successful.

We remain steadfast in ensuring that we contribute our quota to support worthy and deserving charities and organizations that strive to better the lives and situations of the less privileged and disadvantaged in society.



The baby and her parents with the Head of HR/Admin, Mrs Fola Wiltshire and Mrs Lanipekun-Lawal before she left for the surgery



The Managing Director of FSDH, Mr. Rilwan Belo- Osagie the Head of HR/Admin, Mrs Fola Wiltshire and Mrs Lanipekun-Lawal with the Baby and her parents after her surgery in India

Information Technology

Our Information Technology service maintained its role as a key strategic tool for competitiveness. In the course of the year, the bank invested in technology to support its organisational goal of lean and efficient service delivery. The bank continued with the standardization and automation of several key internal processes and the upgrade of staff skills in the Information Technology department. The initiatives enhanced the bank's capacity to deliver efficient and safe services to its growing pool of customers and facilitated the roll out of innovative products.

FSDH Merchant Bank obtained accreditation for information security by achieving certification in ISO 27001:2013. This demonstrates our commitment to invest in technology to ensure that we are able to deliver secure banking to our customers. This world standard gives our customers and stakeholders complete assurance of their bank's adoption of best practice in information security management.

In the course of the year, the bank implemented the NIBSS Instant Payments (NIP) as part of our rollout of

new products and extension of existing products. The purpose is to provide our customers an efficient collection process and an improved cash management system. NIP is an electronic payment platform which enables our customers to instantly receive payments originating from anywhere in Nigeria into their accounts. The bank's technology infrastructure continued to be upgraded with replacements made as necessary in order to meet capacity requirements and maintain availability. The Disaster Recovery Site was relocated to a modern facility and the network bandwidth upgraded to ensure resilient replication and backup. Revamp of the Flexcube core banking software was achieved in partnership with Oracle Financial Software Services. This has facilitated product management, enhancements, operating stability and straight through processing integration of third party applications.

The bank is committed to adopting and maintaining sustainable technology that will promote secure banking, improve customer service as well as enhance internal efficiency and risk management for the FSDH Group

The Accounts 2014

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2.11	Interest income and expense	29	Other liabilities
2.12	Fees and commission income	30	Debit securities issued
2.13	Dividend income	31	Other borrowed funds
2.14	Impairment of non-financial assets	32	Share capital
2.15	Cash and cash equivalents	33	Share premium and reserves
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2.17	Intangible assets	35	Reconciliation of profit before tax to cash generated from operations
2.18	Income tax	36	Cash and cash equivalents
2.19	Employee benefits	37	Group entities
2.20	Provisions, contingent liabilities and assets	38	Contingent liabilities and commitments
2.21	Share capital	39	Related party transactions
2.22	Earnings per share	40	Insider related credits
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3	Enterprise risk management review	42	Dividends
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The Directors present their annual report on the affairs of FSDH Merchant Bank Limited (“the Bank”) and its subsidiary companies (“the Group”), together with the group financial statements and Auditors' report for the year ended 31 December 2015.

(a) Legal form

The Bank was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (CAMA). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. It was granted an approval to convert to a merchant bank on 22 November 2012 and officially changed its name to FSDH Merchant Bank Limited from First Securities Discount House Limited on 31 December 2012. The Bank ceased to operate as a discount house and commenced banking and financial services on 15 January 2013.

(b) Principal activity

The Bank's principal activity during the year was the provision of merchant banking services to its customers. Such services principally involve transactional services, provision and structuring of finance, money market activities and trading in and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments.

The Bank holds a 99.7% interest in an asset management company - FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited, a company involved in stock broking and issuing house operations.

In addition, the Bank has a 51% interest in Pensions Alliance Limited, which is involved in pension fund administration.

The Bank prepares consolidated financial statements and the financial results of all the subsidiary companies have been consolidated in these financial statements.

(c) Operating results:

The following is a summary of the Group and Bank's operating results:

	Group Dec 2015 N'000	Group Dec 2014 N'000	Bank Dec 2015 N'000	Bank Dec 2014 N'000
Profit before tax	4,716,102	3,642,102	3,377,577	2,590,578
Income tax credit	<u>(621,509)</u>	(613,943)	<u>1,659</u>	(98,505)
Profit after tax	<u>4,094,593</u>	<u>3,028,159</u>	<u>3,379,236</u>	<u>2,492,073</u>
Other comprehensive (loss)/income for the year, net of tax	<u>1,655,027</u>	(184,451)	<u>1,981,076</u>	121,601
Total Comprehensive Income for the year	<u>5,749,620</u>	<u>2,843,708</u>	<u>5,360,312</u>	<u>2,613,674</u>
Profit after tax attributable to:				
Equity holders of the parent entity	<u>3,612,894</u>	2,663,724	<u>3,379,236</u>	2,492,073
Non controlling Interest	<u>481,699</u>	364,435	<u>–</u>	–
Profit attributable to equity-holders	<u>4,094,593</u>	<u>3,028,159</u>	<u>3,379,236</u>	<u>2,492,073</u>
Total comprehensive income attributable to:				
Equity holders of the parent entity	<u>5,267,921</u>	2,479,273	<u>5,360,312</u>	2,613,674
Non controlling Interest	<u>481,699</u>	364,435	<u>–</u>	–
	<u>5,749,620</u>	<u>2,843,708</u>	<u>5,360,312</u>	<u>2,613,674</u>

(d) Asset under management

These represent investments and funds being managed by subsidiary companies of the group

	Dec 2015 N'000	Dec 2014 N'000
FSDH Asset Management Limited	52,307,012	45,751,214
Pensions Alliance Limited	208,799,560	173,825,318

(e) Proposed dividend

The Board of Directors has proposed, for the approval of the shareholders, the payment of a dividend of N2.60billion representing 93.20kobo per share (December 2014: N747.62 million; representing 26.75k per share). The dividends are subject to deduction of withholding tax at 10%.

(f) Directors and their interests

The following directors of the Bank held office during the year:

Mr. Osaro Isokpan	Chairman
Mr. Rilwan Belo-Osagie	Managing Director
Mrs. Hamda Ambah	Executive Director
Ms. Olufunsho Olusanya	Executive Director
Mrs. Muhibat Abbas	Representing UNICO CPFA Limited
Mr. Daniel Agbor	Representing KMC Investments Limited
Mrs. Myrna Belo-Osagie	Representing KMC Investments Limited
Mr. Olufemi Agbaje	Representing KMC Investments Limited
Alhaji Bello Garba	Representing KMC Investments Limited
Mr. Sobandele Sobanjo	Representing AIICO Insurance Plc
Mr. Vincent Omoike	Independent Director

All non-executive directors except the independent directors are representatives of companies which have interests in the share capital of the Bank.

The proportion of women on the board of directors of FSDH Merchant Bank Limited as at 31 December 2015 was 36.36% (December 2014: 36.36%) broken down as below:

	Female Directors	Total Directors	Percentage of female (%)
December 2015			
Executive directorship	2	3	66.67
Non-executive directorship	2	8	25.00
Total	4	11	36.36
December 2014			
Executive directorship	2	3	66.67
Non-executive directorship	2	8	25.00
Total	4	11	36.36

(g) Directors' interests in contracts

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Bank of any declarable interests in contracts with the Bank.

(h) Composition of top management

The Bank's top management is defined from the positions of Assistant General Manager (AGM) and above. As at 31 December 2014, the Bank had eleven staff members in this category.

The proportion of women in the Bank's top management positions as at 31 December 2015 was 36.6% (December 2014: 40%) broken down as below:

	Female	Total	Percentage of female (%)
December 2015			
Assistant General Manager - General Manager	2	8	25.00
Executive Director - Managing Director	2	3	66.67
Total female that held top management positions	4	11	36.36
December 2014			
Assistant General Manager - General Manager	2	7	28.57
Executive Director - Managing Director	2	3	66.67
Total female that held top management positions	4	10	40.00

(l) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2015 is as stated below:

Share range	No of shareholders	Percentage of shareholders (%)	No. of holdings	Percentage of holdings (%)
Nigerian shareholders				
50,000,000 - 100,000,000	4	28.57	229,478,730	8.21
101,000,000 - 200,000,000	4	28.57	582,710,082	20.85
201,000,000 - 500,000,000	3	21.44	841,114,074	30.10
501,000,000 - 1,000,000,000	1	7.14	878,990,844	31.45
	12	85.72	2,532,293,730	90.61
Foreign shareholders				
50,000,000 - 100,000,000	1	7.14	87,500,000	3.13
101,000,000 - 200,000,000	1	7.14	175,000,000	6.26
	14	100	2,794,793,730	100.00

The shareholding pattern of the Bank as at 31 December 2015 was as stated below:

Share range	No of shareholders	Percentage of shareholders (%)	No. of holdings	Percentage of holdings (%)
Nigerian shareholders				
50,000,000 - 100,000,000	4	28.57	229,478,730	8.21
101,000,000 - 200,000,000	4	28.57	582,710,082	20.85
201,000,000 - 500,000,000	3	21.44	841,114,074	30.10
501,000,000 - 1,000,000,000	1	7.14	878,990,844	31.45
	12	85.72	2,532,293,730	90.61
Foreign shareholders				
50,000,000 - 100,000,000	1	7.14	87,500,000	3.13
101,000,000 - 200,000,000	1	7.14	175,000,000	6.26
	14	100	2,794,793,730	100.00

(j) Substantial interest in shares

According to the register of members as at 31 December 2015, the following shareholders held more than 5% of the issued share capital of the Bank:

Shareholder	No. of shares held	Percentage of shareholding (%)
KMC Investment Limited	878,990,844	31.45
UBA Asset Management Limited	301,875,000	10.80
Ecobank Nigeria Plc	297,819,622	10.66
FSDH Staff Co-operative Society	241,419,452	8.64
Unity Bank Plc	197,123,862	7.05
International Finance Corporation (IFC)	175,000,000	6.26
Mainstreet Bank Limited	151,164,660	5.41
Total	2,243,393,440	80.27

According to the register of members as at 31 December 2014, the following shareholders held more than 5% of the issued share capital of the Bank:

Shareholder	No. of shares held	Percentage of shareholding (%)
KMC Investment Limited	878,990,844	31.45
UBA Asset Management Limited	301,875,000	10.80
Ecobank Nigeria Plc	297,819,622	10.66
FSDH Staff Co-operative Society	241,419,452	8.64
Unity Bank Plc	197,123,862	7.05
International Finance Corporation (IFC)	175,000,000	6.26
Mainstreet Bank Limited	151,164,660	5.41
	2,243,393,440	80.27

(k) Property, plant and equipment

Information relating to changes in the property and equipment of the Group is disclosed in Note 26 to the financial statements. In the directors' opinion, the market value of the Group's property, plant and equipment is not less than the value shown in the financial statement.

(l) Customer Complaints

It is the policy of Group to respond to customer complaints, disputes and issues swiftly and to take each complaint seriously. In line with the Central Bank of Nigeria circular reference FPR/DIR/CIR/GEN/01/020, the Bank did not receive any customer complaint during the year.

(m) Post balance sheet events

There were no post balance sheet events which could have a material effect on the state of affairs of the Bank as at 31 December 2015 and the statement of comprehensive income for the year ended on that date that have not been adequately provided for.

(n) Human resources

Employee consultation and training

The Group places considerable value on the involvement of its employees and has continued its previous 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 and informal meetings between management and staff.

The Group places a high premium on training and development of its manpower and sponsors employees for various training courses as appropriate.

Health, safety and welfare at work

The Group maintains business premises designed with a view to guaranteeing the safety and healthy operating conditions of its employees and customers alike. Employees are adequately insured against occupational hazards. In addition, medical facilities are provided to employees and their immediate families at the Group's expense.

Equal opportunity

The Group's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's gender, state of origin, ethnicity, religion or physical condition. During the year, the proportion of women in the employment of the Bank was 36 out of a total staff strength of 113 translating to 31.36% (December 2014: 36 out of 118 which translates to 31.86%) of the workforce.

Employment of disabled persons

The Group continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. The group's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

In event of members of staff becoming disabled, efforts will be made to ensure that, as far as possible, their employment with the group continues and appropriate training is arranged to ensure that they fit into the group's working environment. Currently, the Group has no person on its staff list with a physical disability.

(o) Donations

In order to identify with the aspirations of the community and the environment within which the Group operates, a total sum of N48,638,459.95 (31 December 2014: N43,496,708) was incurred in respect of donations. Details of the donations and charitable contributions include:

	N
Renovation of Holy Cross Primary School Lagos	29,256,262.20
Sponsorship of Heart Surgery to India - Ghaziya Owodunni	5,124,557.75
Nigerian Society for the Blind	3,700,000.00
Beth Torrey Home & School Zaria	2,000,000.00
Cerebral Palsy Centre	2,000,000.00
Dominican Sisters College	2,000,000.00
Sponsorship of Financial Literacy Day- Dolphin Senior High School	1,965,640.00
2015 Special Olympics World Summer Games	1,592,000.00
Women In Management & Business	1,000,000.00
	<u>48,638,459.95</u>

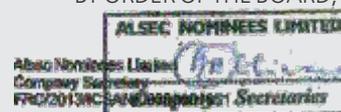
In compliance with Section 38(2) of the Companies and Allied Matters Act, the Group did not make any donation or gift to any political party, political association or for any political purpose during the year.

(p) Auditors

The Auditors, Messrs PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 357 (2) of the Companies and Allied matters Act.

1-5 Odunlami Street,
UACHouse, 6th floor
Lagos, Nigeria

BY ORDER OF THE BOARD,



26 February 2016
FRC/2013/ICSA/00000001651

Corporate governance in FSDH is based on the philosophy of building a structured organization, anchored on core values, with well-defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organization through its various phases of growth. It has ensured stability for the bank, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and burst.

At FSDH, corporate governance is not just about adopting national and international codes of best practices - it is rooted in shared values and a culture that aims to bring out the best in our staff members. This culture is well articulated in a “**Culture Wheel**” and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars – High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines who we are and our way of doing business. It is reinforced by the bank's Code of Conduct, the policies and procedures in place in the bank, the examples set at the top by the Board and senior management, and the reward system.

The FSDH Culture serves as a powerful tool in shaping the bank's control and risk management environment and has continued to play an important role in improving the governance systems in the organization. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environment towards a common objective – that of meeting and exceeding the needs of our customers. Our unique ownership structure has combined with a responsive Board to produce a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organization.

Over the years, we have taken deliberate steps towards improving our governance structures. We have four Board Committees including the three Board Committees stipulated in the CBN's Code of Corporate Governance. Directors and members of staff are regularly trained and we have continued to increase capacity in the key departments involved in the governance process. The Bank's Enterprise-wide Risk Management Framework (ERM) provides the platform for the management of risks in the organization. The ERM is regularly reviewed and updated in line with changing business and operational circumstances.

In addition, the bank has adopted a code of professional conduct for directors and members of staff. The code of conduct specifies the bank's expectations from its directors and members of staff. Furthermore, the bank has set up a robust whistle-blowing process as an added measure to ensure that the Board and members of staff of the bank conform to the bank's expectation in the performance of their duties. Whistle blowing provides a confidential channel for stakeholders to report wrong-doing, through hotlines and confidential email. Our whistle-blowing process was reviewed in 2014 to give it more teeth. This resulted in the outsourcing of the process to an independent party - KPMG Professional Services - a reputable professional services and advisory firm. The aim is to provide added assurance to whistle blowers that their identity will be protected. The new process ensures that no member of staff in FSDH will have access to whistle blowing reports. All reports will be processed by KPMG and a summary sent to FSDH for investigation. Details are contained in the bank's website: www.fsdhgroup.com.

In 2013, the bank adopted a framework for the management of environmental and social risks as stipulated in the sustainable banking guidelines of the CBN. The aim is to ensure that FSDH carries on its banking activities in a manner that will ensure the protection of our environment, enhance social harmony and ensure sustainable development. Our sustainable banking practices are based on the principles of meeting the needs of today without compromising the needs of future generations. Our policies and processes for on-boarding of clients (customers, vendors and suppliers) have been revised to make them more sensitive to environmental and social issues. The results of some of the measures we have taken in this regard are evident in the bio-friendly work environment that we maintain and the positive changes from our clients' environmental and social practices. We will continue to seek every opportunity to strengthen the processes to ensure that we contribute our own quota towards ensuring sustainable banking practices in Nigeria.

OWNERSHIP

FSDH has continued to be the result of a successful partnership between local banks and non-bank financial institutions on the one hand and offshore financial institutions on the other hand. This ownership structure makes FSDH unique in the country's financial services industry. At present, the shareholding structure consists of 2 foreign financial institutions (9%), 5 local banks (29%) and 7 local non-bank financial institutions (62%). One of the two foreign shareholders is the International Finance Corporation (IFC), the private-sector arm of the World Bank. FSDH's ownership structure is expected to change in compliance with the CBN's directive for banks without a holdco structure to sell their equity interests in all other financial institutions. In bringing in new investors to buy the interests of the divesting shareholders, we intend to maintain the quality of ownership that has served us well in the past. Therefore, we intend to use this opportunity to bring in investors that will assist us to gain access to bigger platforms in terms of clientele, quality products and services, and technology.

THE BOARD

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Board is headed by a Chairman, who also is the Chairman of the bank. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer and therefore both positions are not occupied by the same person. The Board is composed of the Chairman (who is an independent director), the Managing Director, two Executive Directors, one other independent non-executive director (who does not represent the interest of any shareholder), and seven other nonexecutive directors representing the interests of various shareholders. At least once a year, an evaluation of the effectiveness of the Board is performed by an External Consultant, in line with the requirements of the CBN's Code of Corporate Governance. KPMG Professional Services serve as our External Consultants for the conduct of Board performance appraisals. The Board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has four standing committees – the Audit Committee, the Risk Management Committee, the Credit Committee and the Governance and Nominations Committee. Together with the four committees, the Board provides effective oversight over the operations of the bank. The duties of the Board are spelt out in the Board Charter. They include:

- Determination of the bank's strategic direction and business objectives necessary to ensure long-term growth and sustained creation of value for customers
- Ensuring the existence of plans and policies for the achievement of the bank's strategic business objectives
- The establishment of effective risk management framework to identify, measure, and manage risks in the bank
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations
- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values
- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning
- Approval of major capital expenditure, changes to the bank's capital structure, annual budgets, changes to accounting policies and dividend policy

The Board Committees

A new Code of Corporate Governance for banks and discount houses was issued by the Central Bank of Nigeria with effect from the 1st of October, 2014. The Code requires every bank or discount house to have at least three Standing Committees namely the Audit Committee, the Risk Management Committee, and the Governance and Nominations Committee. FSDH has the three Committees already in existence. In addition to the three Committees, FSDH also has a Credit Committee. In order to comply with the requirements of the new Code of Corporate Governance, changes were made to the structure and nomenclature of some of the Committees. The Audit Committee was changed from a Statutory Audit Committee to a Board Audit Committee and the membership of the Committee was reconstituted to have an independent director to head the committee. In the same vein, the name of the then Nominations and Remuneration Committee was changed to Governance and Nominations Committee and the duties and responsibilities of the Committee were enlarged to accommodate the requirements of the new Code of Corporate Governance. Each Board Committee has a charter approved by the CBN.

The duties and responsibilities of the Board Committees are summarized below.

The Audit Committee

- Ensuring the establishment of effective systems and processes for the preparation of the bank's financial statements.
- Ensuring the existence of good system of internal controls in the bank
- Ensuring the existence of a good internal audit function to monitor the activities of the bank to ensure that the bank's governance process is working properly, that risks are properly managed and that applicable laws are being complied with
- Reviewing and monitoring the performance of external auditors and recommending to the Board on the appointment and discharge of external auditors
- Ensuring that there is an effective system of monitoring compliance with laws and regulations and all licensing requirements and the results of management's investigation and follow-up (including disciplinary action) of any instance of non-compliance

The Audit Committee is expected to have a minimum of 3 members. The Chairman of the Audit Committee is an independent director in compliance with the provisions of the new Code of Corporate Governance. The Internal Audit Department, which is independent of management, reports directly to the Audit Committee.

The Risk Management Committee

The Committee is made up of 4 members and its duties are:

- To approve and review the Enterprise Wide Risk Management Framework
- Management of operational risk
- Management of market risk
- Management of liquidity risk
- Management of interest rate risk
- Management of reputational risk
- Management of compliance risk
- Management of other risks that the bank is exposed to

The Risk Management Department, which is independent of the operating departments, presents regular reports to the Risk Management Committee.

The Credit Committee

The Credit Committee, which is made up of 5 members, has as its functions the following:

- Credit Strategy and Policy Formulation
- Credit Approval
- Credit Performance Monitoring
- Credit Risk Compliance

The Risk Management Department also presents regular reports to the Credit Committee.

The Governance and Nominations Committee

The Governance and Nominations Committee is made up of 3 members. The Committee's duties include:

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its present position and make recommendations to the Board on any changes the Committee may deem necessary.
- Give full consideration to succession planning for directors and top management in the course of its work, taking into account the challenges and opportunities facing the bank, and what skills and expertise are needed on the Board in the future.
- Be responsible, subject to the Bank's Memart, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Make recommendations to the Board on matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Bank subject to the provisions of the law and their service contract.
- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees.
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Bank's Executive Directors and Chairman. (To avoid conflict of interest, the remuneration for non-executive Directors shall be determined by the Chairman and the Executive Directors).
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors.
- Reviewing and approving the remuneration structure for the Bank.
- Review the ongoing appropriateness and relevance of the Bank's Remuneration policies.
- Review annually the remuneration trends across the bank and the industry in which the bank operates with a view to ensuring that the Bank remains competitive in order to retain and attract the right talents
- Determine and agree policy for the reimbursement of the expenses of the Chairman and the Executive Directors.
- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law.
- Review and approve the design and structure of all retirement benefit schemes.

The Head of the HR Department presents reports at every sitting of the Committee.

Board and Board Committee Meetings

The record of attendance at meetings of Board and Board Committees is stated below:

BOARD MEETING									
S/N	Name	Directorship	04-Feb-15	30-Apr-15	11-Jun-15	30-Jul-15	29-Oct-15	11-Dec-15	Total Attendance
1	Mr.								
2	Mr. Rilwan Belo-Osagie	Managing Director	✓	✓	✓	✓	✓	✓	6
3	Mrs. Hamda Ambah	Executive Director	✓	✓	✓	✓	✓	✓	6
4	Ms. Olufunsho Olusanya	Executive Director	✓	✓	X	✓	✓	✓	5
5	Mrs. Muhibat Abbas	Non-executive Director	✓	✓	✓	✓	✓	✓	6
6	Mr. Dan Agbor	Non-executive Director	✓	✓	✓	✓	✓	✓	6
7	Dr. Myma Belo Osagie	Non-executive Director	✓	✓	✓	✓	X	✓	5
8	Mr. Femi Agbaje	Non-executive Director	✓	✓	✓	✓	✓	✓	6
9	Alhaji Bello Garba	Non-executive Director	✓	✓	✓	✓	X	✓	6
10	Mr. Vincent Omoike	Non-executive Director	✓	✓	✓	X	✓	✓	5
11	Mr. David Sobanjo	Non-executive Director	✓	✓	✓	✓	✓	✓	6

AUDIT COMMITTEE								
S/N	Name	Directorship	03-Feb-15	27-Apr-15	15-Jul-15	22-Oct-15	01-Dec-15	Total Attendance
1	Mr. Vincent Omoike	Chairman	✓	✓	✓	✓	✓	5
2	Mr. Dan Agbor	Non-executive Director	✓	✓	✓	✓	✓	5
3	Mr. Femi Agbaje	Non-executive Director	✓	X	✓	✓	✓	4
4	Mr. Richard Osuagwu	In Attendance	✓	✓	✓	✓	✓	5

BOARD RISK MANAGEMENT COMMITTEE							
S/N	Name	Directorship	02-Feb-15	28-Apr-15	21-Jul-15	20-Oct-15	Total Attendance
1	Mr. David Sobanjo	Chairman	✓	✓	✓	✓	4
2	Mr. Rilwan Belo -Osagie	Managing Director	✓	✓	✓	✓	4
3	Ms. Olufunsho Olusanya	Executive Director	✓	✓	X	✓	4
4	Mr. Olufemi Agbaje	Non-executive Director	✓	X	✓	✓	4
5	Dr Myma Belo-Osagie	Non-executive Director	N/A	N/A	✓	X	1
6	Mr. Robert Ajiamah	In Attendance	✓	✓	✓	✓	4

***Dr. Myma Belo-Osagie joined the committee on July 21, 2015

BOARD CREDIT COMMITTEE							
S/N	Name	Directorship	29-Apr-14	23-Jul-14	16-Oct-14	27-Nov-14	Total Attendance
1	Mr. Dan Agbor	Chairman	✓	✓	✓	✓	4
2	Mr. Rilwan Belo - Osagie	Managing Director	✓	✓	✓	✓	4
3	Mrs. Hamda Ambah	Executive Director	✓	X	✓	✓	3
4	Mrs. Muhibat Abbas	Non-executive Director	✓	✓	✓	✓	4
5	Alhaji Bello Garba	Non-executive Director	✓	✓	✓	✓	4
6	Mr. Vincent Omoike	Non-executive Director	✓	✓	✓	✓	4
7	Mr. Robert Ajiamah	In Attendance	✓	✓	✓	✓	4

GOVERNANCE AND NOMINATIONS COMMITTEE						
S/N	Name	Directorship	19-Jan-15	14-Jul-15	10-Nov-15	Total
						Attendance
1	Mrs. Myma Belo - Osagie	Chairman (from 17/10/2014)	✓	✓	2	
2	Mrs. Muhibat Abass	Non-executive Director	✓	X	1	
3	Mr. David Sobanjo	Non-executive Director	N/A	✓	1	
4	Mrs. Fola Wiltshire	In Attendance				

KEYS

✓	Present at meeting
X	Absent
N/A	Not yet appointed on the Board

MANAGEMENT

The management is charged with the day-to-day running of the bank. It is headed by the Managing Director, who is also the Chief Executive Officer (CEO). He is supported by two Executive Directors and heads of departments. In addition, the bank makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are as follows:

The Executive Committee

The committee is made up of the Managing Director, the Executive Director and all the Heads of Departments and the Branch Managers. This is the principal decision making organ of the bank and the committee meets on a weekly basis.

The Senior Executive Committee

The Committee meets formally every six months to review performance appraisals and approve promotions. It also has exclusive approval powers for some types of expenditure. It is composed of the three most senior members of staff of the organization.

The ALCO Committee

The Committee, which meets weekly, is composed of all the heads of departments and key officers of the Business Units, Fincon and Risk Management. The Committee makes decision on the structure and composition of the bank's assets and liabilities and also sets the guidelines on interest rates.

The Risk Management Committee

The Committee is responsible for identifying, quantifying and managing the risks inherent in the bank's operations. The membership of the Committee is constituted by heads of departments and key officers in the business units.

The Credit/Watch-list Committee

The Committee is responsible for approving new credits and also to review existing credits for performance and classification. The Managing Director, the Executive Director, the Head of Risk Management Department, the Head of Financial Control Department, the Head of the Internal Audit Unit, and the Heads of the Business Units together with other key staff in the Business Units are members.

The IT Steering Committee

The Committee is responsible for making recommendations to Executive Management on the formulation of IT strategies and the identification of systems needed to support the bank's business. It is also in charge of implementing these systems. The Committee is constituted by all the Heads of Departments.



**REPORT OF THE INDEPENDENT CONSULTANT ON THE APPRAISAL OF THE
BOARD OF DIRECTORS OF FSDH MERCHANT BANK LIMITED**

In a bid to strengthen the Bank's corporate governance practices and enhance the capacity of the Board of Directors ("the Board") in the effective discharge of its responsibilities, FSDH Merchant Bank Limited, ("FSDH" or "the Bank"), has requested KPMG to conduct a Board appraisal for the year ended 31 December 2015. The appraisal focused on the Board's structure and composition, responsibilities, processes and relationships, individual director competence and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management, and investors to produce a sustainable corporation geared towards delivering long-term value.

Our approach to the appraisal of the Board involved a review of the Bank's key corporate governance structures, policies and practices. These included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following key areas: strategy formulation and monitoring, quality assurance review of the Internal Audit function, evaluation of executive management, oversight on the remuneration and succession planning processes.

A handwritten signature in black ink, appearing to read 'Tomi Adepoju'.

Tomi Adepoju
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000001185
February 26, 2016

Statement Of Directors' Responsibilities in Relation to the Financial Statements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Group at the end of the year and of its statement of comprehensive income. The responsibilities include ensuring that the Group:

- i) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act (CAMA) and the Banks and Other Financial Institutions Act ;
- ii) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable judgments and estimates, in conformity with,

- International Financial Reporting Standards;
- Prudential Guidelines for Licensed Banks;
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act (CAMA).

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and Group and of the financial performance and cash flows for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank and Group will not remain a going concern for at least twelve months from the date of this statement.



Osaro Isokpan

Chairman

FRC/2013/NBA/00000005406



Rilwan Belo-Osagie

Managing Director

FRC/2013/IODN/00000001713



Wasiu Shafe

Chief Financial Officer

FRC/2015/ICAN/00000012973

To the members of FSDH MERCHANT BANK LIMITED

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act (CAMA), the members of the Audit Committee of FSDH Merchant Bank Limited hereby report as follows:

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act (CAMA) and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2015 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal control.



Vincent Omoike

Chairman, Audit Committee

18 February 2016

Members of the Audit Committee are:

1. Vincent Omoike - Chairman
2. Dan Agbor
3. Olufemi Agbaje



To the members of **FSDH Merchant Bank Limited**

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of FSDH Merchant Bank Limited ("the bank") and its subsidiaries (together "the group"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the bank and the group at 31 December 2015 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the bank has kept proper books of account, so far as appears from our examinations of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the bank's statement of financial position and statement of comprehensive income are in agreement with the books of account;
- iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 39 to the financial statements.
- v) except as disclosed in Note 43, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

For: **Pricewaterhouse Coopers**
Chartered Accountants
Lagos, Nigeria

Engagement partner: Anthony Oputa
FRC/2013/ICAN/00000000/980



29 February, 2016

Consolidated Statement of Comprehensive Income

	Note	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
Interest income	5.	14,377,928	9,591,703	13,900,314	9,263,869
Interest expense	6.	(10,066,110)	(7,190,544)	(10,126,140)	(7,264,829)
Net interest income		4,311,818	2,401,159	3,774,174	1,999,040
Impairment charge for credit losses	8.	(569,359)	(127,352)	(570,304)	(121,644)
Net interest income after impairment charge for credit losses		3,742,459	2,273,807	3,203,870	1,877,396
Fee and commission income	7.	3,688,022	3,253,966	457,051	365,745
Net gains on financial instruments held for trading	9.	1,655,418	2,444,578	1,581,483	2,401,638
Net gains on financial instruments classified as available for sale	10.	563,590	243,119	563,590	243,119
Other income	11.	195,831	108,696	713,884	474,862
Operating expenses	12.	(5,129,218)	(4,682,064)	(3,142,301)	(2,772,182)
Profit before tax		4,716,102	3,642,102	3,377,577	2,590,578
Income tax (expense)/credit	13.	(621,509)	(613,943)	1,659	(98,505)
Profit after tax		4,094,593	3,028,159	3,379,236	2,492,073
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Actuarial (losses)/gains in defined gratuity scheme (net of tax)	23.	(134,950)	146,194	(123,904)	127,852
Items that may be subsequently reclassified to profit or loss					
Net gains/(losses) on available for sale financial assets :					
- Unrealised net gains/(losses) arising during the period		1,099,836	(713,635)	1,414,839	(389,241)
- Net reclassification adjustments for realised gains		690,141	382,990	690,141	382,990
Other comprehensive income/(loss) for the year, net of tax		1,655,027	(184,451)	1,981,076	121,601
Total comprehensive income for the year		5,749,620	2,843,708	5,360,312	2,613,674
Profit after tax attributable to:					
Equity holders of the parent entity		3,612,894	2,663,724	3,379,236	2,492,073
Non-controlling interest		481,699	364,435	-	-
		4,094,593	3,028,159	3,379,236	2,492,073
Total comprehensive income attributable to:					
Equity holders of the parent entity		5,267,921	2,479,273	5,360,312	2,613,674
Non-controlling interest		481,699	364,435	-	-
		5,749,620	2,843,708	5,360,312	2,613,674
Earnings per share per profit attributable to equity holders of parent bank					
Earnings per share - basic (kobo)	41.	141	104	121	89
Earnings per share - diluted (kobo)	41.	141	104	121	89

Consolidated Statement of Financial Position

	Note	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
ASSETS					
Cash and bank balances	14.	20,693,241	6,619,889	20,615,426	6,557,634
Loans to banks	15.	12,543,134	8,595,908	10,525,606	7,309,935
Financial instruments held for trading	16.	2,844,359	6,323,826	2,844,336	6,254,326
Derivative financial instruments	17.	15,918	78,249	15,918	78,249
Loans and advances to customers	18.	40,264,876	40,031,099	39,677,039	39,437,893
Investment securities	19.	23,210,210	39,631,355	21,713,417	37,478,573
Pledged assets	20.	10,764,082	7,620,492	10,764,082	7,620,492
Other assets	21.	1,491,762	1,698,952	447,575	660,354
Investment in subsidiaries	22.	-	-	787,010	787,010
Retirement benefit asset	23.	111,258	295,425	87,950	258,368
Deferred tax asset	24.	3,586,431	2,866,771	3,633,002	2,907,908
Intangible assets	25.	138,407	193,139	110,426	159,229
Property and equipment	26.	568,116	564,208	335,317	332,144
Total assets		116,231,796	114,519,313	111,557,104	109,842,115
LIABILITIES					
Due to banks	27.	16,250,311	40,125,128	16,250,311	40,125,128
Due to customers	28.	51,411,624	41,047,767	52,661,649	41,810,057
Derivative financial instruments	17.	1,382	87,871	1,382	87,871
Current income tax liability	13.	1,580,788	1,156,099	920,152	585,196
Other liabilities	29.	7,166,429	1,059,102	6,661,732	780,604
Debt securities issued	30.	5,630,676	5,583,458	5,630,676	5,583,458
Other borrowed funds	31	3,948,697	-	3,948,697	-
Total liabilities		85,989,907	89,059,425	86,074,599	88,972,314
Share capital	32.	2,794,794	2,794,794	2,794,794	2,794,794
Share premium	33.	1,539,587	1,539,587	1,539,587	1,539,587
Treasury share reserve	33.	(450,040)	(450,040)	-	-
Retained earnings	33.	18,922,897	17,499,000	15,344,788	14,088,083
Statutory reserve	33.	5,026,480	4,399,594	4,650,947	4,144,062
Available for sale reserve	33.	175,741	(1,614,236)	154,108	(1,950,872)
Credit risk reserve	34.	998,281	254,147	998,281	254,147
		29,007,740	24,422,846	25,482,505	20,869,801
Non-controlling interest in equity		1,234,149	1,037,042	-	-
Total equity		30,241,889	25,459,888	25,482,505	20,869,801
Total equity and liabilities		116,231,796	114,519,313	111,557,104	109,842,115

The notes 1 to 45 are an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2016 and were signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Osaro Isokpan - Chairman
FRC/2013/NBA/00000005406
Rilwan Belo-Osagie - Managing Director
FRC/2013/IODN/00000001713
Wasiu Shafe - Chief Financial Officer
FRC/2015/ICAN/00000012973

Consolidated Statement of Changes in Equity

GROUP	Share capital	Share premium	Share	Retained earnings	Statutory reserve	Treasury Share	Available for sale reserve	Credit risk reserve	Total	Non controlling interest	Total equity
At 1 January 2015	2,794,794	1,539,587	17,499,000	4,399,594	(450,040)	(1,614,236)	254,147	24,422,846	1,037,042	25,459,888	
Profit after tax for the year	-	-	3,612,894	-	-	-	-	3,612,894	481,699	4,094,593	
Actuarial gains/(losses) on defined gratuity scheme (net of tax)	-	-	(134,950)	-	-	-	-	(134,950)	-	(134,950)	
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	1,099,836	-	1,099,836	-	1,099,836	
Net reclassification adjustments for realised gains	-	-	-	-	-	690,141	-	690,141	-	690,141	
	2,794,794	1,539,587	20,976,944	4,399,594	(450,040)	175,741	254,147	29,690,767	1,518,741	31,209,508	
Dividend paid	-	-	(683,027)	-	-	-	-	(683,027)	(284,592)	(967,619)	
Transfer to statutory reserves	-	-	(626,886)	626,886	-	-	-	-	-	-	
Transfer from credit risk reserves	-	-	(744,134)	-	-	-	744,134	-	-	-	
Non controlling interests acquired during the year	-	-	-	-	-	-	-	-	-	-	
At 31 December 2015	2,794,794	1,539,587	18,922,897	5,026,480	(450,040)	175,741	998,281	29,007,740	1,234,149	30,241,889	
BANK											
At 1 January 2015	2,794,794	1,539,587	14,088,083	4,144,062	-	(1,950,872)	254,147	20,869,801	-	20,869,801	
Profit after tax for the year	-	-	3,379,236	-	-	-	-	3,379,236	-	3,379,236	
Actuarial gains/(losses) on defined gratuity scheme (net of tax)	-	-	(123,904)	-	-	-	-	(123,904)	-	(123,904)	
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	1,414,839	-	1,414,839	-	1,414,839	
Net reclassification adjustment for realised net gains	-	-	-	-	-	690,141	-	690,141	-	690,141	
	2,794,794	1,539,587	17,343,415	4,144,062	-	154,108	254,147	26,230,113	-	26,230,113	
Issue of new shares	-	-	(747,607)	-	-	-	-	(747,607)	-	(747,607)	
Dividends paid	-	-	(506,885)	506,885	-	-	-	-	-	-	
Transfer to statutory reserves	-	-	(744,134)	-	-	-	744,134	-	-	-	
Transfer from credit risk reserves	-	-	-	-	-	-	-	-	-	-	
At 31 December 2015	2,794,794	1,539,587	15,344,788	4,650,947	-	154,108	998,281	25,482,506	-	25,482,506	

Consolidated Statement of Changes in Equity

GROUP	Share capital	Share premium	Share	Retained earnings	Statutory reserve	Treasury Share	Available for sale reserve	Credit risk reserve	Total	Non controlling interest	Total equity
At 1 January 2014	2,794,794	1,539,587	16,141,531	3,932,752	(450,040)	(1,283,591)	162,221	22,837,254	882,817	23,720,071	
Profit after tax for the year	-	-	2,663,724	-	-	-	-	2,663,724	364,435	3,028,159	
Actuarial gains/(losses) on defined gratuity scheme (net of tax)	-	-	146,194	-	-	-	-	146,194	-	146,194	
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	(713,635)	-	(713,635)	-	(713,635)	
Net reclassification adjustments for realised gains	-	-	-	-	-	382,990	-	382,990	-	382,990	
	2,794,794	1,539,587	18,951,448	3,932,752	(450,040)	(1,614,236)	162,221	25,316,526	1,247,252	26,563,779	
Dividend paid	-	-	(893,680)	-	-	-	-	(893,680)	(210,210)	(1,103,891)	
Transfer to statutory reserves	-	-	(466,842)	466,842	-	-	-	-	-	-	
Transfer from credit risk reserves	-	-	(91,926)	-	-	-	-	91,926	-	-	
Non controlling interests acquired during the year	-	-	-	-	-	-	-	-	-	-	
At 31 December 2014	2,794,794	1,539,587	17,499,000	4,399,594	(450,040)	(1,614,236)	254,147	24,422,846	1,037,042	25,459,888	
BANK											
At 1 January 2014	2,794,794	1,539,587	12,912,073	3,770,251	-	(1,944,621)	162,221	19,234,307	-	19,234,307	
Profit after tax for the year	-	-	2,492,073	-	-	-	-	2,492,073	-	2,492,073	
Actuarial gains/(losses) on defined gratuity scheme (net of tax)	-	-	127,852	-	-	-	-	127,852	-	127,852	
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	(389,241)	-	(389,241)	-	(389,241)	
Net reclassification adjustment for realised net gains	-	-	-	-	-	382,990	-	382,990	-	382,990	
	2,794,794	1,539,587	15,532,000	3,770,251	-	(1,950,872)	162,221	21,847,979	-	21,847,979	
Issue of new shares	-	-	(978,178)	-	-	-	-	(978,178)	-	(978,178)	
Dividends paid	-	-	(373,811)	373,811	-	-	-	-	-	-	
Transfer to statutory reserves	-	-	(91,926)	-	-	-	-	91,926	-	-	
Transfer from credit risk reserves	-	-	-	-	-	-	-	-	-	-	
At 31 December 2014	2,794,794	1,539,587	14,088,083	4,144,062	-	(1,950,872)	254,147	20,869,801	-	20,869,801	

Consolidated Statement of Cashflows

		GROUP	GROUP	BANK	BANK
	Note	31 December 2015 N'000	31 December 2014 N'000	31 December 2015 N'000	31 December 2014 N'000
Cash flows from operating activities					
Cash generated from operations	35.	(5,658,298)	6,565,890	(6,956,076)	5,869,293
Interest received		13,831,950	9,937,455	13,361,830	9,620,772
interest paid		(8,634,097)	(6,248,443)	(8,694,088)	(6,322,684)
Income taxes paid	13.	(858,644)	761,652)	(335,376)	(293,454)
Retirement benefit asset - contribution by employer during the year	23.	-	(140,000)	-	(140,000)
Net cashflows from operating activities		(1,319,088)	9,353,250	(2,623,711)	8,733,927
Cash flows from investing activities					
Movement in investment securities		16,332,775	(1,868,084)	15,991,789	(2,145,076)
Additions to property, plant and equipment	26.	(270,164)	(270,202)	(148,890)	(164,262)
Additions to intangible assets	25.	(59,525)	(72,513)	(52,732)	(48,892)
Proceeds from sale of property, plant and equipment		9,081	19,169	4,595	18,468
Dividends received		62,197	69,717	545,613	385,941
Net cash used in investing activities		16,074,365	(2,121,913)	16,340,375	(1,953,821)
Cash flows from financing activities					
Dividends paid to owners		(683,027)	(893,681)	(747,607)	(978,178)
Dividends paid to non-controlling interests		(284,592)	(210,210)	-	-
Long term borrowing	31(ii)	1,990,333	-	1,990,333	-
Interest paid on debt securities		(788,025)	(788,025)	(788,025)	(788,025)
Net cash (used in)/generated from financing activities		234,689	(1,891,916)	454,701	(1,766,203)
Increase/(Decrease) in cash and cash equivalents		14,989,965	5,339,421	14,171,366	5,013,903
Cash and cash equivalents at end of year	36.	31,943,772	16,953,807	29,961,417	15,790,051
Cash and cash equivalents at start of year		16,953,807	11,614,386	15,790,051	10,776,148
Increase/(Decrease) in cash and cash equivalents		14,989,965	5,339,421	14,171,366	5,013,903

Statement of Prudential Adjustments

	31 December 2015 N'000	31 December 2014 N'000
Prudential guidelines provision:		
- Specific provisions	929,482	6,511
- General provisions	796,474	405,007
	<u>1,725,956</u>	<u>411,518</u>
IFRS impairment provisions:		
- Impairment allowance on financial assets classified as loans and receivables	Note 18 727,675	157,371
	<u>727,675</u>	<u>157,371</u>
Decrease in IFRS impairment over prudential guidelines accounted for in credit risk reserve*	<u>998,281</u>	<u>254,147</u>

In line with the regulatory requirements of the Central Bank of Nigeria, provisions for loans recognised in the statement of comprehensive income determined based on the impairments provision requirements under IFRS should be compared with provisions determined under prudential guidelines and the difference should be treated as follows:

- i. If impairment provisions under Prudential Guidelines exceeds the IFRS provisions; the resulting excess provision should be transferred from the general reserve account to a non-distributable "credit risk reserve".
- ii. If provisions under the Prudential guidelines is less than the IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 31 December 2015, the difference in prudential guidelines provisions over the IFRS impairment of N998.281 million has been designated to a non-distributable credit risk reserve classified under Tier 1 as part of core capital.

1. General information

FSDH Merchant Bank Limited ("the Bank") was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (CAMA). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. The Bank ceased to operate as a discount house and commenced banking and financial services on 15 January 2013.

The Bank holds a 99.7% interest in an asset management company - FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited, a company involved in stockbroking and issuing house operations. In addition, the Bank has a 51% interest in Pensions Alliance Limited, which is involved in pension fund administration. The Bank controls the FSDH Staff Cooperative scheme; the scheme was set up by the Bank to enable its staff partake in the benefits of share ownership. The bank also controls FSDH Funding SPV Plc; a special-purpose entity incorporated in Nigeria set up to issue bonds to the public in order to provide funding to the bank.

The Bank prepares consolidated financial statements and the financial results of all subsidiaries, the scheme and the SPV have been consolidated in these financial statements. The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the Board of Directors on 26 February, 2016.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements are the stand alone and consolidated financial statements of FSDH Merchant Bank Limited ("the bank"), and its subsidiaries (herein collectively referred to "the Group"). The financial statements for the year 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets held at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

The Group presents its statement of financial position in order of liquidity and analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months (non-current) is presented in the respective related notes in the financial statements.

(a) Adoption of new and revised International Financial Reporting Standards (IFRSs)

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

The amendment to IAS 19 Employee Benefits (2011) is to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits that if the amount of the contributions is independent of the number of years of service, in that, contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment noted above merely clarify the existing requirements, it does not affect the Group's accounting policies or any of the disclosures.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting and replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce a third measurement category

(FVOCI) for certain financial assets that are debt instruments and a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

Following the changes approved by the IASB in July 2014, the Group no longer expects any impact from the new classification, measurement and de-recognition rules on the Group's financial assets and financial liabilities. While the Group has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) based on their current business model for these assets. Hence there will be no change to the accounting for these assets.

There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.

This standard is expected to be applied for financial years commencing on or after 1 January 2018.

Expected date of adoption by the Group: 1 January 2018

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules and areas that are likely to affect the Group will be identified. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. This standard is mandatory for financial years commencing on or after 1 January 2017.

Expected date of adoption by the Group: 1 January 2017

IFRS 10 - 'Consolidated Financial Statements- amendments' (effective for periods beginning on or after 1 January 2016)

Paragraph B2: IFRS 10- Consolidated financial statements provides that the investor, regardless of the nature of involvement with the entity, shall determine whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. FSDH Merchant Bank Limited re-assessed the level of direct and indirect controlling interest held in its subsidiaries- FSDH Asset Management Limited (99.7%), FSDH Securities (99.6%) and Pension Asset Management Limited (51%) in the financial year in line with the new guideline to determine its extent of power over the investees, the exposure or rights to variable returns of the investee and the ability to continue to exercise its power over equity returns derived from the investees activities. There is no change in the amount of this controlling interest reported in the current financial year, as there is no disposal of interest in the partly owned investees leading to the requirement for the adoption of the new guidelines (Equity Accounting) in recognition of gain or loss on 'loss of control of subsidiary when the subsidiary does not constitute business' in the separate financial statements of the Group.

Early adoption of Standards

The Group did not early adopt new or amended standards in 2014.

2.2 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Structured entities (also called Special Purpose Entities):

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity such as when any voting right relates to administrative tasks only and the relevant activities are directed by means of contractual agreements.

The bank assesses structured entities that it is involved in for control and if it is exposed or has right to variable returns from its involvement with the entity and has ability to affect these returns through its power over the entity.

(c) Transactions and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

(d) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of FSDH Merchant Bank Limited.

(e) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands (Naira), which is the FSDH Merchant Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Translation differences on non-monetary financial assets and liabilities (such as equities) which are held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale are included in Other Comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on nonmonetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.5 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The counterparty liability received is recognised in the statement of financial position as a liability and classified as collateralised borrowings from banks or from customers with an obligation to return it, including accrued interest. The financial assets are used as collateral on securities lent and repurchase agreement, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the Effective interest rate. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to 'Financial assets held for trading pledged as collateral' or to 'Financial investments available for sale pledged as collateral', as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as collateralised lending and classified under loans and receivables. The securities pledged under such agreements are not included in the statement of financial position.

Securities repossessed under a reverse repo transaction are recognised in the books of the Group. The instruments are classified in the financial statements according to their nature and purpose.

2.5 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the consolidated statement of financial position and measured in accordance with their assigned category.

Category (as defined by IAS 39)		Classes as determined by the Group		Subclasses	
Financial assets	Financial assets at fair value through profit or loss	Financial instruments held for trading	Debt Securities	Treasury Bills	
				Federal Government of Nigeria Bonds	
			Derivative financial instruments	Foreign exchange forward contracts Convertible loans	
			Equity Securities	Equity Securities	
		Cash and bank balances		Cash	
				Operating balances with Central Bank of Nigeria	
				Balances with banks in Nigeria	
				Balances with banks outside Nigeria	
		Loans and receivables	Loans and advances to Banks		Placements with banks and discount houses
					Placements with other financial institutions
			Loans and advances to customers		Term loans, overdrafts and commercial bills
				Margin facilities	
				Promissory notes	
		Available for sale	Debt securities		Treasury Bills
					Federal Government of Nigeria Bonds
					State Government Bonds
					Corporate Bonds
	Equity securities		Quoted equity securities		
			Quoted mutual funds		
			Unquoted equity securities		
Held to maturity	Debt securities		Federal Government of Nigeria Bonds		
Financial liabilities	Financial liabilities at fair value through profit & loss	Derivative financial instrument liabilities		Foreign exchange forward contracts	
	Financial liabilities at amortised cost	Due to banks		Call borrowings	
				Secured borrowings and liabilities under repurchase agreement	
		Due to Customers		FSDH Unsecured Bonds	
				Liabilities under repurchase agreement	
				Demand deposits	
				Term deposits	
				Customer accounts for foreign trade	
			Other liabilities	Account Payable	
			Sundry accounts		
	Debt securities issued	FSDH Unsecured Bonds			
	Other Borrowed funds	Trade and credit lines			

2.5.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: (a) financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets 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.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading, unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market and equity instruments. They are recognised in the consolidated statement of financial position as 'Financial assets held for trading'.

Financial instruments included in this category are initially measured at fair value; transaction costs are taken directly to income statement and subsequently measured at fair value with gains and losses arising from changes in fair value recognised in 'Net gains / (losses) from financial instruments classified as held for trading' in the Statement of Comprehensive Income. Interest income and dividend income on financial assets held for trading is included in 'Interest and similar income' and 'other income' respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (1) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Group upon initial recognition designates as available for sale; or
- (3) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration."

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost. Loans and receivables are reported in the consolidated statement of financial position as loans and receivables. Interest on loans is included in the consolidated statement of comprehensive income and is reported under 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated statement of comprehensive income as 'impairment charge for credit losses'.

The Group's loans and receivables include the following, 'cash and bank balances', 'Placements with banks', 'Placements with other financial institutions', 'Loans to staff and customers' and Receivables balances included in "Other Assets"

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- (1) those that the Group upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Group designates as available-for-sale; and
- (3) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any other category.

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of comprehensive income, and cumulated in a separate reserve in equity, available for sale reserve, until the financial asset is derecognised. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the income statement. Dividends on available-

for-sale equity instruments are recognised in the consolidated statement of comprehensive income in 'Other income' when the Group's right to receive payment is established.

2.5.2 Financial liabilities

The Group's holding in financial liabilities mainly 'Call borrowings from banks' 'Due to banks', 'Due to customers', FSDH Unsecured bonds, 'Other borrowings' and certain balances in 'Other liabilities'. These liabilities are recognised on date of transaction.

These are all classified as financial liabilities measured at amortised cost. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the proceed net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of the liabilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial Instruments – Classification

As stated above, the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group uses settlement date accounting for regular way contracts when recording financial assets transactions.

2.5.3 Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges for example, Nigerian Stock Exchange (NSE) and quotes from the Financial Markets Dealers Quotation (FMDQ).

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, Nigeria Interbank Offer Rate yield curve, Foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the consolidated statement of financial position. However, for illiquid financial instruments, the fair values are further adjusted to compensate for the credit risks attached to the issuers.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

2.5.4 De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the entity retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the consolidated statement of financial position as pledged assets, if the transferee has the right to sell or re-pledge them.

2.5.5 Reclassification of financial assets

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.

2.5.6 Recognition

Financial assets are recognised on settlement dates. The varying class and nature of the financial assets determines the settlement which may be different from the trade date. Financial instruments such as debt and equity securities are recognised on settlement date other than the trade date while loans and receivables are recognised on trade date which represents its settlement date.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable data that comes to our attention about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
 - i. adverse changes in the payment status of borrowers in the Group; or
 - ii. national or local economic conditions that correlate with defaults on the assets in the Group

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.

a) Assets carried at amortised cost

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 income statement. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised 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 (i.e. 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 are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans to banks and customers are classified in "Impairment charge for credit losses" whilst impairment charges relating to investment securities (Held to maturity categories) are classified in 'Net gains/(losses) on investing securities'.

b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. 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 income statement, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in fair values are recognised immediately in the income statement. The Group's derivative transactions consist of foreign exchange forward transactions as at balance sheet date.

2.9 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

2.10 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.11 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest and similar income' and 'interest and similar expense' in the consolidated statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate which is the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.12 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.13 Dividend income

Dividend income is recognised in the consolidated statement of comprehensive income when the entity's right to receive payment is established.

2.14 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.16 Property and equipment

(i) Recognition and measurement

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to income statement during the reporting period in which they are incurred.

(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 statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in statement of comprehensive income on a straight line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

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.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements over the shorter of the useful life of the item or lease term. Land is not depreciated.

-Leasehold improvements	-	25% or over the lease period
-Motor vehicles	-	25%
-Office Furniture and fittings	-	12.5% - 25%
-Office equipment	-	20% - 33.33%
-Work in progress	-	0%

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

(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 statement of comprehensive income in the year the asset is derecognised.

2.17 Intangible assets

Intangible assets comprise computer software licenses. Intangible assets are initially recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Group chooses to use the cost model for the measurement after initial recognition.

Amortisation is calculated on a straight line basis over the useful lives as follows:

Computer Software: 3 – 5 years.

2.18 Income tax

(a) Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense (income) for the period except to the extent that current tax relate 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 equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

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

The Group does not offset current income tax liabilities and current income tax assets.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for gratuity and carry-forwards. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available for sale instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

2.19 Employee benefits

The Group operates two retirement benefit schemes in the form of pension costs and gratuity benefits. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(a) Pension costs

The Company operates a defined contribution scheme in line with the subsisting Pension Act where employees are entitled to join the scheme on confirmation of their employment. The employee and the Company contributes 6% and 12% respectively of the employee's basic, transport and rent allowances. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Gratuity benefits

The Group operates a non-contributory defined benefits scheme. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual years of service, terminal salary and conditions of service. The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on Federal Government of Nigeria bonds of medium duration denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past-service costs are recognised immediately in statement of comprehensive income.

2.20 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provision are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the

likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of a past event. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

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

Contingent assets are not recognised as assets in the consolidated statement of financial position but is disclosed if they are likely to eventuate.

2.21 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group'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 (CAMA).

(c) Treasury Shares

Where the Bank or any member of the Group purchases the Bank's shares, the consideration paid is deducted from shareholders' equity as treasury shares until the shares are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(d) Statutory Reserve

Nigerian Banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16 (1) of the Banks and Other Financial Institutions 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.

(e) Credit Risk Reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendants provision as per the table below based on objective criteria.

Classification	Basis	Percentage provided
Substandard	Interest and/or principal overdue by 90 days but less than 180 days.	10%
Doubtful	Interest and/or principal overdue by more than 180 days but less than 365 days.	50%
Lost	Interest and/or principal overdue by more than 365 days.	100%

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement, see Note 2.7a. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Credit Risk Reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in the Statement of Comprehensive Income.

All provisions determined under prudential guideline are compared with that of IFRS in line with the CBN provisions.

2.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the statement of comprehensive income attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period excluding treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.23 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands of naira unless otherwise stated.

3.0 Enterprise Risk Management Review

Management is fully aware that every financial, operational or strategic decision made may either adversely affect or strengthen our ability to meet the Group's organizational objectives. Management is also aware of the need to balance the contradictory pressures of greater entrepreneurialism with losses from downside risks. Thus, risk is seen as the level of exposure – opportunity, threat, and uncertainty that must be identified, understood, measured and effectively managed, as the Group executes its strategies to achieve its business objectives and create value.

The risks associated with the Group's businesses include - financial risks (which consist of credit, market, and liquidity risk), human resource risk, macroeconomic risk, information systems/ technology risk and regulatory compliance.

For the Group to achieve long term success, it must manage all sources of opportunities and threats effectively.

The risk management philosophy and culture are the set of shared beliefs, values, attitudes and practices that govern how management considers the risks inherent in the Group's business activities, from strategy development and implementation to day- to-day activities.

Management's risk philosophy is conservative. We believe that a sound risk management system is the foundation for building a vibrant and viable financial institution. Therefore, an enterprise-wide approach to risk management has been adopted, wherein key risks, financial and non- financial, from all areas of the business are managed within the context of the Group's risk appetite.

Consequent upon its risk management philosophy, the Group strives to embed the following guiding principles of its risk culture into its daily practices:

- a. The Group insists on a robust risk management governance structure that enables it to manage all major aspects of its activities through an integrated planning and review process that includes strategic, financial, customer and risk planning.
- b. Our Board and Senior Management insist on and promote a strong culture of adherence to limits in managing risk exposure.
- c. Risk management in the Group is governed by formally documented and defined policies and procedures, which are clearly communicated to all.
- d. The Group avoids products, businesses and markets that it does not fully understand or for which management cannot reasonably and objectively measure and manage the associated risks.
- e. The Group strives to maintain a balance between risk/opportunity and revenue consideration with its risk appetite. Thus, risk- related issues are considered in all our business decisions.
- f. The Group creates and evaluates business units and enterprise risk profiles to consider what is best for its individual business units and the Group as a whole.
- g. The Group's risk officers are empowered to perform their duties professionally and independently within clearly defined authorities.
- h. Members of staff are encouraged to disclose inherent risks and actual losses openly, fully, honestly and quickly.
- i. The Group creates a process for institutionalising the lessons learned from risk events and penalizes negligent recurrence.
- j. The Group has zero tolerance for breach of laws and regulations.
- k. The Group has zero appetite for associating with disreputable individuals and organizations

Our risk management objectives are as follows:

- a. To identify our material risks and ensure that our business plans are consistent with our risk appetite.
- b. To ensure that our business growth plans are properly supported by an effective and efficient risk management function.
- c. To manage our risk profile, ensuring that specific financial deliverables remain possible under a range of possible business conditions.

- d. To optimize our risk and return trade-off by ensuring that our business units act as primary risk managers while establishing strong and independent review and challenge structures.
- e. To protect our Bank against unexpected losses and reduce the volatility of our earnings.
- f. To maximize risk-adjusted opportunities, earnings potential and ultimately our stakeholder value.
- g. To help Management improve the control and coordination of risk-taking across the Bank.
- h. To build a risk-smart workforce and environment that allows for innovation and responsible risk-taking by our members of staff while ensuring cost-effective and legitimate precautions are taken to protect the shareholders' interest.

The Group's risk appetite articulates the quantum of residual risk it is prepared to accept or tolerate in pursuit of its strategic business objectives.

The Risk Management department periodically recommends specific measures relating to these parameters to the Board for approval. The parameters listed below are guided by our risk appetite:

Financial

- a. Financial and prudential ratios set at par with statutory requirements.
- b. Capital-at-risk driven by the Group's shareholder value creation objectives.
- c. Earnings variance per business division or subsidiary.
- d. Capital adequacy set above regulatory limits.

Credit

- a. Asset quality, measured by the ratio of non-performing loans to total loans.
- b. Maximum credit exposure per industry, product, obligor.
- c. Zero tolerance for undisciplined lending.

Reputational

- a. Favorable reports from external auditors and rating agencies.
- b. Zero tolerance for any utterance (by directors or employees) that may impact negatively on the Group's operations.
- c. Zero appetite for association with disreputable individuals and organizations.
- d. Zero appetite for unethical or illegal and/or unprofessional conduct by our directors, executive management and members of staff.

Ratings

The Group aims to achieve consistently good ratings issued by domestic or internationally recognized rating agencies. The ratings must reflect sound financial asset quality, strong liquidity position, strong capital adequacy level, strategic positioning in the fundamentals, excellent economy and potential for superior earnings.

Customer Service

- a. Acceptable customer attrition level as defined by the Board.
- b. Minimum acceptable percentage of satisfied customers from feedback surveys.
- c. Acceptable complaints volume.

Regulatory

- a. Zero amount or number of sanctions by the CBN and other regulatory agencies.
- b. Zero tolerance for infractions and non-compliance with laws.

Market Risk

- a. Trading limit
- b. Stop loss limits
- c. Interest rate gap limits

Liquidity Risk

- a. Liquidity ratio set above regulatory limits.
- b. Total deposits to total assets
- c. Duration of liquid assets
- d. Large fund provider to total deposits
- e. Capital adequacy
- a. Total loans to total deposits
- b. Total earning assets to total assets
- c. Aggregate large credit to shareholders funds

Senior management usually proposes a well-articulated risk appetite position and recommends it to the Board for approval annually or as may be required. It also establishes a process for allocating the appetite among the business units and subsidiaries and reporting against these limits.

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

3.1 Financial Instruments

The groups financial instruments are categorised as follows:

Group	Financial Assets				Financial Liabilities	
	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
31 December 2015						
In thousands of Nigerian Naira						
Financial assets:						
Cash and bank balances						
Cash	-	-	370	-	-	-
Balances with other banks						
- Operating balance with Central Bank of Nigeria	-	-	2,402,340	-	-	-
- Balances with banks in Nigeria	-	-	252,564	-	-	-
- Balances with banks outside Nigeria	-	-	16,858,352	-	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	1,179,615	-	-	-
Loans to banks						
- Placements with banks and discount houses	-	-	11,810,069	-	-	-
- Placements with other financial institutions	-	-	733,065	-	-	-
Financial instruments held for trading						
- Quoted equity securities	3	20	-	-	-	-
- Nigerian Treasury Bills	2,844,336	-	-	-	-	-
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	13,386	-	-	-	-	-
- Foreign exchange forward contract	2,532	-	-	-	-	-
Loans and advances to customers						
- Loans and advances (net of impairment)	-	-	39,895,801	-	-	-
- Margin facilities	-	-	369,077	-	-	-
Investment securities						
- Equity securities	-	1,110,264	-	-	-	-
- Federal Government of Nigeria bonds	-	5,415,873	-	110,826	-	-
- Nigerian Treasury Bills	-	4,319,737	-	-	-	-
- State Government and Corporate bonds	-	12,253,509	-	-	-	-
Pledged assets						
- Nigerian Treasury Bills	-	4,680,278	-	-	-	-
- Federal Government of Nigeria bonds	-	2,69,406	-	-	-	-
- State Government and Corporate bonds	-	3,444,398	-	-	-	-
Other assets						
- Receivables	-	-	422,614	-	-	-
Financial liabilities:						
Due to banks						
- Call borrowings	-	-	-	-	-	3,699,945
- Secured borrowings	-	-	-	-	-	4,500,541
- Trade Related Obligations to local banks	-	-	-	-	-	4,013,370
- Trade Related Obligations to foreign banks	-	-	-	-	-	4,036,455
Due to customers						
- Liabilities under repurchase agreements	-	-	-	-	-	-
- Demand	-	-	-	-	-	5,521,030
- Term	-	-	-	-	-	45,890,594
- Other customer balances	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	-	-	-	1,382	-
Other liabilities						
- Customers' deposit for foreign trade	-	-	-	-	-	6,353,457
- Accounts payable	-	-	-	-	-	255,737
- Sundry accounts	-	-	-	-	-	48,118
Other borrowed funds						
- Due to Afrexim	-	-	-	-	-	1,980,896
- Due to Shelter Afrique	-	-	-	-	-	1,967,801
	2,860,257	33,863,485	73,923,867	110,826	1,382	78,267,944

Notes To The Consolidated Financial Statements

for The Year Ended 31 December 2015

Group	Financial Assets				Financial Liabilities	
	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
31 December 2014						
In thousands of Nigerian Naira						
Financial assets:						
Cash and bank balances						
Cash	-	-	238	-	-	-
Balances with other banks						
- Operating balance with Central Bank of Nigeria	-	-	776,450	-	-	-
- Balances with banks in Nigeria	-	-	148,703	-	-	-
- Balances with banks outside Nigeria	-	-	4,699,926	-	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	994,572	-	-	-
Loans to banks						
- Placements with banks and discount houses	-	-	8,411,437	-	-	-
- Placements with other financial institutions	-	-	184,471	-	-	-
Financial instruments held for trading						
- Quoted equity securities	-	-	-	-	-	-
- Nigerian Treasury Bills	6,254,326	-	-	-	-	-
- Federal Government of Nigeria Bonds	3,430	-	-	-	-	-
Derivative financial instruments						
- Foreign exchange forward contract	78,249	-	-	-	-	-
Loans and advances to customers						
- Loans and advances (net of impairment)	-	-	39,616,272	-	-	-
- Margin facilities	-	-	414,827	-	-	-
Investment securities						
- Equity securities	-	1,512,949	-	-	-	-
- Federal Government of Nigeria bonds	-	7,631,464	-	3,237,987	-	-
- Nigerian Treasury Bills	-	8,076,583	-	-	-	-
- State Government and Corporate bonds	-	19,172,372	-	-	-	-
Pledged assets						
- Nigerian Treasury Bills	-	4,780,708	-	-	-	-
- Federal Government of Nigeria bonds	-	-	-	1,914,384	-	-
- State Government and Corporate bonds	-	925,400	-	-	-	-
Other assets						
- Receivables	-	-	325,049	-	-	-
Financial liabilities:						
Due to banks						
- Call borrowings	-	-	-	-	-	30,120,333
- Secured borrowings	-	-	-	-	-	10,004,795
- Trade Related Obligations to local banks	-	-	-	-	-	-
- Trade Related Obligations to foreign banks	-	-	-	-	-	-
Due to customers						
- Liabilities under repurchase agreements	-	-	-	-	-	1,013,902
- Demand	-	-	-	-	-	1,720,289
- Term	-	-	-	-	-	38,027,788
- Other customer balances	-	-	-	-	-	285,788
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	-	-	-	87,871	-
Other liabilities						
- Customers' deposit for foreign trade	-	-	-	-	-	534,372
- Accounts payable	-	-	-	-	-	223,354
- Sundry accounts	-	-	-	-	-	60,499
Other borrowed funds						
- Due to Afrexim	-	-	-	-	-	-
- Due to Shelter Afrique	-	-	-	-	-	-
	6,333,005	42,099,476	55,571,945	5,152,371	87,871	81,991,120

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

Bank	Financial Assets				Financial Liabilities	
	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
31 December 2015						
In thousands of Nigerian Naira						
Financial assets:						
Cash and bank balances						
Cash	-	-	191	-	-	-
Balances with other banks						
- Operating balance with Central Bank of Nigeria	-	-	2,402,340	-	-	-
- Balances with banks in Nigeria	-	-	174,928	-	-	-
- Balances with banks outside Nigeria	-	-	16,858,352	-	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	1,179,615	-	-	-
Loans to banks						
- Placements with banks and discount houses	-	-	9,905,530	-	-	-
- Placements with other financial institutions	-	-	620,076	-	-	-
Financial instruments held for trading						
- Quoted equity securities	-	-	-	-	-	-
- Nigerian Treasury Bills	2,844,336	-	-	-	-	-
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	13,386	-	-	-	-	-
- Foreign exchange forward contract	2,532	-	-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	-	-	39,677,039	-	-	-
- Margin facilities	-	-	-	-	-	-
Investment securities						
- Equity securities	-	666	-	-	-	-
- Federal Government of Nigeria bonds	-	5,413,574	-	110,826	-	-
- Nigerian Treasury Bills	-	4,034,837	-	-	-	-
- State Government and Corporate bonds	-	12,153,513	-	-	-	-
Pledged assets						
- Nigerian Treasury Bills	3,975,072	705,207	-	-	-	-
- Federal Government of Nigeria bonds	-	2,639,406	-	-	-	-
- State Government and Corporate bonds	-	3,444,398	-	-	-	-
Other assets						
- Receivables	-	-	87,627	-	-	-
Financial liabilities:						
Due to banks						
- Call borrowings	-	-	-	-	-	3,699,945
- Secured borrowings	-	-	-	-	-	4,500,541
- Trade Related Obligations to local banks	-	-	-	-	-	4,013,370
- Trade Related Obligations to foreign banks	-	-	-	-	-	4,036,455
Due to customers						
- Liabilities under repurchase agreements	-	-	-	-	-	-
- Demand	-	-	-	-	-	5,601,191
- Term	-	-	-	-	-	47,060,458
- Other customer balances	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	-	-	-	-	1,382
Other liabilities						
- Customers' deposit for foreign trade	-	-	-	-	-	6,353,457
- Accounts payable	-	-	-	-	-	37,790
- Sundry accounts	-	-	-	-	-	48,118
Other borrowed funds						
- Due to Afrexim	-	-	-	-	-	1,980,896
- Due to Shelter Afrique	-	-	-	-	-	1,967,801
	6,835,326	28,391,601	70,905,698	110,826		- 79,301,404

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

Bank	Financial Assets				Financial Liabilities	
	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
31 December 2014						
In thousands of Nigerian Naira						
Financial assets:						
Cash and bank balances						
Cash	-	-	59	-	-	-
Balances with other banks						
- Operating balance with Central Bank of Nigeria	-	-	776,450	-	-	-
- Balances with banks in Nigeria	-	-	86,627	-	-	-
- Balances with banks outside Nigeria	-	-	4,699,926	-	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	994,572	-	-	-
Loans to banks						
- Placements with banks and discount houses	-	-	7,309,935	-	-	-
- Placements with other financial institutions	-	-	-	-	-	-
Financial instruments held for trading						
- Quoted equity securities	-	-	-	-	-	-
- Nigerian Treasury Bills	6,254,326	-	-	-	-	-
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	-	-	39,437,893	-	-	-
- Margin facilities	-	-	-	-	-	-
Derivative financial instruments						
- Foreign exchange forward contract	78,249	-	-	-	-	-
Investment securities						
- Equity securities	-	666	-	-	-	-
- Federal Government of Nigeria bonds	-	7,631,464	-	3,237,987	-	-
- Nigerian Treasury Bills	-	7,489,237	-	-	-	-
- State Government and Corporate bonds	-	19,119,219	-	-	-	-
Pledged assets						
- Nigerian Treasury Bills	-	4,780,708	-	-	-	-
- Federal Government of Nigeria bonds	-	-	-	1,914,384	-	-
- State Government and Corporate bonds	-	925,400	-	-	-	-
Other assets						
- Receivables	-	-	67,666	-	-	-
Financial liabilities:						
Due to banks						
- Call borrowings	-	-	-	-	-	30,120,333
- Secured borrowings	-	-	-	-	-	10,004,795
- Trade Related Obligations to local banks	-	-	-	-	-	-
- Trade Related Obligations to foreign banks	-	-	-	-	-	-
Due to customers						
- Liabilities under repurchase agreements	-	-	-	-	-	1,013,902
- Demand	-	-	-	-	-	1,908,009
- Term	-	-	-	-	-	38,888,146
- Other customer balances	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	-	-	-	87,871	-
Other liabilities						
- Customers' deposit for foreign trade	-	-	-	-	-	534,372
- Accounts payable	-	-	-	-	-	22,514
- Sundry accounts	-	-	-	-	-	60,499
Other borrowed funds						
- Due to Afrexim	-	-	-	-	-	-
- Due to Shelter Afrique	-	-	-	-	-	-
	6,332,575	39,946,694	53,373,128	5,152,371	87,871	82,552,570

3.1.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor risk, country and sector risk).

3.1.2 Settlement Risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is 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.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approval from Group Risk

The purpose of the FSDH Merchant Bank's Enterprise Risk Management (ERM) Framework and Credit Manual, as reviewed regularly, is to establish and define the overall principles under which FSDH Merchant Bank is prepared to assume credit risk. The standard sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in FSDH.

These policies provide a comprehensive framework within which all credit risk emanating from the operations of FSDH are legally executed, properly monitored and controlled to minimise the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

The Management Credit Committee is mandated to provide high level centralized management of credit risk for the Bank. The purpose of the Management Credit Committee is to assist the Board Credit Committee in fulfilling its oversight responsibility in exercising diligence, due care and skill to oversee, direct and review the management of credit risk within the portfolio of the Bank. Specifically, the roles and responsibilities of the Committee include the following:

- Credit strategy and policy formulation
- Credit approval
- Credit monitoring
- Credit risk compliance

3.1.3 Principal Credit Policies

The principal credit policies guiding the Group shields the Group against inherent and concentration risks through all credit levels of selection, underwriting, administration and control.

Some of the policies are:

- Credit will only be extended to suitable and well identified customers
- Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- Credit will not be extended to customers where the source of repayment is unknown or speculative and also where the destination of the funds is unknown. There must be a clear and verifiable purpose for the use of funds.
- Credit will not be given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events.
- Risk conditions will always have priority over business and profit consideration.
- The primary source of repayment for all credits must be from identifiable cash flows from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.
- A pricing model that reflects variations in the risk profile of various credit facilities to ensure that higher risks are compensated with higher returns.
- All conflict of interest situations must be avoided.

3.1.4 Credit Risk Measurement

Loans & Receivables and Placements with banks and other financial institutions

As a result of the conversion of FSDH from a Discount House to a Merchant Bank, FSDH has expanded its operational scope and enhanced its suite of financial advisory services to its clientele. The product offerings for the Bank are: buying and selling

of securities, term loans, invoice discounting, overdraft, commercial facilities, asset backed notes, LPO/Contract financing, trade finance, foreign exchange, bonds and guarantees, loan syndications, project finance, structured finance, corporate finance and financial advisory services (debt & equity).

Credit risk represents the loss that the Group would incur if a counterparty (such as a bank, corporate, individual or sovereign) or an issuer of securities (or other instruments the Group holds) fails to perform under its contractual obligations or upon deterioration in the credit quality of third parties whose securities or other instruments it holds.

Over the years, the Group has devoted resources and harnessed its credit data into developing models to improve the determination of economic and financial threats due to credit risk. As a result, some key factors are considered in credit risk measurement:

- Adherence to strict credit selection criteria which includes a defined target market, credit history, capacity and character of the customers.
- The possibility of failure to pay over the period stipulated in the contract.
- The size of the facility in case default occurs
- Estimated rate of recovery which is a measure of the portion of debt that can be regained through freezing of assets and collateral should default transpire.

Methodology for Risk Rating

For loans & receivables and placement with banks, the Group utilises two credit rating models to assign ratings to a customer. The bank rating model tracks and ranks key ratios related to a bank while the corporate rating model tracks and ranks key ratios related to a corporate organisation. Each rating model takes a look at both the qualitative and quantitative conditions of the obligor. For the quantitative analysis, a three year history of financial position is required to adequately appraise the customer. Financial performance is benchmarked against industry averages. The qualitative section which covers corporate governance issues and market intelligence requires Management's judgement and perception of the customer. Quantitative analysis accounts for 75% of the total score while qualitative analysis accounts for the 25%.

Ratings are assigned to individuals who seek margin facilities from the group. These ratings are assigned to customers depending on the ability to repay and the quality of the collateral pledged.

In summary, the key factors considered while doing an appraisal of the customer include:

- A measure of the financial and non financial risks of the borrower. In order to properly evaluate the non financial risks of the borrower, a thorough industry analysis is carried out by a dedicated team in Risk Management. This is used as a benchmark for the obligor
- Obligor rating considers the financial condition, management and ownership structure, industry and other qualitative factors of the customer.
- Facility rating recognises the risk mitigation and facility structuring as features of the credit facility.

Considerations here include the nature and quality of collateral, the structure of the loan, and the nature and purpose of the loan, among others.

Ratings are assigned to customer for a period of one year. The exception to the foregoing is if the facility is project finance. Project finance facilities are monitored after the initial rating for any sign(s) of distress.

All ratings are reviewed annually. More frequent reviews are occasioned by unexpected developments such as policy and market changes. Changes to the obligor's status and/or capability will also trigger a review. The group generally avoids high risk obligors that will warrant frequent reviews and management.

The Group maintains the under listed rating grade which is applicable to both new and existing customers. A self explanatory rating grid showing how ratings are assigned is illustrated below:

SCORE	RATING	EXPLANATION
70 and above	Aaa	The financial condition and ability to meet obligations is excellent
65 to 69	Aa	The financial condition and capacity to meet financial obligations are considered very good
60 to 64	A	Good financial condition and capacity to meet obligations
55 to 59	Bbb	Financial condition and ability to meet obligations are considered satisfactory but needs a fair amount of external financial support in the form of refinancing; ability to obtain same is assured.
50 to 54	Bb	The financial condition is satisfactory but the company is highly dependent on external financing. Collateral or a reliable corporate guarantee may be required.
45 to 49	B	Weak financial Condition. Highly dependent on external financial support, but its business strategies are progressive. Credit to these issuers should be on a transaction basis with adequate security and repayment structure tied to source of repayment
Below 45	C	Financial condition is very week. Net worth is likely to be negative and obligations may already be in default.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

3.1.5 Risk limit and control mitigation policies

The medium by which limits for banks and issuers are created is the credit appraisal (CA). A signed CA must evidence all types of credit lines existing. The Board of Directors of the Group set up a Board Credit Committee (BCC) whom they have given the authority to approve credit facilities on behalf of the Board. The Board also gave the authority to grant credit approval to designated officers of the Group.

All credits in the Group are rated using our internal rating model. As part of the credit appraisal process, such rating is compared and evaluated against published ratings of external rating agencies.

These ratings, apart from assisting us in determining values of credit to be advanced to an obligor, also guide Management and the Board on authorisation limits for approving credit facilities.

This laid down authority governs credit extension. The limits set by the Board are as indicated below:

Regulatory Limit (50% of Shareholder's Funds (SHF))		
Approving Authorities		Ratings
* Senior Management Credit Committee + Board Credit Committee (BCC)	Up to 100% of regulatory limit	Aa - Aaa
Senior Management Credit Committee + Board Credit Committee (BCC)	Up to 62% of regulatory limit	Bbb- - A
Senior Management Credit Committee + BCC + Board	Up to 21% of regulatory limit	Bb+ - B
Senior Management Credit Committee + BCC + Board	Up to 12.5% of regulatory limit	C

* The Senior Management Credit Committee shall comprise the officers specified below, signing jointly:

- • Chief Risk & Officer
- • Executive Director Corporate and Investment Banking Group
- • Managing Director/CEO

3.1.6 Collateral Policies

To minimise the risk of loss by the Group in the event of a decline in quality or delinquency, the Group ensures that credit exposures have appropriate collateral. Security documents are reviewed to ensure their continuous enforceability. Also, securities held against exposures are reviewed regularly to ensure realisability and value. Where diminution in value has occurred, appropriate steps are taken to shore up such positions. This is done throughout the life of the credit exposure.

Collateral securities pledged to the Group must be in negotiable form and its types include the following:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law
- Collateral consisting of inventory, account receivables, floating debenture, etc, which have to be registered and, must be enforceable in Nigeria and under Nigerian law."
- Stocks and shares of publicly quoted companies
- Domiciliation of payment on contracts
- Letter of Lien

Currently, the various types of collateral held are against our Commercial Bills and Margin facilities. They consist of stocks and shares of publicly quoted companies, real estate, letters of lien, domiciliation of payment contracts and charge on assets.

FSDH shall track, value and give or receive collateral during the eligible or applicable life of every credit transaction. General tasks on a day to day basis shall include:

- Managing Collateral Movement – record details of collateral, monitor customer exposure and collateral received or posted.
- Mark to Market situation or position where applicable and call for margins as may be required. "
- Deal with disagreements and disputes over exposure calculations and collateral valuations.
- Provide custody, clearing and settlement (depending on how the legal relationship is structured)
- Manage collateral inflows and outflows
- Do regular valuations (quarterly at the minimum) of all securities. Depending on security type (equity or fixed income), valuation can be done on an end of day (EOD) basis "
- Deal with requests for collateral substitution where required

To ensure ease of realisation of collateral in the event of non-performance, all credit documentation requirements shall be met before a credit facility is availed and where there are waivers, relationship officers and Risk Management Unit must ensure that such waivers are resolved within the approved period.

As a matter of good business practice, adequate security ought to be taken from a customer, whose financial standing and track record do not justify lending on a clean basis.

To ensure ease of realisation of collateral in the event of non-performance, all credit documentation requirements shall be met before a credit facility is availed and where there are waivers, relationship officers and Risk Management Unit must ensure that such waivers are resolved within the approved period.

As a matter of good business practice, adequate security ought to be taken from a customer, whose financial standing and track record do not justify lending on a clean basis.

Clean lending situations may arise where it makes economic sense to do so – based on clients perceived credit risk.

Therefore, depending on counterparty obligor/facility rating, collateral security may be waived as a pre-condition for granting the facility. Consequently, obligors with ratings below investment grade must, as a necessity, provide acceptable security before approval can be granted. Obligor with Investment Grade credit ratings may be allowed clean facility, depending on their financial standing. Accordingly, such decisions shall be taken by Management and/or the Board Credit Committee where necessary.

For placements with financial institutions which consist of mainly banks, the amount of credit extended is based on the strength of the institution as shown by our internal rating model.

3.1.7 Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure of financial assets to credit risk as of the balance sheet date;

Maximum Exposure to Credit Risk

Group

	2015 N'000	2014 N'000
Cash and bank balances		
Balances with other banks		
- Operating balance with Central Bank of Nigeria	2,402,340	776,450
- Balances with banks in Nigeria	252,564	148,703
- Balances with banks outside Nigeria	16,858,352	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	994,572
Loans to banks		
- Placements with banks and discount houses	11,810,069	8,411,437
- Placements with other financial institutions	733,065	184,471
Financial instruments held for trading		
- Nigerian Treasury Bills	2,844,336	6,254,326
- Federal Government of Nigeria Bonds	-	-
Derivative financial instruments		
- Convertible Loan	13,386	
- Foreign exchange forward contract	2,532	78,249
Loans and advances to customers		
- Loans and advances (net of impairment)	39,895,801	39,616,272
- Margin facilities	369,077	414,827
Investment securities		
- Federal Government of Nigeria bonds	5,526,699	10,869,451
- Nigerian Treasury Bills	4,319,737	8,076,583
- State Government and Corporate bonds	12,253,509	19,172,372
Pledged assets		
- Nigerian Treasury Bills	4,680,278	4,780,708
- Federal Government of Nigeria bonds	2,639,406	1,914,384
- State Government and Corporate bonds	3,444,398	925,400
Other assets		
- Receivables	422,614	325,049
	<u>109,647,778</u>	<u>107,643,180</u>
Credit related commitments		
- Letters of Credit	4,126,077	8,008,636
- Performance bonds and guarantees	-	108,000
- Loan commitments	15,402,967	23,704,515
	<u>19,529,044</u>	<u>31,821,151</u>

Bank

	2015 N'000	2014 N'000
Cash and bank balances		
Balances with other banks		
- Operating balance with Central Bank of Nigeria	2,402,340	776,450
- Balances with banks in Nigeria	174,928	86,627
- Balances with banks outside Nigeria	16,858,352	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	994,572
Loans to banks		
- Placements with banks and discount houses	9,905,530	7,309,935
- Placements with other financial institutions	620,076	-
Financial instruments held for trading		
- Nigerian Treasury Bills	2,844,336	6,254,326
- Federal Government of Nigeria Bonds	-	-
Derivative financial instruments		
- Convertible Loan	13,386	-
- Foreign exchange forward contract	2,532	78,249
Loans and advances to customers		
- Loans and advances (net of impairment)	39,677,039	39,437,893
- Promissory note	-	-
- Margin facilities	-	-
Investment securities		
- Federal Government of Nigeria bonds	5,524,400	10,869,451
- Nigerian Treasury Bills	4,034,837	7,489,237
- State Government and Corporate bonds	12,153,513	19,119,219
Pledged assets		
- Nigerian Treasury Bills	4,680,279	4,780,708
- Federal Government of Nigeria bonds	2,639,406	1,914,384
- State Government and Corporate bonds	3,444,398	925,400
Other assets		
- Receivables	87,627	67,666
	<u>106,242,594</u>	<u>104,804,043</u>
Credit related commitments		
- Letters of Credit	4,126,077	8,008,636
- Performance bonds and guarantees	-	108,000
- Loan commitments	15,402,967	23,704,515
	<u>19,529,044</u>	<u>31,821,151</u>

3.1.8 Concentrations of Credit Risk

The group monitors concentration of credit risk geographical location and by industry sector. An analysis of concentrations of credit risk at 31 December 2015 and 31 December 2014 is set out below:

a) **Geographical sectors**

The group considers the credit exposure to geographical sectors as immaterial as a large percentage of our credit facilities are domiciled in the south western region of Nigeria for all periods.

b) **Industrial classification**

The following table breaks down the group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support) categorised by industries as of 31 December 2015.

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

GROUP	Conglomerate	Government	Finance and Manufacturing Insurance	Oil and Gas	Real Estate and Construction	Telecoms	Others	Total
31 December 2015								
In thousands of Nigerian Naira								
Financial assets:								
Cash and bank balances								
Balances with other banks –								
- Operating balance with Central Bank of Nigeria	-	-	2,402,340	-	-	-	-	2,402,340
- Balances with banks in Nigeria	-	-	252,564	-	-	-	-	252,564
- Balances with banks outside Nigeria	-	-	16,858,352	-	-	-	-	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	1,179,615	-	-	-	-	1,179,615
Loans to banks								
- Placements with banks and discount houses	-	-	11,810,069	-	-	-	-	11,810,069
- Placements with other financial institutions	-	-	733,065	-	-	-	-	733,065
Financial instruments held for trading								
- Nigerian Treasury Bills	-	2,844,336	-	-	-	-	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-	-	-
Derivative financial instruments								
- Convertible Loan	-	-	-	13,386	-	-	-	13,386
- Foreign exchange forward contract	-	-	2,532	-	-	-	-	2,532
Loans and advances								
- Loans and advances (net of impairment)	-	-	4,868,798	12,846,276	6,675,186	9,775,718	5,435,681	39,895,801
- Margin facilities (net of impairment)	-	-	-	-	-	-	369,077	369,077
Investment securities								
- Federal Government of Nigeria bonds	-	5,526,699	-	-	-	-	-	5,526,699
- Nigerian Treasury Bills	-	4,319,737	-	-	-	-	-	4,319,737
- State Government and Corporate bonds	76,700	7,572,747	4,181,659	422,403	-	-	-	12,253,509
Pledged assets								
- Nigerian Treasury Bills	-	4,680,278	-	-	-	-	-	4,680,278
- Federal Government of Nigeria bonds	-	2,639,406	-	-	-	-	-	2,639,406
- State Government and Corporate bonds	-	-	3,444,398	-	-	-	-	3,444,398
Other assets								
- Receivables	-	-	422,614	-	-	-	-	422,614
Total	76,700	27,583,203	46,156,006	12,859,662	6,675,186	9,775,718	5,804,758	109,647,778
Credit related commitments								
- Letters of Credit	-	-	-	4,126,077	-	-	-	4,126,077
- Performance bonds and guarantees	-	-	-	-	-	-	-	-
- Loan commitments	-	-	3,929,828	617,003	922,705	6,700,364	3,127,969	15,402,967
Total	-	-	3,929,828	4,743,080	922,705	6,700,364	3,127,969	19,529,044

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	Conglomerate	Government	Finance and Manufacturing Insurance	Oil and Gas	Real Estate and Construction	Telecoms	Others	Total
31 December 2014								
In thousands of Nigerian Naira								
Financial assets:								
Cash and bank balances								
Balances with other banks								
- Operating balance with Central Bank of Nigeria	-	-	776,450	-	-	-	-	776,450
- Balances with banks in Nigeria	-	-	148,703	-	-	-	-	148,703
- Balances with banks outside Nigeria	-	-	4,699,926	-	-	-	-	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	994,572	-	-	-	-	994,572
Loans to banks								
- Placements with banks and discount houses	-	-	8,411,437	-	-	-	-	8,411,437
- Placements with other financial institutions	-	-	184,471	-	-	-	-	184,471
Financial instruments held for trading								
- Nigerian Treasury Bills	-	6,254,326	-	-	-	-	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-	-	-
Derivative financial instruments								
- Foreign exchange forward contract	-	-	78,249	-	-	-	-	78,249
Loans and advances								
- Loans and advances (net of impairment)	-	-	2,270,319	13,731,654	8,905,581	7,975,208	6,398,175	39,616,272
- Commercial bills (net of impairment)	-	-	-	-	-	-	-	-
- Promissory notes	-	-	-	-	-	-	-	-
- Margin facilities (net of impairment)	-	-	-	-	-	-	414,827	414,827
Investment securities								
- Federal Government of Nigeria bonds	-	10,869,451	-	-	-	-	-	10,869,451
- Nigerian Treasury Bills	-	8,076,583	-	-	-	-	-	8,076,583
- State Government and Corporate bonds	212,617	-	13,009,012	-	18,404	-	5,196,794	19,172,372
Pledged assets								
- Nigerian Treasury Bills	-	4,780,708	-	-	-	-	-	4,780,708
- Federal Government of Nigeria bonds	-	1,914,384	-	-	-	-	-	1,914,384
- State Government and Corporate bonds	-	925,400	-	-	-	-	-	925,400
Other assets								
- Receivables	-	-	325,049	-	-	-	-	325,049
Total	212,617	32,820,852	30,898,188	13,731,654	8,923,985	7,975,208	12,009,796	107,643,180
Credit related commitments								
- Letters of Credit	-	-	-	8,008,636	-	-	-	8,008,636
- Performance bonds and guarantees	-	-	-	-	-	-	108,000	108,000
- Loan commitments	-	-	2,054,275	4,069,565	63,767	13,510,066	3,927,083	23,704,515
Total	-	-	2,054,275	12,078,201	63,767	13,510,066	4,035,083	31,821,151

BANK

31 December 2015

In thousands of Nigerian Naira	Conglomerate	Government	Finance and Manufacturing Insurance	Oil and Gas	Real Estate and Construction	Telecoms	Others	Total
Financial assets:								
Cash and bank balances								
Balances with other banks								
- Operating balance with Central Bank of Nigeria	-	-	2,402,340	-	-	-	-	2,402,340
- Balances with banks in Nigeria	-	-	174,928	-	-	-	-	174,928
- Balances with banks outside Nigeria	-	-	16,858,352	-	-	-	-	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	1,179,615	-	-	-	-	1,179,615
Loans to banks								
- Placements with banks and discount houses	-	-	9,905,530	-	-	-	-	9,905,530
- Placements with other financial institutions	-	-	620,076	-	-	-	-	620,076
Financial instruments held for trading								
- Nigerian Treasury Bills	-	2,844,336	-	-	-	-	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-	-	-
Derivative financial instruments								
- Convertible Loan	-	-	-	13,386	-	-	-	13,386
- Foreign exchange forward contract -	-	-	2,532	-	-	-	-	2,532
Loans and advances								
- Loans and advances (net of impairment)	-	-	4,657,823	12,833,725	6,675,186	9,775,718	5,440,445	39,677,039
- Margin facilities (net of impairment)	-	-	-	-	-	-	-	-
Investment securities -								
- Federal Government of Nigeria bonds	-	5,524,400	-	-	-	-	-	5,524,400
- Nigerian Treasury Bills	-	4,034,837	-	-	-	-	-	4,034,837
- State Government and Corporate bonds	76,700	7,572,747	4,081,663	422,403	-	-	-	12,153,513
Pledged assets -								
- Nigerian Treasury Bills	-	4,680,279	-	-	-	-	-	4,680,279
- Federal Government of Nigeria bonds	-	2,639,406	-	-	-	-	-	2,639,406
- State Government and Corporate bonds	-	-	3,444,398	-	-	-	-	3,444,398
- Other assets	-	-	87,627	-	-	-	-	87,627
- Receivables	-	-	-	-	-	-	-	-
Total	76,700	27,296,005	43,414,884	12,847,111	6,675,186	9,775,718	5,440,445	106,242,594
Credit related commitments								
- Letters of Credit	-	-	-	4,126,077	-	-	-	4,126,077
- Performance bonds and guarantees	-	-	-	-	-	-	-	-
- Loan commitments	-	-	3,929,828	105,098	922,705	6,700,364	3,127,969	15,402,967
Total	-	-	3,929,828	105,098	922,705	6,700,364	3,127,969	19,529,044

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	Conglomerate	Government	Finance and Manufacturing Insurance	Oil and Gas	Real Estate and Construction	Telecoms	Others	Total
BANK								
31 December 2014								
In thousands of Nigerian Naira								
Financial assets:								
Cash and bank balances								
Balances with other banks								
- Operating balance with Central Bank of Nigeria	-	-	776,450	-	-	-	-	776,450
- Balances with banks in Nigeria	-	-	86,627	-	-	-	-	86,627
- Balances with banks outside Nigeria	-	-	4,699,926	-	-	-	-	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	994,572	-	-	-	-	994,572
Loans to banks								
- Placements with banks and discount houses	-	-	7,309,935	-	-	-	-	7,309,935
- Placements with other financial institutions	-	-	-	-	-	-	-	-
Financial instruments held for trading								
- Nigerian Treasury Bills	-	6,254,326	-	-	-	-	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-	-	-
Derivative financial instruments								
- Convertible Loan	-	-	-	-	-	-	-	-
- Foreign exchange forward contract	-	-	78,249	-	-	-	-	78,249
Loans and advances								
- Loans and advances (net of impairment)	-	-	2,270,319	13,731,654	8,905,581	7,975,208	6,219,796	39,437,893
- Margin facilities (net of impairment)	-	-	-	-	-	-	-	-
Investment securities								
- Federal Government of Nigeria bonds	-	10,869,451	-	-	-	-	-	10,869,451
- Nigerian Treasury Bills	-	7,489,237	-	-	-	-	-	7,489,237
- State Government and Corporate bonds	212,617	-	12,974,263	735,543	-	-	5,196,794	19,119,217
Pledged assets								
- Nigerian Treasury Bills	-	4,780,708	-	-	-	-	-	4,780,708
- Federal Government of Nigeria bonds	-	1,914,384	-	-	-	-	-	1,914,384
- State Government and Corporate bonds	-	925,400	-	-	-	-	-	925,400
Other assets								
- Receivables	-	-	67,666	-	-	-	-	67,666
Total	212,617	32,233,506	29,258,007	13,731,654	8,905,581	7,975,208	11,416,590	104,804,041
Credit related commitments								
- Letters of Credit	-	-	-	8,008,636	-	-	-	8,008,636
- Performance bonds and guarantees	-	-	-	-	-	-	108,000	108,000
- Loan commitments	-	-	2,054,275	4,069,565	63,767	13,510,066	3,927,083	23,704,515
Total	-	-	2,054,275	12,078,201	63,767	13,510,066	4,035,083	31,821,151

3.1.9 Credit Quality

The following table breaks down the group's credit exposure and their carrying amounts (without taking into account any collateral held or other credit support) categorised by credit quality:-

Impaired loans and advances and investment debt securities

Group

31 December 2015						
In thousands of Nigerian Naira	Neither past due nor	Past due but not impaired	impaired	Gross	impairment allowance	Net
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,402,340	-	-	2,402,340	-	2,402,340
- Balances with banks in Nigeria	252,564	-	-	252,564	-	252,564
- Balances with banks outside Nigeria	16,858,352	-	-	16,858,352	-	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	-	-	1,179,615	-	1,179,615
Loans to banks						
- Placements with banks and discount houses	11,810,069	-	-	11,810,069	-	11,810,069
- Placements with other financial institutions	733,065	-	-	733,065	-	733,065
Financial instruments held for trading						
- Nigerian Treasury Bills	2,844,336	-	-	2,844,336	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	13,386	-	-	13,386	-	13,386
- Foreign exchange forward contract	2,532	-	-	2,532	-	2,532
Loans and advances						
- Loans and advances	39,120,661	169,385	1,338,194	40,628,240	732,439	39,895,801
- Margin facilities	369,077	-	-	369,077	-	369,077
Investment securities						
- Federal Government of Nigeria bonds	5,526,699	-	-	5,526,699	-	5,526,699
- Nigerian Treasury Bills	4,319,737	-	-	4,319,737	-	4,319,737
- State Government and Corporate bonds	12,253,509	-	-	12,253,509	-	12,253,509
Pledged assets						
- Nigerian Treasury Bills	4,680,278	-	-	4,680,278	-	4,680,278
- Federal Government of Nigeria bonds	2,639,406	-	-	2,639,406	-	2,639,406
- State Government and Corporate bonds	3,444,398	-	-	3,444,398	-	3,444,398
Other assets - Receivables	422,614	-	-	422,614	-	422,614
Total	108,872,638	169,385	1,338,194	110,380,217	(732,439)	109,647,778

31 December 2014						
In thousands of Nigerian Naira	Neither past due nor	Past due but not impaired	Impaired	Gross	impairment allowance	Net
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	776,450	-	-	776,450	-	776,450
- Balances with banks in Nigeria	148,703	-	-	148,703	-	148,703
- Balances with banks outside Nigeria	4,699,926	-	-	4,699,926	-	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	994,572	-	-	994,572	-	994,572
Loans to banks						
- Placements with banks and discount houses	8,411,437	-	-	8,411,437	-	8,411,437
- Placements with other financial institutions	184,471	-	-	184,471	-	184,471
Financial instruments held for trading						
- Nigerian Treasury Bills	6,254,326	-	-	6,254,326	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	78,249	-	-	78,249	-	78,249
Loans and advances						
- Loans and advances	39,779,351	-	-	39,779,351	163,079	39,616,272
- Commercial bills	-	-	-	-	-	-
- Margin facilities	414,827	-	-	414,827	-	414,827
Investment securities						
- Federal Government of Nigeria bonds	10,869,451	-	-	10,869,451	-	10,869,451
- Nigerian Treasury Bills	8,076,583	-	-	8,076,583	-	8,076,583
- State Government and Corporate bonds	19,172,372	-	-	19,172,372	-	19,172,372
Pledged assets						
- Nigerian Treasury Bills	4,780,708	-	-	4,780,708	-	4,780,708
- Federal Government of Nigeria bonds	1,914,384	-	-	1,914,384	-	1,914,384
- State Government and Corporate bonds	925,400	-	-	925,400	-	925,400
Other assets						
- Receivables	325,049	-	-	325,049	-	325,049
Total	107,806,259	-	-	107,806,259	(163,079)	107,643,180

Bank

31 December 2015						
In thousands of Nigerian Naira	Neither past due nor	Past due but not impaired	Impaired	Gross	impairment allowance	Net
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,402,340	-	-	2,402,340	-	2,402,340
- Balances with banks in Nigeria	174,928	-	-	174,928	-	174,928
- Balances with banks outside Nigeria	16,858,352	-	-	16,858,352	-	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	-	-	1,179,615	-	1,179,615
Loans to banks						
- Placements with banks and discount houses	9,905,530	-	-	9,905,530	-	9,905,530
- Placements with other financial institutions	620,076	-	-	620,076	-	620,076
Financial instruments held for trading						
- Nigerian Treasury Bills	2,844,336	-	-	2,844,336	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	13,386	-	-	13,386	-	13,386
- Foreign exchange forward contract	2,532	-	-	2,532	-	2,532
Loans and advances						
- Loans and advances	38,901,735	169,385	1,333,594	40,404,714	727,675	39,677,039
- Margin facilities	-	-	-	-	-	-
Investment securities						
- Federal Government of Nigeria bonds	5,524,400	-	-	5,524,400	-	5,524,400
- Nigerian Treasury Bills	4,034,837	-	-	4,034,837	-	4,034,837
- State Government and Corporate bonds	12,153,513	-	-	12,153,513	-	12,153,513
Pledged assets						
- Nigerian Treasury Bills	4,680,279	-	-	4,680,279	-	4,680,279
- Federal Government of Nigeria bonds	2,639,406	-	-	2,639,406	-	2,639,406
- State Government and Corporate bonds	3,444,398	-	-	3,444,398	-	3,444,398
Other assets						
- Receivables	87,627	-	-	87,627	-	87,627
Total	105,467,290	169,385	1,333,594	106,970,269	727,675	106,242,594

31 December 2014						
In thousands of Nigerian Naira	Neither past due nor	Past due but not impaired	Impaired	Gross	impairment allowance	Net
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	776,450	-	-	776,450	-	776,450
- Balances with banks in Nigeria	86,627	-	-	86,627	-	86,627
- Balances with banks outside Nigeria	4,699,926	-	-	4,699,926	-	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	994,572	-	-	994,572	-	994,572
Loans to banks						
- Placements with banks and discount houses	7,309,935	-	-	7,309,935	-	7,309,935
- Placements with other financial institutions	-	-	-	-	-	-
Financial instruments held for trading						
- Nigerian Treasury Bills	6,254,326	-	-	6,254,326	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	78,249	-	-	78,249	-	78,249
Loans and advances						
- Loans and advances	39,595,264	-	-	39,595,264	157,371	39,437,893
- Margin facilities	-	-	-	-	-	-
Investment securities						
- Federal Government of Nigeria bonds	10,869,451	-	-	10,869,451	-	10,869,451
- Nigerian Treasury Bills	7,489,237	-	-	7,489,237	-	7,489,237
- State Government and Corporate bonds	19,119,219	-	-	19,119,219	-	19,119,219
Pledged assets						
- Nigerian Treasury Bills	4,780,708	-	-	4,780,708	-	4,780,708
- Federal Government of Nigeria bonds	1,914,384	-	-	1,914,384	-	1,914,384
- State Government and Corporate bonds	925,400	-	-	925,400	-	925,400
Other assets						
- Receivables	67,666	-	-	67,666	-	67,666
Total	104,961,414	-	-	104,961,414	(157,371)	104,804,043

As at 31 December 2015, loans and advances of N169,384,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these loans and advances is as follows:

Past due but not impaired (Age analysis)	31 December 2015	31 December 2014
Up to 3months	85,598	-
3 to 6months	83,786	-
Total	169,384	-

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

3.1.10 Collaterals

The group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets

In thousands of naira (N'000)	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	31 December 2015	31 December 2014	
Cash and bank balances	0%	0%	None
Financial assets held for trading	0%	0%	None
Loans and receivables to customers	100%	100%	Cash, debenture, asset backed, lien, negative pledge
Investment securities	0%	0%	None
Pledged assets	0%	0%	None
Other assets	0%	0%	None

3.1.11 RATINGS

The credit quality of the portfolio of financial assets that are past due nor impaired can be assessed by reference to the internal rating system or rating agency adopted by the group

Group

31 December 2015						
In thousands of Nigerian Naira	AAA to AA-	A+ TO A-	BBB+ to BB-	Below BB-	Unrated	Total
Financial assets:						
Cash and bank balances						
Cash	-	-	-	-	370	370
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,402,340	-	-	-	-	2,402,340
- Balances with banks in Nigeria	168,769	84,447	652	-	-	252,564
- Balances with banks outside Nigeria	-	14,948,877	734,485	-	1,174,990	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	-	-	-	-	1,179,615
Loans to banks						
- Placements with banks and discount houses	9,905,530	297,839	1,606,700	-	-	11,810,069
- Placements with other financial institutions	620,076	112,989	-	-	-	733,065
Financial instruments held for trading						
- Nigerian Treasury Bills	2,844,336	-	-	-	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Loans and advances						
- Loans and advances	4,631,132	8,974,904	25,636,850	-	652,915	39,895,801
- Margin facilities	-	-	369,077	-	-	369,077
Derivative financial instruments						
- Convertible Loan	-	-	13,386	-	-	13,386
- Foreign exchange forward contract	-	-	-	2,532	-	2,532
Investment securities						
- Federal Government of Nigeria bonds	5,526,699	-	-	-	-	5,526,699
- Nigerian Treasury Bills	4,319,737	-	-	-	-	4,319,737
- State Government and Corporate bonds	7,637,097	3,579,078	1,037,334	-	-	12,253,509
Pledged assets						
- Nigerian Treasury Bills	4,680,278	-	-	-	-	4,680,278
- Federal Government of Nigeria bonds	2,639,406	-	-	-	-	2,639,406
- State Government and Corporate bonds	-	-	-	3,444,398	-	3,444,398
Other assets						
- Receivables	-	-	-	-	422,614	422,614
Total	46,555,016	27,998,134	29,397,180	3,446,930	2,250,889	109,648,148

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

31 December 2014						
In thousands of Nigerian Naira	AAA to AA-	A+ TO A-	BBB+ to BB-	Below BB-	Unrated	Total
Financial assets:						
Cash and bank balances						
Cash	-	-	-	-	238	238
Balances with other banks						
- Operating balance with Central Bank of Nigeria	776,450	-	-	-	-	776,450
- Balances with banks in Nigeria	75,278	73,425	-	-	-	148,703
- Balances with banks outside Nigeria	-	4,281,608	47,461	370,857	4,699,926	-
- Mandatory reserve deposit with Central Bank of Nigeria	994,572	-	-	-	-	994,572
Loans to banks						
- Placements with banks and discount houses	1,856,382	324,102	5,915,273	-	315,680	8,411,437
- Placements with other financial institutions	-	-	-	-	184,471	184,471
Financial instruments held for trading						
- Nigerian Treasury Bills	6,254,326	-	-	-	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Loans and advances						
- Loans and advances	13,465,541	10,475,843	15,460,220	-	214,668	39,616,272
- Commercial bills	-	-	-	-	-	-
- Margin facilities	-	-	414,827	-	-	414,827
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	78,249	-	-	-	78,249
Investment securities						
- Federal Government of Nigeria bonds	10,869,451	-	-	-	-	10,869,451
- Nigerian Treasury Bills	8,076,583	-	-	-	-	8,076,583
- State Government and Corporate bonds	5,572,595	7,204,344	3,639,645	2,755,788	-	19,172,372
Pledged assets						
- Nigerian Treasury Bills	4,780,708	-	-	-	-	4,780,708
- Federal Government of Nigeria bonds	1,914,384	-	-	-	-	1,914,384
- State Government and Corporate bonds	925,400	-	-	-	-	925,400
Other assets						
- Receivables	-	-	-	-	325,049	325,049
Total	55,561,670	22,437,571	25,477,426	2,755,788	1,410,963	107,643,418

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

Bank

31 December 2015						
In thousands of Nigerian Naira	AAA to AA-	A+ TO A-	BBB+ to BB-	Below BB-	Unrated	Total
Financial assets:						
Cash and bank balances						
Cash	-	-	-	-	191	191
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,402,340	-	-	-	-	2,402,340
- Balances with banks in Nigeria	91,132	84,447	651	-	-	174,928
- Balances with banks outside Nigeria	-	14,948,877	734,485	-	1,174,990	16,858,352
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	-	-	-	-	1,179,615
Loans to banks						
- Placements with banks and discount houses	9,905,530	-	-	-	-	9,905,530
- Placements with other financial institutions	620,076	-	-	-	-	620,076
Financial instruments held for trading						
- Nigerian Treasury Bills	2,844,336	-	-	-	-	2,844,336
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	13,386	-	-	13,386
- Foreign exchange forward contract	-	-	-	2,532	-	2,532
Loans and advances						
- Loans and advances	4,631,132	8,974,904	25,629,063	-	441,940	39,677,039
- Margin facilities	-	-	-	-	-	-
Investment securities						
- Federal Government of Nigeria bonds	5,524,400	-	-	-	-	5,524,400
- Nigerian Treasury Bills	4,034,837	-	-	-	-	4,034,837
- State Government and Corporate bonds	7,572,747	3,579,078	1,001,688	-	-	12,153,513
Pledged assets						
- Nigerian Treasury Bills	4,680,279	-	-	-	-	4,680,279
- Federal Government of Nigeria bonds	2,639,406	-	-	-	-	2,639,406
- State Government and Corporate bonds	-	-	-	3,444,398	-	3,444,398
Other assets						
- Receivables	-	-	-	-	87,627	87,627
Total	46,125,830	27,587,306	27,377,971	3,446,930	1,704,748	106,242,785

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

31 December 2014						
In thousands of Nigerian Naira	AAA to AA-	A+ TO A-	BBB+ to BB-	Below BB-	Unrated	Total
Financial assets:						
Cash and bank balances						
Cash	-	-	-	-	59	59
Balances with other banks						
- Operating balance with Central Bank of Nigeria	776,450	-	-	-	-	776,450
- Balances with banks in Nigeria	13,202	73,425	-	-	-	86,627
- Balances with banks outside Nigeria	-	4,281,608	47,461	-	370,857	4,699,926
- Mandatory reserve deposit with Central Bank of Nigeria	994,572	-	-	-	-	994,572
Loans to banks						
- Placements with banks and discount houses	1,804,736	-	5,505,199	-	-	7,309,935
- Placements with other financial institutions	-	-	-	-	-	-
Financial instruments held for trading						
- Nigerian Treasury Bills	6,254,326	-	-	-	-	6,254,326
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	-
- Foreign exchange forward contract	-	78,249	-	-	-	78,249
Loans and advances						
- Loans and advances	13,465,541	10,475,843	15,460,220	-	36,289	39,437,893
- Margin facilities	-	-	-	-	-	-
Investment securities						
- Federal Government of Nigeria bonds	10,869,451	-	-	-	-	10,869,451
- Nigerian Treasury Bills	7,489,237	-	-	-	-	7,489,237
- State Government and Corporate bonds	5,572,595	7,204,344	3,621,241	2,721,039	-	19,119,219
Pledged assets						
- Nigerian Treasury Bills	4,780,708	-	-	-	-	4,780,708
- Federal Government of Nigeria bonds	1,914,384	-	-	-	-	1,914,384
- State Government and Corporate bonds	925,400	-	-	-	-	925,400
Other assets						
- Receivables	-	-	-	-	67,666	67,666
Total	54,860,602	22,113,469	24,634,121	2,721,039	474,871	104,804,102

Federal Government of Nigeria (FGN) is rated as a sovereign and thus classified as Aaa. Therefore, FGN bonds, treasury bills and instruments of federal government agencies are rated Aaa.

Balances with banks outside Nigeria are rated using the international Fitch ratings of these banks.

3.1.12 Financial Assets Individually Impaired

Individual assessment was conducted on all individually significant loans; and all non-significant loans past due (91 days and above if any) in the portfolio. All individually significant loans are examined for any sign of impairment triggers. These triggers for impairments include:

1. significant financial difficulty of the issuer or obligor;
2. a breach of contract (such as a default or delinquency in interest or principal payments);
3. granting to the borrower a concession that FSDH would not otherwise consider, due to the borrower's financial difficulties;
4. becoming probable that the borrower will enter bankruptcy or other financial reorganization;
5. the disappearance of an active market for that financial asset because of financial difficulties;

IAS 39 requires an entity to test a financial instrument for impairment at the end of each reporting period. If there is objective evidence that an impairment loss on individually significant loans has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's effective interest rate computed at initial recognition.

At 31 December 2015	Group Loans and receivables to customers N'000	Bank Loans and receivables to customers N'000
Gross amount	40,997,317	40,404,714
Specific impairment	732,439	727,675
Net amount	<u>40,264,878</u>	<u>39,677,039</u>
Fair value of collateral	<u>12,897,714</u>	<u>12,224,608</u>

At 31 December 2014	Group Loans and receivables to customers N'000	Bank Loans and receivables to customers N'000
Gross amount	40,194,178	39,595,264
Specific impairment	163,079	157,371
Net amount	<u>40,031,099</u>	<u>39,437,893</u>
Fair value of collateral	<u>19,210,365</u>	<u>18,294,911</u>

3.1.2 Estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

Group In thousands of Naira	Loans and advances to customers		Loans and advances to banks	
	December 2015	December 2014	December 2015	December 2014
Against neither past due and not impaired				
Property	5,170,000	4,200,000	-	-
Equities	673,106	915,454	-	-
Cash	3,015,000	8,583,134	-	-
Pledged goods/receivables	-	-	-	-
Others	4,039,608	5,511,777	6,520,000	6,800,000
Total	<u>12,897,714</u>	<u>19,210,365</u>	<u>6,520,000</u>	<u>6,800,000</u>

Group In thousands of Naira	Loans and advances to customers		Loans and advances to banks	
	December 2015	December 2014	December 2015	December 2014
Against neither past due and not impaired				
Property	5,170,000	4,200,000	-	-
Equities	-	-	-	-
Cash	3,015,000	8,583,134	-	-
Pledged goods/receivables	-	-	-	-
Others	4,039,608	5,511,777	6,520,000	6,800,000
Total	<u>12,224,608</u>	<u>18,294,911</u>	<u>6,520,000</u>	<u>6,800,000</u>

There are no collaterals held against other financial assets

3.2 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises both currency risk and price risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices. Price risk arises in non-trading portfolios, as well as in trading portfolios. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

3.2.1 Management of market risk

The Risk Management unit is mandated to assess, monitor and manage market risk for the Group. The primary objective of the Risk Management unit is to establish a comprehensive and independent market risk control framework.

The Group's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risk in the Group and ensure that:

- The individuals who take or manage risk clearly understand it
- The Group's risk exposure is within established limits
- Risk taking decisions are in line with business strategy and objectives set by the Board of Directors
- The expected payoffs compensate for the risks taken
- Sufficient capital, as a buffer, is available to take risk

3.2.2 Market risk measurement

The Group currently applies Non-Value at Risk measures in the measurement and management of market risks. The techniques currently used to measure and control market risk include:

Position Limit

The Board of Directors with the input of Risk Management unit sets limits on the aggregate trading portfolio for overnight positions. This limit, which is a product of our model tracking factor sensitivity, is reviewed frequently depending on market volatility

Trading Limit

Risk Management unit has put in place trading limit for all securities traders. Limits have been set based on experience and hierarchy, as it would be risky for traders to have equal ability to commit the Group. Limits are reviewed annually.

Mark-to-Market

The mark-to-market process is done by the Risk management unit, independent of the Treasury Unit. Daily market quotes are obtained transparently and the unrealized profit or losses are computed. The results are presented to management daily.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, issuer limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or in-house developed, are independently validated by the Risk Management unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the Risk Management unit assesses the daily liquid closing price inputs (used to value instruments) and performs a review of less liquid prices from a reasonableness perspective at least monthly. Where differences are significant, mark-to-market adjustments are made.

Annual net interest income at risk

A dynamic forward-looking annual net interest income forecast is used to quantify the Group's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenario, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions and is carried out to augment other risk measures that are used by the Group, such as market risk factor sensitivities. These stress scenarios are typically used to highlight exposures that may not be explicitly incorporated by specific sensitivity calculations (such as basis, price and correlation) that can be the source of large losses when abnormally large market movements occur.

Stress testing also attempts to indicate the size of the loss provoked by any of a number of unlikely but possible shock events given current positions held.

The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

3.2.3 Foreign Exchange Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows, primarily with respect to the US dollar. The Group is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions.

The bank has a robust risk management system that identifies, measures and mitigates the foreign currency exchange rate risk on its financial position and cash flows. Apart from regulatory imposed limits such as the net open position limit (OPL) which is set at 0.5% of Shareholders' funds that helps to limit these exposures, the bank has market risk limits such as:

- Daily mark-to-market mechanism that revalues all currency positions daily, ensuring that foreign currency positions are valued at current market price and not at cost.
- An Open Position Limit that is more stringent than the regulatory limit.
- A Bank wide limit on the maximum volume of foreign currency denominated securities to invest in.
- Aggregate position limits for individual currency positions, which limits exchange rate risk in all currencies that the bank has exposures.

The bank mitigates the changes in fair value attributable to foreign-exchange rate movements in certain transactions. Typically, entering into a forward foreign-exchange contract is used as a preferred hedging mechanism. Also, the Bank enters into currency swaps to hedge against foreign exchange risk.

In the year 2014, the CBN issued a policy stating that the Net Open Position (long or short) of the overall foreign currency assets and liabilities taking into cognizance both those on and off balance sheet should not exceed 20% of shareholders' funds unimpaired by losses using the Gross Aggregate Method.

Breakdown of financial assets by currency

Group	31 December 2015	31 December 2015	31 December 2015	31 December 2015	31 December 2015
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
ASSETS					
Cash and bank balances	3,834,795	16,733,045	26,498	98,903	20,693,241
Loans and receivables to banks	12,543,134	-	-	-	12,543,134
Financial assets held for trading	2,844,359	-	-	-	2,844,359
Derivative financial instruments	-	15,918	-	-	15,918
Loans and advances to customers	27,498,590	12,766,288	-	-	40,264,878
Investment securities	23,145,859	64,350	-	-	23,210,209
Pledged assets	7,319,685	3,444,398	-	-	10,764,083
Other assets	422,614	-	-	-	422,614
	<u>77,609,036</u>	<u>33,023,999</u>	<u>26,498</u>	<u>98,903</u>	<u>110,758,436</u>

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	31 December 2015				
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
LIABILITIES					
Due to banks	7,100,649	9,149,662	-	-	16,250,311
Due to customers	42,448,428	8,926,109	26,992	10,095	51,411,624
Derivative financial instruments	-	1,382	-	-	1,382
Other liabilities	524,532	6,353,457	-	-	6,877,989
Debt securities issued	5,630,676	-	-	-	5,630,676
Other borrowed funds	-	3,948,697	-	-	3,948,697
	<u>55,704,285</u>	<u>28,379,307</u>	<u>26,992</u>	<u>10,095</u>	<u>84,120,679</u>
Net on Balance Sheet Financial Position	<u>21,904,751</u>	<u>4,644,692</u>	<u>-494</u>	<u>88,808</u>	<u>26,637,756</u>
Credit Commitments					
- Letters of Credit	-	4,126,077	-	-	4,126,077
- Loan commitments	14,785,965	617,003	-	-	15,402,968
	<u>14,785,965</u>	<u>4,743,080</u>	<u>-</u>	<u>-</u>	<u>19,529,045</u>
Shareholders' Funds as at Dec 2015		30,229,182	30,229,182	30,229,182	30,229,182
Net Balance sheet Position Limit / SHF		15.36%	0.00%	0.29%	15.66%

Group	31 December 2014				
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
ASSETS					
Cash and bank balances	1,858,944	4,312,540	75,498	372,907	6,619,889
Loans and receivables to banks	8,595,908	-	-	-	8,595,908
Financial assets held for trading	6,323,826	-	-	-	6,323,826
Loans and receivables to customers	26,421,833	13,609,266	-	-	40,031,099
Derivative financial instruments	-	78,249	-	-	78,249
Investment securities	34,381,928	5,249,427	-	-	39,631,355
Pledged assets	7,620,492	-	-	-	7,620,492
Other assets	325,049	-	-	-	325,049
	<u>85,527,980</u>	<u>23,249,481</u>	<u>75,498</u>	<u>372,907</u>	<u>109,225,867</u>
LIABILITIES					
Due to banks	21,069,471	19,055,657	-	-	40,125,128
Due to customers	35,832,150	5,137,523	75,794	2,301	41,047,767
Derivative financial instruments	-	87,871	-	-	87,871
Other liabilities	651,253	-	-	-	651,253
Debt securities issued	5,583,458	-	-	-	5,583,458
	<u>63,136,332</u>	<u>24,281,051</u>	<u>75,794</u>	<u>2,301</u>	<u>87,495,477</u>
Net on Balance Sheet Financial Position	<u>22,391,649</u>	<u>(1,031,570)</u>	<u>(296)</u>	<u>370,607</u>	<u>21,730,390</u>
Credit Commitments					
- Letters of Credit	108,000	8,008,636	-	-	8,116,636
- Loan commitments	19,634,950	4,069,565	-	-	23,704,515
	<u>19,742,950</u>	<u>12,078,201</u>	<u>-</u>	<u>-</u>	<u>31,821,151</u>
Shareholders' Funds as at Dec 2014	25,459,888	25,459,888	25,459,888	25,459,888	25,459,888
Net Balance sheet Position Limit / SHF		4.05%	0.00%	1.46%	5.51%

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

BANK	31 December	31 December	31 December	31 December	31 December
	2015	2015	2015	2015	2015
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
ASSETS					
Cash and bank balances	3,756,980	16,733,045	26,498	98,903	20,615,425
Loans and receivables to banks	10,525,606	-	-	-	10,525,606
Financial assets held for trading	2,844,336	-	-	-	2,844,336
Derivative financial instruments	-	15,918	-	-	15,918
Loans and advances to customers	26,910,751	12,766,288	-	-	39,677,039
Investment securities	21,713,416	-	-	-	21,713,416
Pledged assets	7,319,685	3,444,398	-	-	10,764,082
Other assets	87,627	-	-	-	87,627
	<u>73,158,401</u>	<u>32,959,649</u>	<u>26,498</u>	<u>98,903</u>	<u>106,243,450</u>
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
LIABILITIES					
Due to banks	7,100,649	9,149,662	-	-	16,250,311
Due to customers	43,698,453	8,926,109	26,992	10,095	52,661,649
Derivative financial instruments	-	1,382	-	-	1,382
Other liabilities	190,003	6,353,457	-	-	6,543,460
Debt securities issued	5,630,676	-	-	-	5,630,676
Other borrowed funds	-	3,948,697	-	-	3,948,697
	<u>56,619,781</u>	<u>28,379,307</u>	<u>26,992</u>	<u>10,095</u>	<u>85,036,175</u>
	<u>16,538,619</u>	<u>4,580,342</u>	<u>-495</u>	<u>88,808</u>	<u>21,207,275</u>
Credit Commitments					
- Letters of Credit	-	4,126,077	-	-	4,126,077
- Loan commitments	14,785,965	617,003	-	-	15,402,968
	<u>14,785,965</u>	<u>4,743,080</u>	<u>-</u>	<u>-</u>	<u>19,529,045</u>
Shareholders' Funds as at Dec 2015		25,484,274	25,484,274	25,484,274	25,484,274
Net Balance sheet Position Limit / SHF		17.97%	0.00% 0	.35%	18.32%

BANK	31 December	31 December	31 December	31 December	31 December
	2014	2014	2014	2014	2014
	NGN N'000	USD N'000	GBP N'000	EUR N'000	Total N'000
ASSETS					
Cash and bank balances	1,796,689	4,312,540	75,498	372,907	6,557,634
Loans and receivables to banks	7,309,935	-	-	-	7,309,935
Financial assets held for trading	6,254,326	-	-	-	6,254,326
Derivative financial instruments	-	78,249	-	-	78,249
Loans and receivables to customers	25,828,627	13,609,266	-	-	39,437,893
Investment securities	32,369,465	5,109,108	-	-	37,478,573
Pledged assets	7,620,492	-	-	-	7,620,492
Other assets	67,666	-	-	-	67,666
	<u>81,247,201</u>	<u>23,109,162</u>	<u>75,498</u>	<u>372,907</u>	<u>104,804,768</u>

BANK	31 December	31 December	31 December	31 December	31 December
	2014	2014	2014	2014	2014
	NGN	USD	GBP	EUR	Total
	N'000	N'000	N'000	N'000	N'000
LIABILITIES					
Due to banks	21,069,471	19,055,657	-	-	40,125,128
Due to customers	36,563,375	5,168,588	75,794	2,301	41,810,057
Derivative financial instruments	-	87,871	-	-	87,871
Other liabilities	637,466	-	-	-	637,466
Debt securities issued	5,583,458	-	-	-	5,583,458
	<u>63,853,770</u>	<u>24,312,115</u>	<u>75,794</u>	<u>2,301</u>	<u>88,243,980</u>
Due to customers	<u>17,393,430</u>	<u>(1,202,953)</u>	<u>(296)</u>	<u>370,607</u>	<u>16,560,788</u>
Credit Commitments					
- Letters of Credit	108,000	8,008,636	-	-	8,116,636
- Loan commitments	19,634,950	4,069,565	-	-	23,704,515
	<u>19,742,950</u>	<u>12,078,201</u>	<u>-</u>	<u>-</u>	<u>31,821,151</u>
Shareholders' Funds as at Dec 2014		20,859,879	20,859,879	20,859,879	20,859,879
Net Balance sheet Position Limit / SHF		5.77%	0.00%	1.78%	7.54%

The table below shows the impact on the Group's profit before tax if foreign exchange rates on financial instruments held at amortised cost or at fair value had increased by 500 basis points, with all other variables held constant.

Effect of 500 basis points movement on foreign exchange assets

Group	31 December	31 December
	2015	2014
	N'000	N'000
Assets	1,657,470	1,184,894
Liabilities	<u>1,420,820</u>	<u>1,217,957</u>
Impact on profit / loss	236,650	-33,063
Bank		
	31 December	31 December
	2015	2014
	N'000	N'000
Assets	1,654,252	1,177,878
Liabilities	<u>1,420,820</u>	<u>1,219,510</u>
Impact on profit / loss	233,432	-41,632

At 31 December 2015, if the local currency had weakened/strengthened by 5% against the US dollar, GB pound and Euro with all other variables held constant, this would have translated to a revaluation gain/loss to the tune of the amounts indicated above. Also, profit is more sensitive to movement in currency exchange rates in 2015 than 2014 because of the increased amount of foreign exchange transactions. It is however pertinent to note that losses sustained on the assets are offset by the gain on the liabilities and vice versa. The gains and losses don't exactly match because of the funding gap in that currency.

3.2.4 Interest rate risk

The Group is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk. One of the bank's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customers' requirements with regard to tenor, and rate type. Net Interest Income (NII) is the difference between the yield earned on portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or wholesale borrowings). NII is affected by changes in the level of interest rates.

Movements in interest rate in the Bank's core activities affect its reported earnings and book capital by impacting the Net Interest Income (NII). The value of the Bank's assets, liabilities, and interest rate-related, off-balance-sheet items is affected by a change in rates because the present value of future cash flows, and in some cases the cash flows themselves, is changed.

The Bank's primary strategy for managing interest rate risk is to match interest rate sensitivities of both sides of its Balance sheet. In this respect, the Bank separately identifies and classifies its assets and liabilities based on their sensitivities i.e. floating vs. fixed rates. All floating rate components of the Balance sheet are managed against a defined benchmark rate. All fixed rate components are managed against a re-pricing profile benchmark to be determined by the Risk Management and Compliance Unit and approved by ALCO.

The table below summarises the Group's interest rate gap position:

Group	Carrying amount	Variable interest	Fixed interest	Non interest- bearing
31 December 2015	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	20,693,240	-	-	20,693,240
Loans and receivables to banks	12,543,134	-	12,543,134	-
Financial assets held for trading	2,844,359	-	2,844,336	23
Derivative financial instruments	15,918	-	-	15,918
Loans and advances to customers	40,264,878	29,630,992	10,633,886	-
Investment securities	23,210,209	-	22,099,945	1,110,264
Pledged assets	10,764,082	-	10,764,082	-
Other assets	422,614	-	-	422,614
	<u>110,758,434</u>	<u>29,630,992</u>	<u>58,885,383</u>	<u>22,242,059</u>
Liabilities				
Due to banks	16,250,311	-	16,250,311	-
Due to customers	51,411,624	-	51,411,624	-
Derivative financial instruments	1,382	-	-	1,382.00
Other liabilities	6,877,989	-	-	6,877,989
Debt securities issued	5,630,676	-	-	5,630,676
Other borrowed funds	3,948,697	3,948,697	-	-
	<u>84,120,679</u>	<u>3,948,697</u>	<u>67,661,935</u>	<u>12,510,047</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

31 December 2014	Carrying amount N'000	Variable interest N'000	Fixed interest N'000	Non interest- bearing N'000
Assets				
Cash and bank balances	6,619,889	-	-	6,619,889
Loans and receivables to banks	8,595,908	-	8,595,908	-
Financial assets held for trading	6,323,826	-	6,257,756	66,070
Loans and receivables to customers	40,031,099	21,886,247	18,144,852	-
Derivative financial instruments	78,249	-	-	78,249
Investment securities	39,631,355	-	38,118,406	1,512,949
Pledged assets	7,620,492	-	7,620,492	-
Other assets	325,049	-	325,049	-
	<u>109,225,867</u>	<u>21,886,247</u>	<u>79,062,463</u>	<u>8,277,157</u>
Liabilities				
Due to banks	40,125,128	-	40,125,128	-
Due to customers	41,047,767	-	41,047,767	-
Debt securities issued	5,583,458	-	5,583,458	-
Derivative financial instruments	87,871	-	-	87,871
Other liabilities	651,253	-	-	651,253
	<u>87,495,477</u>	<u>-</u>	<u>86,756,353</u>	<u>739,124</u>

Bank

31 December 2015 (N'000)	Carrying amount N'000	Variable interest N'000	Fixed interest N'000	Non interest- bearing N'000
Assets				
Cash and bank balances	20,615,425	-	-	20,615,425
Loans and receivables to banks	10,525,606	-	10,525,606	-
Financial assets held for trading	2,844,336	-	2,844,336	-
Derivative financial instruments	15,918	-	-	15,918
Loans and advances to customers	39,677,039	29,630,992	10,046,047	-
Investment securities	21,713,416	-	21,712,750	666
Pledged assets	10,764,082	-	10,764,082	-
Other assets	87,627	-	-	87,627
	<u>106,243,449</u>	<u>29,630,992</u>	<u>55,892,821</u>	<u>20,719,636</u>
Liabilities				
Due to banks	16,250,311	-	16,250,311	-
Due to customers	52,661,649	-	52,661,649	-
Derivative financial instruments	1,382	-	-	1,382.00
Other liabilities	6,543,460	-	-	6,543,460
Debt securities issued	5,630,676	-	-	5,630,676
Other borrowed funds	3,948,697	3,948,697	-	-
	<u>85,036,175</u>	<u>3,948,697</u>	<u>68,911,960</u>	<u>12,175,516</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

31 December 2014 (N'000)	Carrying amount N'000	Variable interest N'000	Fixed interest N'000	Non interest- bearing N'000
Assets				
Cash and bank balances	6,557,634	-	-	6,557,634
Loans and receivables to banks	7,309,935	-	7,309,935	-
Financial assets held for trading	6,254,326	-	6,254,326	-
Loans and receivables to customers	39,437,893	21,886,296	17,551,597	-
Derivative financial instruments	78,249	-	-	78,249
Investment securities	37,478,573	-	37,477,907	666
Pledged assets	7,620,492	-	7,620,492	-
Other assets	67,666	-	67,666	-
	<u>104,804,768</u>	<u>21,886,296</u>	<u>76,214,257</u>	<u>6,704,215</u>
Liabilities				
Due to banks	40,125,128	-	40,125,128	-
Due to customers	41,810,057	-	41,810,057	-
Debt securities issued	5,583,458	-	5,583,458	-
Derivative financial instruments	87,871	-	-	87,871
Other liabilities	637,466	-	-	637,466
	<u>88,243,980</u>	<u>-</u>	<u>87,518,643</u>	<u>725,337</u>

The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities. The Group's interest rate risk exposure on assets and liabilities are categorised by the re-pricing dates.

Group

At 31 December 2015 (N'000)

	Up to 1 months						1 - 3 months		3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Financial Assets																			
Cash and bank balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,693,240	-	20,693,240
Loans and receivables to banks	10,722,870	1,557,022	-	-	-	150,254	-	-	-	150,254	-	-	-	-	-	-	112,988	-	12,543,134
Financial assets held for trading	-	-	-	-	-	2,844,336	-	-	-	2,844,336	-	-	-	-	-	-	23	-	2,844,359
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,918	-	15,918
Loans and advances to customers	4,386,196	27,671,901	-	-	-	1,215,879	-	-	-	1,215,879	-	-	6,990,901	-	-	-	-	-	40,264,878
Investment securities	81,699	255,325	270,958	-	-	4,518,353	270,958	-	-	4,518,353	9,573,886	7,399,723	-	-	-	-	-	-	23,210,209
Pledged assets	-	-	-	-	-	4,680,278	-	-	-	4,680,278	3,451,970	2,631,834	-	-	-	-	-	-	10,764,082
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	422,614	-	422,614
Total financial assets (contractual maturity)	15,190,765	29,484,248	270,958	13,409,102	270,958	13,409,102	20,016,757	10,031,558	22,355,047	110,758,435									

	Up to 1 months						1 - 3 months		3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000		
Financial Liabilities																				
Due to banks	10,212,162	4,013,370	2,024,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,250,311
Due to customers	23,916,542	21,400,437	194,501	18,617	280,336	-	-	-	-	-	-	-	-	-	-	-	5,601,191	-	51,411,624	
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,382.00	-	1,382	
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,877,989	-	6,877,989	
Debt securities issued	-	-	-	-	-	5,630,676	-	-	-	-	-	-	-	-	-	-	-	-	5,630,676	
Other borrowed funds	-	-	3,948,697	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,948,697	
Total financial liabilities (contractual maturity)	34,128,704	25,413,807	6,167,977	5,649,293	280,336	5,649,293	10,031,558	22,355,047	110,758,435											
Liabilities Commitments																				
Letters of Credit	-	4,126,077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,126,077
Loan Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	4,126,077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,126,077
Interest Rate GAP	-18,937,938	-55,636	-5,897,019	7,759,809	19,736,421	10,031,558	9,874,484	22,511,679												

At 31 December 2014 (N'000)

	Up to 1 months						1 - 3 months		3 - 6 months		6 - 12 months		1 - 5 Years Above 5 years		Non Interest Bearing		Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Financial Assets																	
Cash and bank balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,619,889	-	6,619,889
Loans and receivables to banks	8,595,908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,595,908
Financial assets held for trading	149,520	539,204	1,252,726	4,312,877	2,148	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	66,070	-	6,323,826
Derivative financial instruments	-	78,249	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78,249
Loans and advances to customers	7,622,759	22,813,578	546,963	2,449,477	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	6,598,322	-	-	40,031,099
Investment securities	1,552,958	824,319	6,995,417	6,940,269	7,807,358	13,998,085	13,998,085	13,998,085	13,998,085	13,998,085	13,998,085	13,998,085	13,998,085	13,998,085	1,512,949	-	39,631,355
Pledged asset	s -	-	6,695,092	925,400	-	-	-	-	-	-	-	-	-	-	-	-	7,620,492
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	325,049	-	325,049
Total financial assets (contractual maturity)	17,921,145	24,255,350	15,490,197	14,628,023	14,407,828	13,999,367	13,999,367	8,523,957	-	109,225,867							
Financial Liabilities																	
Due to banks	31,094,462	8,975,209	-	55,457	-	-	-	-	-	-	-	-	-	-	-	-	40,125,128
Due to customers	24,281,896	12,998,865	1,084,293	1,047,088	-	-	-	-	-	-	-	-	-	-	1,635,625	-	41,047,767
Derivative financial instruments	-	87,871	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,871
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	651,253	-	651,253
Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial liabilities (contractual maturity)	55,376,358	22,061,945	1,084,293	1,102,545	5,583,458	5,583,458	2,286,878	-	87,495,477								
Liabilities Commitments																	
Letters of Credit	2,138,227	60,000	5,918,409	-	-	-	-	-	-	-	-	-	-	-	-	-	8,116,636
Loan Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,704,515	-	23,704,515
Total	2,138,227	60,000	5,918,409	-	-	23,704,515	-	31,821,151									
Interest Rate GAP	-39,593,440	2,133,405	8,487,495	13,525,478	8,824,370	13,999,367	13,999,367	-17,467,435	-	-10,090,761							

Bank

At 31 December 2015 (N'000)

	Up to 1 months						3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Financial Assets																	
Cash and bank balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,615,425	-	20,615,425
Loans and receivables to banks	10,525,606	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,525,606
Financial assets held for trading	-	-	-	-	2,844,336	-	-	-	-	-	-	-	-	-	-	-	2,844,336
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	15,918.00	-	-	15,918
Loans and advances to customers	3,966,554	27,474,491	-	-	1,215,879	-	7,020,114	-	-	-	-	-	-	-	-	-	39,677,039
Investment securities	76,700	1,115	244,865	4,518,354	9,472,941	7,398,776	-	-	-	-	-	-	-	666.00	-	-	21,713,416
Pledged assets	-	-	-	4,680,278	3,451,970	2,631,834	-	-	-	-	-	-	-	-	-	-	10,764,082
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	87,627	-	-	87,627
Total financial assets (contractual maturity)	14,568,860	27,475,606	244,865	13,258,848	19,945,025	10,030,610	20,719,636	106,243,450									

	Up to 1 months						3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Financial Liabilities																	
Due to banks	10,212,162	4,013,370	2,024,779	-	-	-	-	-	-	-	-	-	-	-	-	-	16,250,311
Due to customers	24,543,568	21,400,437	817,501	18,617	280,336	-	-	-	-	-	-	-	-	5,601,191	-	-	52,661,649
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	1,382	-	-	1,382
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	6,543,460	-	-	6,543,460
Debt securities issued	-	-	-	5,630,676	-	-	-	-	-	-	-	-	-	-	-	-	5,630,676
Other borrowed funds	-	-	3,948,697	-	-	-	-	-	-	-	-	-	-	-	-	-	3,948,697
Total financial liabilities (contractual maturity)	34,755,729	25,413,807	6,790,977	5,649,293	280,336	-	12,146,033	85,036,175									
Liabilities Commitments																	
Letters of Credit	-	4,126,077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,126,077
Loan Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	4,126,077	-	-	-	-	-	4,126,077									
Interest Rate GAP	-20,186,869	-2,064,278	-6,546,112	7,609,555	19,664,689	10,030,610	8,573,603	17,081,198									

Bank

At 31 December 2015 (N'000)

	Up to 1 months		1 - 3 months		3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000		N'000
Financial Assets																
Cash and bank balances	-	-	-	-	-	-	-	-	-	-	-	-	-	6,557,634	6,557,634	
Loans and receivables to banks	7,309,935	-	-	-	-	-	-	-	-	-	-	-	-	-	7,309,935	
Financial assets held for trading	149,520	539,204	1,252,726	4,312,877	-	-	-	-	-	-	-	-	-	-	6,254,326	
Loans and receivables to customers	7,493,554	24,440,548	546,963	2,449,477	4,507,351	-	-	-	-	-	-	-	-	-	39,437,893	
Derivative financial instruments	-	78,249	-	-	-	-	-	-	-	-	-	-	-	-	78,249	
Investment securities	1,492,261	736,673	6,557,080	6,921,865	7,772,609	13,998,085	-	-	-	-	-	-	-	-	37,478,573	
Pledged assets	-	-	6,695,092	925,400	-	-	-	-	-	-	-	-	-	-	7,620,492	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	67,666	67,666	
Total financial assets (contractual maturity)	16,445,269	25,794,674	15,051,861	14,609,620	12,279,960	13,998,085	6,625,300	104,804,768								

Total financial assets (contractual maturity)

	Up to 1 months		1 - 3 months		3 - 6 months		6 - 12 months		1 - 5 Years		Above 5 years		Non Interest Bearing		Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000		N'000
Financial Liabilities																
Due to banks	31,094,462	8,975,209	-	55,457	-	-	-	-	-	-	-	-	-	-	40,125,128	
Due to customers	24,497,285	13,273,381	1,084,293	1,047,088	-	-	-	-	-	-	-	-	1,908,009	-	41,810,057	
Debt securities issued	-	-	-	-	-	5,583,458	-	-	-	-	-	-	-	-	5,583,458	
Derivative financial instruments	-	87,871	-	-	-	-	-	-	-	-	-	-	-	-	87,871	
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	637,466	-	637,466	
Total financial liabilities (contractual maturity)	55,591,747	22,336,461	1,084,293	1,102,545	5,583,458	2,545,475	88,243,980									
Liabilities Commitments																
Letters of Credit	2,138,227	60,000	5,918,409	-	-	-	-	-	-	-	-	-	-	-	8,116,636	
Loan Commitments	-	-	-	-	-	-	-	-	-	-	-	-	23,704,515	-	23,704,515	
Total	2,138,227	60,000	5,918,409	-	-	-	31,821,151									
Interest Rate GAP	-41,284,705	3,398,213	8,049,158	13,507,074	6,696,502	13,998,085	-19,624,690	-15,260,363								

Interest Rate GAP

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to specific interest rate scenarios. The sensitivity analysis is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non-trading financial assets & liabilities and trading financial assets held as at 31 December 2015. The sensitivity analysis on both the trading & non-trading portfolio measures the change in value of the non-trading accrual portfolio due to a 100 basis point parallel move in the interest rates.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments (trading and non-trading) held at amortised cost and at fair value had increased by 100 basis points, with all other variables held constant.

	31 December <u>2015</u> N'000	31 December <u>2014</u> N'000
Effect of 100 basis points movement on profit before tax	<u>(979,292)</u>	<u>(938,204)</u>

3.2.5 Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risk through its subsidiaries' investments in quoted securities on the Nigerian Stock Exchange (NSE) and other non-quoted investments held by both the Bank and its subsidiaries. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group. The group doesn't deal in commodities hence it is not exposed to commodities price risk. The Group's exposure to price risk is largely limited to quoted securities.

The Group conducts a sensitivity analysis on its exposure to price risk. This is done by assuming a 10% negative movement on the market price of the financial assets exposed to price risk

The table below shows the impact of a 10% movement on the price of equities held by the group.

	31 December <u>2015</u> N'000	31 December <u>2014</u> N'000
Effect of 1000 basis points movement on the price of equity securities	<u>(111,026)</u>	<u>(151,294)</u>

The sectorial concentration of the Group's exposure to equity risk is shown below;

	31 December 2015 N'000	31 December 2014 N'000
Financial Services	193,506	297,384
Manufacturing	467,331	585,709
Oil & Gas	72,869	76,146
Conglomerate	65,082	107,956
Telecoms	122,405	150,714
Mutual Funds	189,071	295,040
	<u>1,110,264</u>	<u>1,512,949</u>

3.2.6 Liquidity Risk

Liquidity risk is one of the key risks we contend with at the Group. This is the risk that securities or assets held by the Group cannot be traded quickly enough to meet obligations as they become due. It occurs when the cushion provided by liquid assets is not sufficient to meet outstanding obligations. Liquidity risk does not occur in isolation; it is often triggered by consequences of other financial risks like credit risk and market risks such as interest rate risk, foreign exchange risk and security price risk.

For Merchant Banks, the regulatory liquidity requirement is 20% while the regulatory minimum for Commercial Banks is 30%. As at 31 December, 2015, the Group's liquidity ratio stood at 37.39%

3.2.6.1 Managing Liquidity Risk

The Group's board of directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to Assets & Liability Committee (ALCO). ALCO approves the Group's liquidity policies and procedures. Treasury and International Banking unit manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits and wholesale market deposits and maintaining contingency facilities.
- 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 financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Group's liquidity position.

Liquidity limits establish boundaries for market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. The survival horizon of the Bank has been set to 14 days. To ensure this is the case, the Bank intends to hold enough liquid assets to cover for any negative GAP over the next 14 days.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced flexibility of currencies, natural disasters or other catastrophes). The Group has in place a contingency funding line to the tune of N15 billion with Nigerian banks

3.2.6.2 Funding approach

Our sources of liquidity are regularly reviewed by ALCO and Treasury department in order to avoid undue reliance on large individual investors and ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared towards ensuring effective diversification in sources and tenor of funding.

The tables below represent the contractual maturity profile of the carrying amounts of the liabilities within the Group.

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

At 31 December 2015	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
CCash and bank balances	20,693,240	-	-	-	-	-	-	20,693,240
Loans and receivables to banks	112,988	10,728,536	1,592,163	-	160,000	-	-	12,593,687
Financial assets held for trading	23	2,700	245	250,000	2,734,744	-	-	2,987,712
Derivative financial instruments	-	2,532	-	-	-	13,386	-	15,918
Loans and advances to customers	-	1,150,058	4,968,430	2,076,650	5,166,416	31,818,940	11,945,217	57,125,710
Investment securities	1,110,264	600,263	166,722	473,092	6,340,872	13,587,793	8,139,845	30,418,852
Pledged assets	-	171,813	27,771	101,947	5,081,531	5,924,171	3,147,020	14,454,253
Other assets	422,614	-	-	-	-	-	-	422,614
Total financial assets (contractual maturity)	22,339,129	12,655,902	6,755,332	2,901,689	19,483,563	51,344,290	23,232,081	138,711,986
Financial Liabilities								
Due to banks	-	10,217,731	4,064,682	2,055,618	-	-	-	16,338,031
Due to customers	5,601,191	23,401,816	21,686,365	844,563	18,704	311,823	-	51,864,463
Derivative financial instruments	-	1,382.00	-	-	-	-	-	1,382
Other liabilities	6,877,989	-	-	-	-	-	-	6,877,989
Debt securities issued	-	-	-	394,013	6,024,689	-	-	6,418,701
Other borrowed funds	-	-	-	2,118,712	83,267	672,053	2,150,042	5,024,075
Total financial liabilities (contractual maturity)	12,479,180	33,620,929	25,751,047	5,412,906	6,126,660	983,876	2,150,042	86,524,641
Liabilities Commitments	-	-	4,126,077	-	-	-	-	4,126,077
Letters of Credit	-	2,040,112	-	-	4,852,871	6,936,870	1,573,114	15,402,968
Loan Commitments	-	2,040,112	4,126,077	-	4,852,871	6,936,870	1,573,114	19,529,045
Total	9,859,948	-23,005,140	-23,121,792	-2,511,218	8,504,032	43,423,543	19,508,925	32,658,300
GAP								

At 31 December 2014 (N'000)	No Contractual Maturity N'000	Up to 1 months N'000	1 - 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1 - 5 Years N'000	Above 5 years N'000	Total N'000
Financial Assets								
Cash and bank balances	6,619,889	-	-	-	-	-	-	6,619,889
Loans and receivables to banks	-	8,595,908	-	-	-	-	-	8,595,908
Financial assets held for trading	66,070	149,520	539,204	1,252,726	4,312,877	2,148	1,282	6,323,826
Derivative financial instruments	-	-	78,249	-	-	-	-	78,249
Loans and receivables to customers	-	6,486,842	4,656,927	1,189,337	2,488,975	11,662,855	13,546,164	40,031,099
Investment securities	1,512,949	1,552,958	824,319	6,995,417	6,940,269	7,807,358	13,998,085	39,631,355
Pledged assets	-	-	-	6,695,092	925,400	-	-	7,620,492
Other assets	325,049	-	-	-	-	-	-	325,049
Total financial assets (contractual maturity)	8,523,957	16,785,228	6,098,699	16,132,571	14,667,521	19,472,361	27,545,531	109,225,867
Financial Liabilities								
Due to banks	-	31,094,462	8,975,209	-	55,457	-	-	40,125,128
Due to customers	2,006,077	22,275,819	14,634,489	1,084,293	1,047,088	-	-	41,047,767
Derivative financial instruments	-	-	87,871	-	-	-	-	87,871
Other liabilities	651,253	-	-	-	-	-	-	651,253
Debt securities issued	-	-	-	-	-	5,583,458	-	5,583,458
Total financial liabilities (contractual maturity)	2,657,330	53,370,281	23,697,569	1,084,293	1,102,545	5,583,458	-	87,495,477
Liabilities Commitments								
Letters of Credit	-	2,138,227	60,000	5,918,409	-	-	-	8,116,636
Loan Commitments	-	-	4,192,142	500,000	-	5,502,307	13,510,066	23,704,515
Total	-	2,138,227	4,252,142	6,418,409	-	5,502,307	13,510,066	31,821,151
Interest Rate GAP	5,866,627	-38,723,280	-21,851,012	8,629,868	13,564,975	8,386,595	14,035,465	-10,090,761

BANK

At 31 December 2015

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	20,615,425	-	-	-	-	-	-	20,615,425
Loans and receivables to banks	-	10,525,606	-	-	-	-	-	10,525,606
Financial assets held for trading	-	2,700	245	250,000	2,734,744	-	-	2,987,689
Derivative financial instruments	-	2,532	-	-	-	13,386	-	15,918
Loans and receivables to customers	-	1,150,058	4,346,614	2,076,650	5,166,416	31,818,940	11,945,217	56,503,895
Investment securities	666	593,873	165,597	469,187	6,334,861	13,479,412	8,139,845	29,183,441
Pledged assets	-	171,813	27,771	101,947	5,081,531	5,924,171	3,147,020	14,454,253
Other assets	87,627	-	-	-	-	-	-	87,627
Total financial assets (contractual maturity)	20,703,718	12,446,582	4,540,227	2,897,784	19,317,552	51,235,909	23,232,082	134,373,853

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	-	10,217,731	4,064,682	2,055,618	-	-	-	16,338,031
Due to customers	5,601,191	24,651,841	21,686,365	844,563	18,704	311,823	-	53,114,487
Derivative financial instruments	-	1,382.00	-	-	-	-	-	1,382
Other liabilities	6,543,460	-	-	-	-	-	-	6,543,460
Debt securities issued	-	-	-	394,013	6,024,689	-	-	6,418,701
Other borrowed funds	-	-	-	2,118,712	83,267	672,053	2,150,042	5,024,0754
Total financial liabilities (contractual maturity)	12,144,651	34,870,954	25,751,047	5,412,906	6,126,660	983,876	2,150,042	87,440,137
Liabilities Commitments	-	-	4,126,077	-	-	-	-	4,126,077
Letters of Credit	-	2,040,112	-	-	4,852,871	6,936,870	1,573,114	15,402,967
Loan Commitments	-	-	-	-	-	-	-	-
Total	-	2,040,112	4,126,077	-	4,852,871	6,936,870	1,573,114	19,529,044
GAP	8,559,067	-24,464,485	-25,336,897	-2,515,122	8,338,020	43,315,163	19,508,925	27,404,670

BANK

At 31 December 2014

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	6,557,634	-	-	-	-	-	-	6,557,634
Loans and receivables to banks	-	7,309,935	-	-	-	-	-	7,309,935
Financial assets held for trading	-	149,520	539,204	1,252,726	4,312,877	-	-	6,254,326
Derivative financial instruments	-	-	78,249	-	-	-	-	78,249
Loans and receivables to customers	-	6,357,637	6,283,897	1,189,337	2,488,975	9,565,331	13,552,717	39,437,893
Investment securities	666	1,491,595	736,673	6,557,080	6,921,865	7,772,609	13,998,085	37,478,573
Pledged assets	-	-	-	6,695,092	925,400	-	-	7,620,492
Other assets	67,666	-	67,666	-	-	-	-	67,666
Total financial assets (contractual maturity)	6,625,966	15,308,686	7,705,689	15,694,234	14,649,117	17,337,940	27,550,802	104,804,768

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	-	31,094,462	8,975,209	-	55,457	-	-	40,125,128
Due to customers	1,908,009	24,497,285	15,181,390	1,084,293	1,047,088	-	-	41,810,057
Derivative financial instruments	-	-	87,871	-	-	-	-	87,871
Other liabilities	637,466	-	-	-	-	-	-	637,466
Debt securities issued	-	-	-	-	5,583,458	-	5,583,458	-
Total financial liabilities (contractual maturity)	2,545,475	53,683,738	24,244,470	1,084,293	1,102,293	5,583,458	-	88,243,980
Liabilities Commitments								
Letters of Credit	-	2,138,227	60,000	5,918,409	-	-	-	8,116,636
Loan Commitments	-	-	4,192,142	500,000	-	5,502,307	13,510,066	23,704,515
Total	-	2,138,227	4,252,142	6,418,409	-	5,502,307	13,510,066	31,821,151
Interest Rate GAP	4,080,491	-40,513,279	-20,858,589	8,191,532	13,546,571	6,252,175	14,040,736	-15,260,363

3.3 Fair Value

Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices) This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or 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 observable inputs have a significant effect on the instrument's 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 the difference between the instruments.

The Group uses the following procedures to determine the fair value of financial assets and liabilities:

Trading /Investment securities

Where available, the Group uses the quoted market prices to determine the fair value of trading assets and such items are classified as Level 1 of the fair value hierarchy. Quoted market prices are gotten from the website of the Financial Market Dealers Quotations (FMDQ).

Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available and therefore are classified as Level 1

Where there are securities that are not actively traded, the Group uses internal valuation techniques which are based on observable inputs obtained from the quoted market prices of similar actively traded securities. In this instance, these are classified as level 2

Derivatives

The derivatives entered into by the Group include over the counter FX forward contracts and a convertible loan option which are valued using internal valuation techniques.

The principal technique used to value the foreign exchange forward contracts is based on market observable inputs. The valuation technique includes forward pricing based on interpolation of the current interest rates and foreign exchange rates which are based on observable input therefore classified as Level 2.

The convertible loan option was valued using a binomial tree assuming different probabilities (chances) of calling the option at different points over the life of the contract with the value of equity in the asset as the underlying. As there was no cost incurred in purchasing the option, the downside to the Bank is zero. A key variable in the valuation model is the cost of crude per barrel. For the Model, the Bank has assumed a price of \$37 per barrel. The cash flows have been discounted at the effective interest rate on the loan.

Due to the absence of a clear and comparable market for the valuation of the embedded option, this is classified as level 3.

Unquoted equity

If quoted market prices are not available, the fair values are estimated based on internal valuation techniques or the last traded price on an OTC exchange. The key inputs depend upon the type of equity and the nature of inputs to the valuation technique. The item is placed in either Level 2 or Level 3 depending on the type of investment and valuation technique used

The Group's unquoted equities have been valued using the last traded price over the counter which occurred on 17th of December 2015 and the last traded price on the NASD exchange.

The Bank's investment in Nigeria Inter-Bank Settlement System Plc. (NIBSS) has been carried as cost due to non-availability of market data.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2015:

Notes To The Consolidated Financial Statements
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Group				
At 31 December 2015	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial assets				
Financial assets held for trading				
-Treasury bills	2,844,336	-	-	2,844,336
-Federal Government of Nigeria Bonds	-	-	-	-
-Quoted equity securities	23	-	-	23
	<u>2,844,359</u>	<u>-</u>	<u>-</u>	<u>2,844,359</u>
Derivative financial instruments				
- Convertible loan	-	-	13,386	13,386
- FX forward contract	-	2,532	-	2,532
	<u>-</u>	<u>2,532</u>	<u>13,386</u>	<u>15,918</u>
Investment securities classified as available for sale				
-Treasury bills	4,319,737	-	-	4,319,737
-Federal Government of Nigeria Bonds	5,415,873	-	-	5,415,873
-State government and corporate bonds	12,253,509	-	-	12,253,509
-Quoted equity securities	795,812	-	-	795,812
-Quoted mutual funds	189,071	-	-	189,071
-Unquoted Equity	-	125,381	-	125,381
	<u>22,974,002</u>	<u>125,381</u>	<u>-</u>	<u>23,099,383</u>
Pledged Securities				
Held for Trading				
-Treasury bills	3,975,072	-	-	3,975,072
-Federal Government of Nigeria Bonds	-	-	-	-
Available for Sale				
-Treasury bills	705,207	-	-	705,207
-Federal Government of Nigeria Bonds	2,639,406	-	-	2,639,406
-State government and corporate bonds	3,444,398	-	-	3,444,398
	<u>10,764,083</u>	<u>-</u>	<u>-</u>	<u>10,764,083</u>
At 31 December 2014				
	Level 1	Level	2 Level 3	Total
	N'000	N'000	N'000	N'000
Financial assets				
Financial assets held for trading				
-Treasury bills	6,254,326	-	-	6,254,326
-Federal Government of Nigeria Bonds	3,430	-	-	3,430
-Quoted equity securities	66,070	-	-	66,070
	<u>6,323,826</u>	<u>-</u>	<u>-</u>	<u>6,323,826</u>
Derivative financial instruments				
- FX forward contract	-	78,249	-	78,249
	<u>-</u>	<u>78,249</u>	<u>-</u>	<u>78,249</u>
Investment securities classified as available for sale				
-Treasury bills	8,076,583	-	-	8,076,583
-Federal Government of Nigeria Bonds	7,631,464	-	-	7,631,464
-State government and corporate bonds	19,172,372	-	-	19,172,372
-Quoted equity securities	1,067,215	-	-	1,067,215
-Quoted mutual funds	186,984	-	-	186,984
-Unquoted Equity	152,514	106,236	-	258,750
	<u>36,287,132</u>	<u>106,236</u>	<u>-</u>	<u>36,393,368</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

	Level 1 N'000	Level N'000	2 Level 3 N'000	Total N'000
Pledged Securities				
Held for Trading				
-Treasury bills	-	-	-	-
-Federal Government of Nigeria Bonds	-	-	-	-
Available for Sale				
-Treasury bills	4,780,708	-	-	4,780,708
-Federal Government of Nigeria Bonds	-	-	-	-
-State government and corporate bonds	925,400	-	-	925,400
	<u>5,706,108</u>	<u>-</u>	<u>-</u>	<u>5,706,108</u>
Bank				
At 31 December 2015				
	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Held for trading				
-Treasury bills	2,844,336	-	-	2,844,336
-Quoted equity securities	-	-	-	-
	<u>2,844,336</u>	<u>-</u>	<u>-</u>	<u>2,844,336</u>
Derivative financial instruments				
- Convertible loan	-	-	13,386	13,386
- FX forward contract	-	2,532	-	2,532
	<u>-</u>	<u>2,532</u>	<u>13,386</u>	<u>15,918</u>
Investment securities classified as available for sale				
-Treasury bills	4,034,837	-	-	4,034,837
-Federal Government of Nigeria Bonds	5,413,574	-	-	5,413,574
-State government and corporate bonds	12,153,513	-	-	12,153,513
-Quoted equity securities	-	-	-	-
-Unquoted Equity	-	666	-	666
	<u>21,601,924</u>	<u>666</u>	<u>-</u>	<u>21,602,590</u>
Pledged Securities				
Held for Trading				
-Treasury bills	3,975,072	-	-	3,975,072
-Federal Government of Nigeria Bonds	-	-	-	-
Available for Sale				
-Treasury bills	705,207	-	-	705,207
-Federal Government of Nigeria Bonds	2,639,406	-	-	2,639,406
-State government and corporate bonds	3,444,398	-	-	3,444,398
	<u>10,764,083</u>	<u>-</u>	<u>-</u>	<u>10,764,083</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

At 31 December 2014	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Held for Trading				
-Treasury bills	6,254,326	-	-	6,254,326
-Quoted equity securities	-	-	-	-
	<u>6,254,326</u>	<u>-</u>	<u>-</u>	<u>6,254,326</u>
Derivative financial instruments				
- FX forward contract	-	78,249	-	78,249
	<u>-</u>	<u>78,249</u>	<u>-</u>	<u>78,249</u>
Available for sale				
-Treasury bills	7,489,237	-	-	7,489,237
-Federal Government of Nigeria Bonds	7,631,464	-	-	7,631,464
-State government and corporate bonds	19,119,219	-	-	19,119,219
-Quoted equity securities	-	-	-	-
-Unquoted Equity	-	666	-	666
	<u>34,239,920</u>	<u>666</u>	<u>-</u>	<u>34,240,586</u>
Pledged Securities				
Held for Trading				
-Treasury bills	-	-	-	-
-Federal Government of Nigeria Bonds	-	-	-	-
Available for Sale				
-Treasury bills	4,780,708	-	-	4,780,708
-Federal Government of Nigeria Bonds	-	-	-	-
-State government and corporate bonds	925,400	-	-	925,400
	<u>5,706,108</u>	<u>-</u>	<u>-</u>	<u>5,706,108</u>

Reconciliation of Level 3 items

	At 31 December 2015 N'000	At 31 December 2014 N'000
At beginning of year	-	-
Purchase	12,147	-
Unrealized gains or losses:		
- in Profit or loss	1,239	-
Impairment loss		
At end of year	<u>13,386</u>	<u>-</u>

The table below sets out information about significant unobservable inputs used as at 31 December, 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of Financial instrument	Fair value as at 31 December 2015 (N'000)	Valuation technique	Significant unobservable input	Range/ estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Convertible Loan	13,386	Discounted cash flow & Binomial Option pricing	1. Average 5 year forecast for price of oil 2. Discount factor*	\$37 - \$40 9.5% - 10.5%	1. Significant increases in the price of crude, in isolation, would result in a higher fair value. Significant reduction would result in lower fair values 2. A higher discount factor results in a decrease in the fair values and a lower discount rate increases the fair value of the option.
Total	13,386				

*The effective interest rate on the facility was used as the discount rate.

3.4 Fair value of financial assets and liabilities not measured at fair value

Fair value of loans and advances

The fair values of loans have been estimated using Discounted Cash Flow (DCF) valuation models (level 3).

Inputs into this valuation technique include: expected cash flows, expected losses, tenor and interest rates. The expected cash flows (estimated recoverable amount from receivables, collateral and otherwise) are thus discounted to obtain the fair value of the loans.

Fair value of customers' deposits

Fair values of customers' deposits have been determined using discounted cash flow techniques applying the contractual rates on deposits of similar maturities and terms to discount the contractual cash flows.

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

The carrying value of the debt securities issued approximates the fair value as at the reporting date.

Group	At 31 December 2015		At 31 December 2014	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
Financial assets				
Cash and bank balances	20,693,240	20,693,240	6,619,889	6,619,889
Loans and advances to banks	12,543,134	12,543,134	8,595,908	8,595,908
Loans and advances to customers	40,997,317	40,264,878	40,194,178	40,031,099
Investment securities	108,638	110,826	3,043,401	3,237,987
Pledged Assets	-	-	1,865,310	1,914,384
Other assets	422,614	422,614	325,049	325,049
	<u>74,764,943</u>	<u>74,034,692</u>	<u>60,643,735</u>	<u>60,724,316</u>
Financial liabilities				
Due to banks	16,250,311	16,250,311	40,125,128	40,125,128
Due to customers	51,411,624	51,411,624	41,047,767	41,047,767
Other liabilities	6,877,989	6,877,989	651,253	651,253
Debt securities issued	5,630,676	5,630,676	5,583,458	5,583,458
Other borrowed funds	3,948,697	3,948,697	-	-
	<u>84,119,297</u>	<u>84,119,297</u>	<u>87,407,606</u>	<u>87,407,606</u>
Bank				
	At 31 December 2015		At 31 December 2014	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
Financial assets				
Cash and bank balances	20,615,425	20,615,425	6,557,634	6,557,634
Loans and advances to banks	10,525,606	10,525,606	7,309,935	7,309,935
Loans and advances to customers	40,404,714	39,677,039	39,595,264	39,437,893
Investment securities	108,638	110,826	3,043,401	3,237,987
Pledged Assets	-	-	1,865,310	1,914,384
Other assets	87,627	87,627	67,666	67,666
	<u>71,742,010</u>	<u>71,016,523</u>	<u>58,439,210</u>	<u>58,525,499</u>
Financial liabilities				
Due to banks	16,250,311	16,250,311	40,125,128	40,125,128
Due to customers	52,661,649	52,661,649	41,810,057	41,810,057
Other liabilities	6,543,460	6,543,460	637,466	637,466
Debt securities issued	5,630,676	5,630,676	5,583,458	5,583,458
Other borrowed funds	3,948,697	3,948,697	-	-
	<u>85,034,793</u>	<u>85,034,793</u>	<u>88,156,109</u>	<u>88,156,109</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

Group

At 31 December 2015 (N'000)

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and bank balances	20,693,240	-	-	20,693,240
Loans and advances to banks	-	-	12,543,134	12,543,134
Loans and advances to customers	-	-	40,264,878	40,264,878
Investment securities				
- Held to maturity	110,826	-	-	110,826
Pledged Assets	-	-	-	-
Other assets	422,614	-	-	422,614
	<u>21,226,680</u>	<u>-</u>	<u>52,808,012</u>	<u>74,034,692</u>
Financial liabilities				
Due to banks	-	-	16,250,311	16,250,311
Due to customers	-	-	51,411,624	51,411,624
Other liabilities	-	-	6,877,989	6,877,989
Debt securities issued	-	-	5,630,676	5,630,676
Other borrowed funds	-	-	3,948,697	3,948,697
	<u>-</u>	<u>-</u>	<u>84,119,297</u>	<u>84,119,297</u>

At 31 December 2014 (N'000)

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and bank balances	6,557,634	-	-	6,557,634
Loans and advances to banks	-	-	7,309,935	7,309,935
Loans and advances to customers	-	-	39,832,173	39,832,173
Investment securities				
- Held to maturity	3,237,987	-	-	3,237,987
Pledged Assets	1,914,384	-	-	1,914,384
Other assets	67,666	-	-	67,666
	<u>11,777,671</u>	<u>-</u>	<u>47,142,108</u>	<u>58,919,779</u>
Financial liabilities				
Due to banks	-	-	40,125,128	40,125,128
Due to customers	-	-	41,047,767	41,047,767
Other liabilities	-	-	651,253	651,253
Debt securities issued	-	-	5,583,458	5,583,458
Other borrowed funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>87,407,606</u>	<u>87,407,606</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

Bank

At 31 December 2015 (N'000)

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and bank balances	20,615,425	-	-	20,615,425
Loans and advances to banks	-	-	10,525,606	10,525,606
Loans and advances to customer	-	-	39,677,039	39,677,039
Investment securities				
- Held to maturity	110,826	-	-	110,826
Pledged Assets	-	-	-	-
Other assets	87,627	-	-	87,627
	<u>20,813,878</u>	<u>-</u>	<u>50,202,645</u>	<u>71,016,523</u>
Financial liabilities				
Due to banks	-	-	16,250,311	16,250,311
Due to customers	-	-	52,661,649	52,661,649
Other liabilities	-	-	6,543,460	6,543,460
Debt securities issued	-	-	5,630,676	5,630,676
Other borrowed funds	-	-	3,948,697	3,948,697
	<u>-</u>	<u>-</u>	<u>85,034,793</u>	<u>85,034,793</u>

At 31 December 2014 (N'000)

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and bank balances	6,557,634	-	-	6,557,634
Loans and advances to banks	-	-	7,309,935	7,309,935
Loans and advances to customers	-	-	39,832,173	39,832,173
Investment securities				
- Held to maturity	3,237,987	-	-	3,237,987
Pledged Assets	1,914,384	-	-	1,914,384
Other assets	67,666	-	-	67,666
	<u>11,777,671</u>	<u>-</u>	<u>47,142,108</u>	<u>58,919,779</u>
Financial liabilities				
Due to banks	-	-	40,125,128	40,125,128
Due to customers	-	-	41,810,057	41,810,057
Other liabilities	-	-	637,466	637,466
Debt securities issued	-	-	5,583,458	5,583,458
Other borrowed funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>88,156,109</u>	<u>88,156,109</u>

3.5 Capital Management

The Group's objectives in managing Capital are:

- To comply with the regulatory requirements of the Central Bank of Nigeria
- To ensure that the Group continues as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders by ensuring that capital deployed meets our RAAC (Risk Asset Acceptance Criteria)

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes.

In line with the CBN circular BSD/DIR/GR/GEN/LAB/06/053 regarding Regulatory Capital Measurement for the Nigerian Banking System for the implementation of Basel II/III in Nigeria, Capital adequacy is measured daily and reported monthly to the Central Bank of Nigeria in line with Basel II set principles which measures Credit, Market and Operational Risks.

The ratios below summarises the composition of regulatory capital and the ratios of the Bank for the period ended 31 December 2015. Over this review period, the Bank complied with all the externally imposed capital requirements to which it was and is subject.

CONSTITUENTS OF ELIGIBLE CAPITAL

	Amounts	
	31 December 2015 N'000	31 December 2014 N'000
Paid-up ordinary shares	2,794,794	2,794,794
Share premium	1,539,587	1,539,587
Retained profits	15,328,104	14,088,083
Statutory Reserve	4,648,003	4,144,062
Other reserves	998,281	254,147
Minority interests (only for consolidated accounts)		
TIER 1 SUB-TOTAL	25,308,768	22,820,673
LESS		
Deferred Tax Assets	3,633,002	2,907,908
Other intangible assets 2	110,426	159,229
Other reserves	-	254,147
Investment in the capital of financial subsidiaries**	787,010	-
NET-TOTAL TIER 1 CAPITAL	20,778,330	19,534,690
Eligible subordinated term debt (limited to 25% of total Tier 1 capital)		
Other Comprehensive Income (OCI)	154,108	(1,950,872)
TIER 2 SUB-TOTAL	154,108	(1,950,872)
50% of investments in unconsolidated banking and financial subsidiary/associate companies -		
NET-TOTAL TIER 2 CAPITAL	154,108	(1,950,872)
TOTAL QUALIFYING CAPITAL	20,932,438	17,548,517

¹ The basis for computing the capital adequacy ratio of Banks was changed by the CBN in 2015. Banks are now expected to deduct their capital investments in financial subsidiaries before arriving at the eligible capital for calculating capital adequacy.

	31 December 2015 N'000	31 December 2014 N'000
Total Risk-weighted Amount for Credit Risk	62,253,848	71,406,840
Risk-weighted Amount for Operational Risk	10,047,699	7,882,357
Risk-weighted Amount for Market Risk	5,079,306	491,192
AGGREGATE RISK-WEIGHTED ASSETS	77,326,853	79,780,389
TOTAL RISK-WEIGHTED CAPITAL RATIO	26.81%	22.00%
TIER 1 RISK-BASED CAPITAL RATIO	26.61%	24.44%

As, a Merchant Bank, the Central Bank of Nigeria's regulatory requirements are as follows

- Hold the minimum level of the regulatory capital of N15 billion and
- Maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.
- Maintain a liquidity ratio minimum of 20%.

As at 31 December 2015, the Bank had eligible risk capital of N20.74 billion, which was well in excess of the regulatory minimum. Also, liquidity ratio stood at 37.39% and our capital adequacy ratio stood at 26.81%. The risk weighted assets are measured using the Central Bank of Nigeria's interpretation and ranking of the risk assets.

Currently the Bank's capital and regulatory ratios are in excess of the CBN regulatory minimum.

4.0 Critical accounting estimates and judgements

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recognized, the group makes judgement as to whether there is any observable data indicating that there is a measureable decrease in the estimated future cash flows from any loan in our portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment to those in the portfolio when scheduling their cash flow. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of total allowance for impairment applies to credits evaluated individually for impairment and is based upon management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a customer's financial situation and the net realizable value of any underlying collateral.

(b) Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair

value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair valuation techniques and assumptions

Bonds, Treasury Bills, Loans and Receivables, and Equity Investments

Treasury bills are short term debt instruments issued by the Central Bank of Nigeria, while bonds are debt instruments or contracts issued for an agreed period of time and can be issued by corporations and government. The investor lends an amount of money to the issuer and earns interest on the investment until the maturity of the bond when the principal will be repaid.

The fair value of actively traded bonds or bills, through profit and loss, is determined with reference to quoted prices (unadjusted) in the two-way quote market for Nigerian bonds.

For a treasury bill to be actively traded, it has to meet a minimum amount of N50 billion in issue size. Within the Group, we have a policy that states that we can only purchase treasury bills that qualify for active-trading, therefore a fair value is readily available.

The fair values for illiquid bonds are gotten from an independent source. The source's bond prices are model prices derived from a modelled yield. The modelled yield is calculated by adding a risk premium to the valuation yield (corresponding Tenor To Maturity (TTM) yield interpolated off the FGN bond theoretical spot rate curve). This is used to calculate the bond bid price.

Risk premiums are derived by 2 methods described below;

1. Apply risk spread on latest acceptable trade for the respective bonds i.e. determine the spread between the bond yield on the latest acceptable trade and the FGN bond spot rate of comparable TTM.
2. Apply risk spread at issuance i.e. determine the spread between the bond yield at issuance and the FGN bond spot rate of comparable TTM. However, where the risk spread at issuance is less than 1% (100 basis points), a base risk premium of 100 basis points is applied. The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) from the Nigerian Stock Exchange.

However, fair value of unquoted equity investments have been derived from the last OTC (over the counter) transaction.

(c) Retirement Benefit Obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefit obligations include the discount rate, salary growth rate and demographic assumptions.

Discount rate

A primary economic assumption used in actuarial valuations is the discount rate assumption which ties directly to the assumed investment return. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yield (at the balance sheet date) on government bonds is used. In opinion of our actuaries, there is no deep market in Corporate Bonds in Nigeria and as such have set discount rate assumption with reference to the yields on Nigerian Government bonds, as compiled by the Debt Management Office (DMO). In terms of the accounting standards, historical yields are less important and consequently, appropriate discount rates are determined at end of each year.

Demographic assumptions

Key demographic assumptions include expected retirement age, withdrawal rates and mortality rates. Unlike financial assumptions, demographic assumptions are expected to be reasonably stable from one measurement date to the next, unless there is a large change in the membership profile. The following demographic assumptions were used –

Mortality rate

Pre-retirement mortality A49/52 Tables was used.

Changes in any of these assumptions will impact the carrying amount of the retirement benefit obligations. Other information on these assumptions and sensitivity analysis are disclosed in Note 23.

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	GROUP 2015 N'000	GROUP 2014 N'000	BANK 2015 N'000	BANK 2014 N'000
5. Interest income				
Bonds	3,616,657	3,318,430	3,613,953	3,302,417
Treasury bills	2,376,086	1,111,068	2,269,589	1,038,943
Commercial bills	-	2,299	-	2,299
Placements and investment income	2,117,688	1,842,872	1,854,161	1,666,864
Loans and advances to customers	6,086,129	3,088,105	5,983,378	3,024,417
Financial guarantee contracts	176,355	228,929	176,355	228,929
Others	5,013	-	2,878	-
	<u>14,377,928</u>	<u>9,591,703</u>	<u>13,900,314</u>	<u>9,263,869</u>
6. Interest expense				
Interest expense on deposits	6,660,907	4,418,522	6,720,937	4,492,807
Interbank call borrowings	1,108,038	411,249	1,108,038	411,249
Interest on debt securities	837,652	855,057	837,652	855,057
Interest on collateralised borrowing	1,357,173	1,435,307	1,357,173	1,435,307
Financial guarantee contracts	102,340	70,409	102,340	70,409
	<u>10,066,110</u>	<u>7,190,544</u>	<u>10,126,140</u>	<u>7,264,829</u>
7. Fee and commission income				
Credit related fees	347,009	484,216	131,748	178,690
Fiduciary fees	2,829,984	2,489,114	-	-
Issuing house activities' fees	249,241	42,861	249,241	42,861
Fees, commissions and charges	261,788	237,775	76,062	144,194
	<u>3,688,022</u>	<u>3,253,966</u>	<u>457,051</u>	<u>365,745</u>
8. Impairment charge/(write-back) for credit losses				
Collective impairment (Note 18)	51,512	115,182	51,353	115,133
Specific Impairment (Note 18)	521,603	12,170	521,603	6,511
Reversal of specific impairment	(3,756)	-	(2,652)	-
	<u>569,359</u>	<u>127,352</u>	<u>570,304</u>	<u>121,644</u>
9. Net gains on financial instruments held for trading				
Equity securities	72,160	32,748	-	-
Bonds	365,589	210,720	364,519	208,179
Nigerian Treasury Bills	745,450	65,247	744,745	63,623
Foreign exchange	469,830	2,135,863	469,830	2,129,836
Derivatives	2,389	-	2,389	-
	<u>1,655,418</u>	<u>2,444,578</u>	<u>1,581,483</u>	<u>2,401,638</u>
10. Net gains on financial instruments classified as available for sale				
Bonds	433,525	183,199	433,525	183,199
Nigerian Treasury bills	130,065	59,920	130,065	59,920
	<u>563,590</u>	<u>243,119</u>	<u>563,590</u>	<u>243,119</u>
11. Other income				
Technical Service Fees	-	-	59,984	52,666
Profit on disposal of property & equipment	3,675	3,215	2,296	2,970
Loss on disposal of intangible asset	(255)	-	-	-
Dividend income	62,197	69,717	545,613	385,941
Foreign currency translation	113,333	31,274	98,029	31,274
Gratuity plan	8,619	-	6,588	-
Other sundry income	8,262	4,490	1,374	2,011
	<u>195,831</u>	<u>108,696</u>	<u>713,884</u>	<u>474,862</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

	GROUP 2015 N'000	GROUP 2014 N'000	BANK 2015 N'000	BANK 2014 N'000
12. Operating expenses				
Staff related expenses (Note (I) below)	2,689,894	2,603,418	1,432,846	1,355,770
Depreciation (Note 26)	260,848	246,741	143,419	133,426
Amortisation (Note 25)	114,002	97,668	101,535	91,358
Auditors' remuneration	51,950	45,875	32,025	27,300
Directors' emoluments (Note (ii) below)	276,322	263,747	265,472	255,212
Deposit Insurance	168,025	209,012	168,025	209,012
Administrative and operating expenses (Note (iii) below)	1,568,177	1,215,603	998,979	700,104
	<u>5,129,218</u>	<u>4,682,064</u>	<u>3,142,301</u>	<u>2,772,182</u>

(I) Staff related costs, excluding executive directors, during the year amounted to:

Wages, salaries and staff costs	2,519,125	2,382,300	1,333,182	1,223,487
Pension costs - Defined contribution plans	170,769	171,078	99,664	85,338
Gratuity costs - Defined benefit plans (Note 23)	-	50,040	-	46,945
	<u>2,689,894</u>	<u>2,603,418</u>	<u>1,432,846</u>	<u>1,355,770</u>

The average number of persons employed by the group during the year was as follows -

Executive	3	3	3	3
Management staff	46	43	24	22
Non management staff	386	392	87	93
	<u>435</u>	<u>438</u>	<u>114</u>	<u>118</u>

The number of employees of the group, who received emoluments (excluding pension contributions and other benefits) in the following ranges were -

Below N3,000,000	273	279	25	30
N3,000,001 - N5,000,000	57	53	22	17
N5,000,001 - N7,000,000	37	36	23	22
Above N7,000,000	68	70	44	49
	<u>435</u>	<u>438</u>	<u>114</u>	<u>118</u>

(ii) Directors' remuneration paid in respect of the group:

Fees and sitting allowances	100,700	94,185	89,850	85,650
Executive compensation	175,622	169,562	175,622	169,562
	<u>276,322</u>	<u>263,747</u>	<u>265,472</u>	<u>255,212</u>

The directors' remuneration shown above (excluding pension and other benefits) includes:

Chairman	10,250	10,250	10,250	10,250
Highest paid director	68,901	66,641	68,901	66,641

(iii) Included in the administrative expenses of the bank and group for the year is the sum of N7.35 million (2014:nil) paid to PricewaterhouseCoopers for the non-audit service provided during the year. The service related to the review of the bank's internal controls against the requirements of the Committee of Sponsoring Organisations (COSO) framework.

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

	GROUP 2015 N'000	GROUP 2014 N'000	BANK 2015 N'000	BANK 2014 N'000
13. Income tax (credit)/expense				
Tax charge for the year comprises:				
a) Income Tax Charge				
Company income tax	1,358,637	812,452	781,425	335,375
Education tax	35,789	30,199	-	-
Prior year over provision	(111,093)	-	(111,093)	-
Total current tax charge	<u>1,283,333</u>	<u>842,651</u>	<u>670,332</u>	<u>335,375</u>
b) Deferred tax				
Origination and reversal of temporary differences	(56,811)	24,434	(62,245)	8,413
Amount of unused tax losses	(662,849)	(190,488)	(662,848)	(190,489)
Write down or reversal of deferred tax assets	-	-	-	-
Total deferred tax (credit)/charge	<u>(719,660)</u>	<u>(166,054)</u>	<u>(725,093)</u>	<u>(182,076)</u>
Income tax (credit)/expense	<u>563,673</u>	<u>676,597</u>	<u>(54,761)</u>	<u>153,299</u>
Analysis of income tax (credit)/expense				
Tax on profit for the year	621,509	613,943	(1,659)	98,505
Tax effect on other comprehensive income (Note 23 (a))	(57,836)	62,654	(53,102)	54,794
Income tax (credit)/expense	<u>563,673</u>	<u>676,597</u>	<u>(54,761)</u>	<u>153,299</u>

Further information about deferred income tax is presented in Note 24. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

(i) Tax effect on other comprehensive income for December 2015

	Gross N'000	Tax N'000	Net of Tax N'000
GROUP			
Actuarial gain on retirement benefit (Note 23)	(192,786)	57,836	(134,950)
Net unrealised loss on available for sale financial assets	1,789,977	-	1,789,977
Other comprehensive income - December 2015	<u>1,597,191</u>	<u>57,836</u>	<u>1,655,027</u>
Actuarial gain on retirement benefit (Note 23)	208,848	(62,654)	146,194
Net unrealised loss on available for sale financial assets	(330,645)	-	(330,645)
Other comprehensive income - December 2014	<u>(121,797)</u>	<u>(62,654)</u>	<u>(184,451)</u>
BANK			
Actuarial gain on retirement benefit (Note 23)	(177,006)	53,102	(123,904)
Net unrealised loss on available for sale financial assets	2,104,980	-	2,104,980
Other comprehensive income - December 2015	<u>1,927,974</u>	<u>53,102</u>	<u>1,981,076</u>
Actuarial gain on retirement benefit (Note 23)	182,645	(54,793)	127,852
Net unrealised loss on available for sale financial assets	(6,251)	-	(6,251)
Other comprehensive income - December 2014	<u>176,394</u>	<u>(54,793)</u>	<u>121,600</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

	GROUP 2015 N'000	GROUP 2014 N'000	BANK 2015 N'000	BANK 2014 N'000
(ii) Reconciliation of effective tax				
Profit before income tax	<u>4,716,102</u>	<u>3,642,102</u>	<u>3,377,577</u>	<u>2,590,578</u>
Income tax using the companies income tax rate at 30%	<u>1,414,831</u>	<u>1,092,631</u>	<u>1,013,273</u>	<u>777,173</u>
Effective tax as per accounts:				
Profit before income tax	4,716,102	3,642,102	3,377,577	2,590,578
Non-deductible expenses	306,136	930,987	298,579	386,861
Tax exempt income	(8,208,386)	(5,421,030)	(8,071,979)	(5,096,138)
Others	(29,354)	(266,464)	(29,354)	(113,541)
Taxable profit/(loss)	<u>(3,215,502)</u>	<u>(1,114,405)</u>	<u>(4,425,177)</u>	<u>(2,232,240)</u>
Company tax	490,920	411,789	-	-
Education tax	35,789	30,199	-	-
Final tax on dividends (WHT)	69,586	57,862	-	-
Dividend tax	798,131	342,801	781,425	335,375
Prior year over provision	(111,093)	-	(111,093)	-
Current tax on income for the year	<u>1,283,333</u>	<u>842,651</u>	<u>670,332</u>	<u>335,375</u>
Deferred tax chargeable to income statement	<u>(661,825)</u>	<u>(228,708)</u>	<u>(671,991)</u>	<u>(236,869)</u>
Tax charge/(credit) for the year	<u>621,508</u>	<u>613,943</u>	<u>(1,659)</u>	<u>98,506</u>
Effective tax rate	<u>13.18%</u>	<u>16.86%</u>	<u>-0.05%</u>	<u>3.80%</u>

Based on Nigerian tax law, Companies Income Tax Act provides that current tax is determined as the higher of amount computed based on 30% of taxable profit, minimum tax and 30% of dividend declared. There were no changes in corporate and education tax rates during the year.

Tax exempt income include incomes such as dividend income, income on Federal Government of Nigeria, municipal and corporate bonds and the Nigerian Treasury Bills (Exemption of Bonds and Short Term Government Securities Order 2011) which are exempt from income tax and other applicable taxes as gazetted by the Federal Government of Nigeria.

The movement in the current income tax liability is as follows:

At start of the period	1,156,099	1,075,099	585,196	543,274
Tax paid	(858,644)	(761,651)	(335,376)	(293,453)
Prior period over provision	(111,093)	-	(111,093)	-
Income tax charge	<u>1,394,426</u>	<u>842,651</u>	<u>781,425</u>	<u>335,375</u>
At end of the period	<u>1,580,788</u>	<u>1,156,099</u>	<u>920,152</u>	<u>585,196</u>
Current	1,580,788	1,156,099	920,152	585,196
Non-Current	-	-	-	-
	<u>1,580,788</u>	<u>1,156,099</u>	<u>920,152</u>	<u>585,196</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
14. Cash and bank balances				
Cash in hand	370	238	191	59
Balances held with other banks:				
- Operating balance with Central Bank of Nigeria	2,402,340	776,450	2,402,340	776,450
- Balances with banks in Nigeria	252,564	148,703	174,928	86,627
- Balances with banks outside Nigeria	16,858,352	4,699,926	16,858,352	4,699,926
Cash and bank balances included in cash & cash equivalents (see Note 36)	19,513,626	5,625,317	19,435,811	5,563,062
- Mandatory reserve deposit with Central Bank of Nigeria	1,179,615	994,572	1,179,615	994,572
	<u>20,693,241</u>	<u>6,619,889</u>	<u>20,615,426</u>	<u>6,557,634</u>
Current	19,513,626	5,625,317	19,435,811	5,563,062
Non-Current	1,179,615	994,572	1,179,615	994,572
	<u>20,693,241</u>	<u>6,619,889</u>	<u>20,615,426</u>	<u>6,557,634</u>

Mandatory reserve deposits with the Central Bank of Nigeria represents a percentage of customers' deposits (prescribed from time to time by the Central Bank) which is not available for daily use. For purpose of statement of cashflows, this amount is excluded from cash and cash equivalents

15. Loans to banks				
Placements with banks	11,810,069	8,411,437	9,905,530	7,309,935
Placements with other financial institutions	733,065	184,471	620,076	-
	<u>12,543,134</u>	<u>8,595,908</u>	<u>10,525,606</u>	<u>7,309,935</u>
Current	12,430,146	8,411,437	10,525,606	7,309,935
Non-Current	112,988	184,471	-	-
	<u>12,543,134</u>	<u>8,595,908</u>	<u>10,525,606</u>	<u>7,309,935</u>

Included in the placements with other financial institutions is the sum of N112.99million (December 2014: N184.47million) which represents Pensions Alliance Limited's statutory reserve account balance with UBA Pension Fund Custodian in compliance with the Pensions Reform Act of 2004. This amount is excluded from cash and cash equivalents for the purpose of the statement of cashflow.

16. Financial instruments held for trading				
Quoted equity securities	23	66,070	-	-
Nigerian Treasury Bills	2,844,336	6,254,326	2,844,336	6,254,326
Federal Government of Nigeria Bonds	-	3,430	-	-
	<u>2,844,359</u>	<u>6,323,826</u>	<u>2,844,336</u>	<u>6,254,326</u>
Current	2,844,336	6,254,326	2,844,336	6,254,326
Non-current	23	69,500	-	-
	<u>2,844,359</u>	<u>6,323,826</u>	<u>2,844,336</u>	<u>6,254,326</u>

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
17. Derivative financial instruments				
Assets				
- Convertible loan (Note 17(i))	13,386	-	13,386	-
- FX forward contract (Note 17(ii))	2,532	78,249	2,532	78,249
	<u>15,918</u>	<u>78,249</u>	<u>15,918</u>	<u>78,249</u>
Liabilities				
- Convertible loan	-	-	-	-
- FX forward contract	1,382	87,871	1,382	87,871
	<u>1,382</u>	<u>87,871</u>	<u>1,382</u>	<u>87,871</u>
Notional principal				
- FX forward contract (Note 17(ii))	<u>3,483,083</u>	<u>7,859,845</u>	<u>3,483,083</u>	<u>7,859,845</u>

(i) The option component of the convertible loan is equity indexed, which results in no closely related risks inherent in the host contract. The group therefore separated the option from the loan contract. The option was valued using the binomial distribution methodology. Fair value changes are recognised in the statement of comprehensive income.

(ii) This represents the notional principal amounts, the positive (assets) and negative (liabilities) fair values of the Group's FX forward contracts. The notional amount represent the amounts of principal underlying the contract at the reporting date. Fair value changes are recognised in the statement of comprehensive income. All derivative financial instruments are current.

18. Loans and advances to customers

Classified as loans and receivables

Loans and advances at amortised cost	40,628,240	39,779,351	40,404,714	39,595,264
Margin facilities at amortised cost (Note 18(i))	369,077	414,827	-	-
	<u>40,997,317</u>	<u>40,194,178</u>	<u>40,404,714</u>	<u>39,595,264</u>
Allowance for impairment (Note 18(ii))	(732,439)	(163,079)	(727,675)	(157,371)
	<u>40,264,878</u>	<u>40,031,099</u>	<u>39,677,039</u>	<u>39,437,893</u>
Current	19,632,878	19,399,099	19,045,039	18,805,893
Non-Current	20,632,000	20,632,000	20,632,000	20,632,000
	<u>40,264,878</u>	<u>40,031,099</u>	<u>39,677,039</u>	<u>39,437,893</u>

(i) Margin facilities are shares-backed loans. Share-backed facilities represent the value of credit facilities availed to customers which are backed by shares of companies listed on the Nigerian Stock Exchange. The fair value of the quoted equity securities pledged as collateral as at 31 December 2015 was N673million (2014: N959.702million).

(ii) The reconciliation of the allowance account for losses on loans and advances to customers:

GROUP	Loans and Advances N'000	Commercial bills N'000	Margin accounts N'000	Total N'000
Balance at 1 January 2015	163,030	-	49	163,079
Increase in specific impairment (Note 8)	521,604	-	-	521,604
Increase in collective impairment (Note 8)	51,353	-	159	51,512
Reversal specific impairment	(3,756)	-	-	(3,756)
At 31 December 2015	<u>732,231</u>	<u>-</u>	<u>208</u>	<u>732,439</u>
Balance at 1 January 2014	35,727	-	-	35,727
Increase in specific impairment (Note 8)	12,170	-	-	12,170
Increase in collective impairment (Note 8)	115,133	-	49	115,182
Reversal specific impairment	-	-	-	-
At 31 December 2014	<u>163,030</u>	<u>-</u>	<u>49</u>	<u>163,079</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

BANK	Loans and Advances N'000	Margin accounts N'000	Total N'000
Balance at 1 January 2015	157,371	-	157,371
Increase in specific impairment (Note 8)	521,603	-	521,603
Increase in collective impairment (Note 8)	51,353	-	51,353
Reversal specific impairment	(2,652)	-	(2,652)
At 31 December 2015	727,675	-	727,675
Balance at 1 January 2014	35,727	-	35,727
Increase in specific impairment (Note 8)	6,511	-	6,511
Increase in collective impairment (Note 8)	115,133	-	115,133
Reversal specific impairment - - -			
At 31 December 2014	157,371	-	157,371

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
19. Investment securities				
Analysis of investment securities				
Debt securities (Note (i))	22,099,946	38,118,406	21,712,751	37,477,907
Equity securities (Note (ii))	1,110,264	1,512,949	666	666
	<u>23,210,210</u>	<u>39,631,355</u>	<u>21,713,417</u>	<u>37,478,573</u>
Current	1,192,725	14,168,048	806,196	13,509,811
Non-current	22,017,485	25,463,307	20,907,221	23,968,762
	<u>23,210,210</u>	<u>39,631,355</u>	<u>21,713,417</u>	<u>37,478,573</u>
(i) Debt securities				
Classified as available for sale				
Nigerian Treasury Bills	4,319,737	8,076,583	4,034,837	7,489,237
Federal Government of Nigeria bonds	5,415,873	7,631,464	5,413,574	7,631,464
State Government and Corporate bonds	12,253,510	19,172,372	12,153,514	19,119,219
	<u>21,989,120</u>	<u>34,880,419</u>	<u>21,601,925</u>	<u>34,239,920</u>
Classified as held to maturity				
Federal Government of Nigeria bonds	110,826	3,237,987	110,826	3,237,987
	<u>110,826</u>	<u>3,237,987</u>	<u>110,826</u>	<u>3,237,987</u>
Total debt securities	<u>22,099,946</u>	<u>38,118,406</u>	<u>21,712,751</u>	<u>37,477,907</u>
(ii) Equity securities				
Classified as available for sale				
Quoted equity securities	795,812	1,067,215	-	-
Quoted mutual funds	189,071	186,984	-	-
Unquoted equity securities	125,381	258,750	666	666
	<u>1,110,264</u>	<u>1,512,949</u>	<u>666</u>	<u>666</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
20. Pledged assets				
classified as held for trading				
Nigerian Treasury Bills	3,975,072	-	3,975,072	-
classified as available for sale				
Nigerian Treasury Bills	705,207	4,780,708	705,207	4,780,708
Federal Government of Nigeria bonds	2,639,406	-	2,639,406	-
State Government and Corporate bonds	3,444,397	925,400	3,444,397	925,400
classified as held to maturity				
Federal Government of Nigeria bonds	-	1,914,384	-	1,914,384
	<u>10,764,082</u>	<u>7,620,492</u>	<u>10,764,082</u>	<u>7,620,492</u>
Current	4,680,278	7,620,492	4,680,278	7,620,492
Non-current	6,083,804	-	6,083,804	-
	<u>10,764,082</u>	<u>7,620,492</u>	<u>10,764,082</u>	<u>7,620,492</u>

Debt securities are pledged strictly for purpose of providing collateral to secure liabilities and on repurchase agreements with counterparties. The disclosure above includes any transferred assets associated with secured borrowing or liabilities under repurchase agreements as disclosed in Notes 27 & 28.

21. Other assets

Financial assets				
Receivables	422,614	325,049	87,627	67,666
	<u>422,614</u>	<u>325,049</u>	<u>87,627</u>	<u>67,666</u>
	<u>422,614</u>	<u>325,049</u>	<u>87,627</u>	<u>67,666</u>
Non financial assets				
Prepayments	481,400	794,167	286,623	562,778
Withholding tax receivable	586,893	578,917	72,470	29,091
Others	855	819	855	819
	<u>1,069,148</u>	<u>1,373,903</u>	<u>359,948</u>	<u>592,688</u>
	<u>1,491,762</u>	<u>1,698,952</u>	<u>447,575</u>	<u>660,354</u>
Current	1,303,615	1,340,140	280,560	378,342
Non-current	188,147	358,811	167,015	282,012
	<u>1,491,762</u>	<u>1,698,951</u>	<u>447,575</u>	<u>660,354</u>

22. Investment in subsidiaries

	31 December 2015 N'000	31 December 2014 N'000
FSDH Asset Management Limited	200,000	200,000
Pensions Alliance Limited	587,010	587,010
	<u>787,010</u>	<u>787,010</u>

The bank holds 51% equity stake in Pensions Alliance Limited (PAL) and 99.7% in FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited, a company involved in stockbroking and issuing house activities.

23. Retirement benefit asset/(obligation)

Defined contribution scheme

The group and its employees make a joint contribution of 18% (effective July 2014 in line with the Pension Reform Act 2014, prior to the Act amendment, the contribution rate of the group and its employees was 15%) of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators.

Defined benefit scheme

The group operates a defined benefit staff gratuity plan as a group where qualifying employees receive a lump sum payment based on the terminal emolument of basic salary, transport and housing allowance on date of disengagement on a graduated scale based on the number of years served after an initial qualifying period of ten years.

An independent actuarial valuation is performed annually by Alexander Forbes Consulting Actuaries Nigeria Limited (FRC/2012/000000000504) using the projected unit credit basis as prescribed by IAS 19 to determine the liability at balance sheet date for which the plan asset is funded to meet such obligation.

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
Consolidated statement of financial position asset/(liability) for:				
Retirement benefit asset/(liability)	<u>111,258</u>	<u>295,425</u>	<u>87,950</u>	<u>258,368</u>
Income statement charge for:				
Gratuity plan (income)/charge	<u>(8,619)</u>	<u>50,040</u>	<u>(6,588)</u>	<u>46,945</u>

The credit to the income statement in respect of the gratuity benefit plan for year is reported in other income (Note 11). In 2014, this was a charge and duly reported as part of staff costs (Note 12).

Actuarial gain/(loss) recognised in Other Comprehensive Income	(192,786)	208,848	(177,006)	182,645
Tax effect at 30%	57,836	(62,654)	53,102	(54,793)
Actuarial gain/(loss) recognised in Other Comprehensive Income net of taxes	<u>(134,950)</u>	<u>146,194</u>	<u>(123,904)</u>	<u>127,852</u>

(b) The following tables show a reconciliation from the opening balances to the closing balances for the net defined benefit asset/(obligation) and its components.

GROUP	Defined benefit N'000	Plan assets N'000	Net defined benefit asset/ (obligation) N'000
Balance at 1 January 2015	<u>(384,329)</u>	<u>679,754</u>	<u>295,425</u>
Included in profit or loss			
Current service cost	(29,884)	-	(29,884)
Interest (cost)/income	(57,933)	96,436	38,503
	<u>(87,817)</u>	<u>96,436</u>	<u>8,619</u>
Included in other comprehensive income			
Remeasurement loss/(gain)			
- actuarial gain	(184,041)	(8,745)	(192,786)
	<u>(184,041)</u>	<u>(8,745)</u>	<u>(192,786)</u>
Others			
Contribution by employer during the period	-	-	-
Benefits paid	29,354	(29,354)	-
	<u>29,354</u>	<u>(29,354)</u>	<u>-</u>
Balance at 31st December 2015	<u>(626,833)</u>	<u>738,091</u>	<u>111,258</u>

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

GROUP (cont'd)	Defined benefit	Plan assets	Net defined
	N'000	N'000	benefit liability /(asset) N'000
Balance at 1 January 2014	(592,740)	589,357	(3,383)
Included in profit or loss			
Current service cost	(51,947)	-	(51,947)
Interest (cost)/income	(76,429)	78,336	1,907
	(128,376)	78,336	(50,040)
Included in other comprehensive income			
Remeasurement loss/(gain)			
- actuarial gain	223,246	(14,398)	208,848
	223,246	(14,398)	208,848
Others			
Contribution by employer during the period	-	140,000	140,000
Benefits paid	113,541	(113,541)	-
	113,541	26,459	140,000
Balance at 31st December 2014	(384,329)	679,754	295,425
BANK			
	Defined benefit	Plan assets	Net defined
	N'000	N'000	benefit liability /(asset) N'000
Balance at 1 January 2015	(351,346)	609,714	258,368
Included in profit or loss			
Current service cost	(26,950)	-	(26,950)
Interest (cost)/income	(52,961)	86,499	33,538
	(79,911)	86,499	6,588
Included in other comprehensive income			
Remeasurement gain/(loss)			
- actuarial gain	(172,187)	(4,819)	(177,006)
	(172,187)	(4,819)	(177,006)
Others			
Contribution by employer during the period	-	-	-
Benefits paid	29,354	(29,354)	-
	29,354	(29,354)	-
Balance at 31st December 2015	(574,090)	662,040	87,950
Balance at 1 January 2014	(545,963)	528,631	(17,332)
Included in profit or loss			
Current service cost	(46,812)	-	(46,812)
Interest (cost)/income	(70,397)	70,264	(133)
	(117,209)	70,264	(46,945)
Included in other comprehensive income			
Remeasurement gain/(loss)			
- actuarial gain	198,285	(15,640)	182,645
- return on plan asset excluding interest income	-	-	-
	198,285	(15,640)	182,645
Others			
Contribution by employer during the period	-	140,000	140,000
Benefits paid	113,541	(113,541)	-
	113,541	26,459	140,000
Balance at 31st December 2014	(351,346)	609,714	258,368

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

(c) Composition of the plan assets are as follows:

	31 December 2015	31 December 2014
	%	%
Cash and cash equivalents	66.97	92.30
Treasury Bills and Bonds	33.03	7.70
	100.00	100.00

(d) The key economic assumptions used in the actuarial valuation were as follows:

	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Discount rate	11.40%	14.50%	11.40%	14.50%
Salary increase rate	5.00%	5.00%	5.00%	5.00%

Assumptions regarding mortality before retirement are set based on actuarial advise in accordance with published statistics and experience.

(e) Sensitivity of significant assumptions

The valuation results are based on a number of assumptions, some as enumerated above. The value of liability is thus sensitive to the assumptions used. Below is a recalculated liability to show effect of discount rate and salary increase rate assumptions on the defined benefit obligation by adding and subtracting 1% on the discount rate and salary increase rate holding other assumptions constant.

GROUP

	Amount N'000	+1% N'000	-1% N'000
Discount rate			
Defined benefit obligation	626,833	586,515	672,122
Change		-6.4%	7.2%
Salary Increase rate			
Defined benefit obligation	626,833	674,551	583,821
Change		7.6%	-6.9%

BANK

	Amount N'000	+1% N'000	-1% N'000
Discount rate			
Defined benefit obligation	574,090	537,164	615,568
Change		-6.4%	7.2%
Salary Increase rate			
Defined benefit obligation	574,090	617,793	534,697
Change		7.6%	7.2%

24. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2014: 30%).

Deferred income tax assets are attributable to the following items:

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
Deferred tax liabilities				
Accelerated tax depreciation	(69,156)	(60,167)	(19,084)	(20,261)
	<u>(69,156)</u>	<u>(60,167)</u>	<u>(19,084)</u>	<u>(20,261)</u>
Deferred tax assets				
Credit impairment	42,718	34,753	42,718	34,753
Tax loss carry forward	3,501,891	2,839,042	3,501,891	2,839,043
Gratuity post retirement benefit	110,978	53,143	107,477	54,375
	<u>3,655,587</u>	<u>2,926,938</u>	<u>3,652,086</u>	<u>2,928,171</u>
Deferred tax	<u>3,586,431</u>	<u>2,866,771</u>	<u>3,633,002</u>	<u>2,907,910</u>

Movements in temporary differences during the year:

GROUP	1 January 2015 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 Dec 2015 N'000
Accelerated tax depreciation	(60,167)	(8,989)	-	(69,156)
Credit impairment	34,753	7,965	-	42,718
Tax loss carry forward	2,839,042	662,849	-	3,501,891
Gratuity post retirement benefit	53,143	-	57,835	110,978
	<u>2,866,771</u>	<u>661,825</u>	<u>57,835</u>	<u>3,586,431</u>
GROUP	1 January 2014 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 Dec 2014 N'000
Accelerated tax depreciation	(63,634)	3,467	-	(60,167)
Credit impairment	-	34,753	-	34,753
Tax loss carry forward	2,648,552	190,490	-	2,839,042
Gratuity post retirement benefit	115,797	-	(62,654)	53,143
	<u>2,700,715</u>	<u>228,710</u>	<u>(62,654)</u>	<u>2,866,771</u>
BANK	1 January 2015 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 Dec 2015 N'000
Accelerated tax depreciation	(20,262)	1,178	-	(19,084)
Credit impairment	34,753	7,965	-	42,718
Tax loss carry forward	2,839,043	662,848	-	3,501,891
Gratuity post retirement benefit	54,375	-	53,102	107,477
	<u>2,907,910</u>	<u>671,991</u>	<u>53,102</u>	<u>3,633,002</u>
BANK	1 January 2014 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 Dec 2014 N'000
Accelerated tax depreciation	(31,889)	11,628	-	(20,261)
Credit impairment	-	34,753	-	34,753
Tax loss carry forward	2,648,555	190,488	-	2,839,043
Gratuity post retirement benefit	109,169	-	(54,794)	54,375
	<u>2,725,835</u>	<u>236,869</u>	<u>(54,794)</u>	<u>2,907,910</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

	GROUP 31 December 2015 N'000	GROUP 31 December 2014 N'000	BANK 31 December 2015 N'000	BANK 31 December 2014 N'000
25. Intangible asset				
Computer Software				
Cost				
At 1 January 2015	739,087	666,574	614,859	565,967
Additions	59,525	72,513	52,732	48,892
Disposals	(710)	-	-	-
At 31 December 2015	<u>797,902</u>	<u>739,087</u>	<u>667,591</u>	<u>614,859</u>
Accumulated amortisation				
At 1 January 2015	(545,948)	(448,280)	(455,630)	(364,272)
Charge for the year	(114,002)	(97,668)	(101,535)	(91,358)
Disposals	455	-	-	-
At 31 December 2015	<u>(659,495)</u>	<u>(545,948)</u>	<u>(557,165)</u>	<u>(455,630)</u>
Net book amount at 1 January 2015	<u>193,139</u>	<u>218,294</u>	<u>159,229</u>	<u>201,695</u>
Net book amount at 31 December 2015	<u>138,407</u>	<u>193,139</u>	<u>110,426</u>	<u>159,229</u>

The amortisation charge for the year is included within operating expenses.

26. Property and equipment

GROUP	Leasehold improvement N'000	Office equipment N'000	Furniture, Fittings & equipment N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost						
At 1 January 2015	205,632	361,577	149,413	662,468	17,500	1,396,590
Additions	23,441	23,318	11,625	166,813	44,967	270,164
Reclassifications	-	-	-	17,500	(17,500)	-
Disposals	(3,006)	(9,117)	(2,017)	(87,766)	-	(101,906)
At 31 December 2015	<u>226,067</u>	<u>375,778</u>	<u>159,021</u>	<u>759,015</u>	<u>44,967</u>	<u>1,564,848</u>
Accumulated depreciation						
At 1 January 2015	(119,881)	(288,806)	(126,219)	(297,477)	-	(832,383)
Charge for the year	(38,603)	(40,109)	(10,430)	(171,706)	-	(260,848)
Disposals	3,006	9,117	2,017	82,359	-	96,499
At 31 December 2015	<u>(155,478)</u>	<u>(319,798)</u>	<u>(134,632)</u>	<u>(386,824)</u>	<u>-</u>	<u>(996,732)</u>
Net book amount at 31 December 2015	<u>70,589</u>	<u>55,980</u>	<u>24,389</u>	<u>372,191</u>	<u>44,967</u>	<u>568,116</u>
Cost						
At 1 January 2014	162,602	354,674	143,633	576,647	538	1,238,094
Additions	43,365	39,804	6,547	162,986	17,500	270,202
Reclassifications	-	-	538	-	(538)	-
Disposals	(335)	(32,901)	(1,305)	(77,165)	-	(111,706)
At 31 December 2014	<u>205,632</u>	<u>361,577</u>	<u>149,413</u>	<u>662,468</u>	<u>17,500</u>	<u>1,396,590</u>
Accumulated depreciation						
At 1 January 2014	(73,592)	(282,918)	(111,281)	(213,602)	-	(681,393)
Charge for the year	(46,603)	(38,765)	(16,170)	(145,203)	-	(246,741)
Disposals	314	32,877	1,232	61,328	-	95,751
At 31 December 2014	<u>(119,881)</u>	<u>(288,806)</u>	<u>(126,219)</u>	<u>(297,477)</u>	<u>-</u>	<u>(832,383)</u>
Net book amount at 1 January 2014	<u>89,010</u>	<u>71,756</u>	<u>32,352</u>	<u>363,045</u>	<u>538</u>	<u>556,701</u>
Net book amount at 31 December 2014	<u>85,751</u>	<u>72,771</u>	<u>23,194</u>	<u>364,991</u>	<u>17,500</u>	<u>564,207</u>

Notes To The Consolidated Financial Statements
for The Year Ended 31 December 2015

BANK	Leasehold improvement N'000	Office equipment N'000	Furniture, Fittings & equipment N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost						
At 1 January 2015	142,305	186,859	98,651	344,015	17,500	789,330
Additions	18,514	7,739	8,357	69,313	44,967	148,890
Reclassifications	-	-	-	17,500	(17,500)	-
Disposals	-	(8,799)	(1,555)	(33,695)	-	(44,049)
At 31 December 2015	160,819	185,799	105,453	397,133	44,967	894,171
Accumulated depreciation						
At 1 January 2015	(82,462)	(150,394)	(87,596)	(136,734)	-	(457,186)
Charge for the year	(24,876)	(17,890)	(3,867)	(96,786)	-	(143,419)
Disposals	-	8,799	1,555	31,398	-	41,752
At 31 December 2015	(107,338)	(159,485)	(89,908)	(202,123)	-	(558,854)
Net book amount at 31 December 2015	53,481	26,314	15,545	195,010	44,967	335,317
Cost						
At 1 January 2014	112,706	184,308	96,622	315,170	538	709,344
Additions	29,599	22,032	1,491	93,640	17,500	164,262
Reclassifications	-	-	538	-	(538)	-
Disposals	-	(19,481)	-	(64,795)	-	(84,276)
At 31 December 2014	142,305	186,859	98,651	344,015	17,500	789,330
Accumulated depreciation						
At 1 January 2014	(49,609)	(155,582)	(78,445)	(108,903)	-	(392,539)
Charge for the year	(32,853)	(14,293)	(9,151)	(77,129)	-	(133,426)
Disposals	-	19,481	-	49,298	-	68,779
At 31 December 2014	(82,462)	(150,394)	(87,596)	(136,734)	-	(457,186)
Net book amount at 1 January 2014	63,097	28,726	18,177	206,267	538	316,805
Net book amount at 31 December 2014	59,843	36,465	11,055	207,281	17,500	332,144

	31 December 2015 N'000	31 December 2014 N'000	31 December 2015 N'000	31 December 2014 N'000
27. Due to banks				
Call borrowings	3,699,945	30,120,333	3,699,945	30,120,333
Secured borrowings and liabilities under repurchase agreement	4,500,541	10,004,795	4,500,541	10,004,795
Trade related obligations to local banks	4,013,370	-	4,013,370	-
Trade related obligations to foreign banks	4,036,455	-	4,036,455	-
	<u>16,250,311</u>	<u>40,125,128</u>	<u>16,250,311</u>	<u>40,125,128</u>
Current	16,250,311	40,125,128	16,250,311	40,125,128
Non-current	-	-	-	-
	<u>16,250,311</u>	<u>40,125,128</u>	<u>16,250,311</u>	<u>40,125,128</u>

Secured borrowings and repurchase agreement transactions represent various transactions in which financial assets are transferred in exchange for cash and a concurrent obligation to re-acquire the financial asset at a future date for a pre-determined consideration. The transferred asset have not been de-recognised in the books and form part of the financial assets in the statement of financial position disclosed as pledged assets (Note 20).

28. Due to customers				
Liabilities under repurchase agreements	-	1,013,902	-	1,013,902
Demand	5,521,030	2,006,077	5,601,191	1,908,009
Term	45,890,594	38,027,788	47,060,458	38,888,146
Other customer balances	-	-	-	-
	<u>51,411,624</u>	<u>41,047,767</u>	<u>52,661,649</u>	<u>41,810,057</u>
Current	51,411,624	41,047,767	52,661,649	41,810,057
Non-current	-	-	-	-
	<u>51,411,624</u>	<u>41,047,767</u>	<u>52,661,649</u>	<u>41,810,057</u>

The bank engages in collateralised borrowing agreements (liabilities under repurchase) with non-bank clients. The terms and conditions relating to the assets pledged against the liabilities typically retains the rights and benefits on the assets with the bank. The pledged assets have not been de-recognised in the books and form part of the bank's financial assets in the statement of financial position.

29. Other liabilities				
Financial liabilities:				
Customers' deposit for foreign trade (Note (i))	6,353,457	534,372	6,353,457	534,372
Amounts held on behalf of third parties (Note ii)	43,895	43,895	43,895	43,895
Unclaimed third party deposits	4,223	16,604	4,223	16,604
Accounts payable	255,737	223,354	37,790	22,514
Stale cheques and other payable	244,215	20,083	104,095	20,083
	<u>6,901,527</u>	<u>838,308</u>	<u>6,543,460</u>	<u>637,468</u>
Non financial liabilities:				
Accrued expenses and payables	264,902	220,794	118,272	143,138
	<u>264,902</u>	<u>220,794</u>	<u>118,272</u>	<u>143,138</u>
	<u>7,166,429</u>	<u>1,059,102</u>	<u>6,661,732</u>	<u>780,606</u>
Current	7,166,429	1,059,102	6,661,732	780,606
Non-current	-	-	-	-
	<u>7,166,429</u>	<u>1,059,102</u>	<u>6,661,732</u>	<u>780,606</u>

(i) This represents the naira value of foreign currencies held on behalf of customer(s) to cover letters of credit transactions.

(ii) This represents collection for transaction on behalf of third parties

Notes To The Consolidated Financial Statements for The Year Ended 31 December 2015

	31 December 2015 N'000	31 December 2014 N'000	31 December 2015 N'000	31 December 2014 N'000
30. Debt securities issued				
Debt securities at amortised cost:				
Fixed rate senior unsecured bonds	5,630,676	5,583,458	5,630,676	5,583,458
	<u>5,630,676</u>	<u>5,583,458</u>	<u>5,630,676</u>	<u>5,583,458</u>

Debt securities represents note issuance of N5.53billion under the note issuance agreement with FSDH Funding SPV Plc, a structured entity incorporated in Nigeria set up to issue bonds to the public in order to provide funding to the bank. The note issuance is with respect to the N5.53billion fixed rate unsecured non-convertible bond issued by the SPV in October 2013 for a period of 3 years. The debt security is redeemable in October 2016 and coupon is payable half yearly at the rate of 14.25% per annum.

31 Other borrowed funds

Due to Afrexim (i)	1,980,896	-	1,980,896	-
Due to Shelter Afrique (ii)	1,967,801	-	1,967,801	-
	<u>3,948,697</u>	<u>-</u>	<u>3,948,697</u>	<u>-</u>
Current	1,980,896	-	1,980,896	-
Non-current	1,967,801	-	1,967,801	-
	<u>3,948,697</u>	<u>-</u>	<u>3,948,697</u>	<u>-</u>

(i) The N1.98billion (\$10million) represents a secured trade finance facility granted to the bank by African Export-Import Bank, Egypt at an interest rate of Libor + 4% p.a. for 175 days effective 11th December 2015. The liability is carried at amortised cost.

(ii) The N1.97billion (\$10million) represent an on-lending facility granted to the bank by Shelter-Afrique (The Company for Habitat and Housing in Africa), Kenya at an interest rate of Libor + 7.5% p.a. for 6 years effective December 16th 2015. Interest is payable bi-annually. The liability is carried at amortised cost.

32. Share capital

	31 December 2015 N'000	31 December 2014 N'000
GROUP AND BANK		
Authorised		
3,100,000,000 Ordinary shares of N1 each	<u>3,100,000</u>	<u>3,100,000</u>
Issued and fully paid		
2,794,793,730 Ordinary shares of N1 each	<u>2,794,794</u>	<u>2,794,794</u>

33. Share premium and reserves

GROUP AND BANK

The nature and purpose of the reserves in equity are as follows:

- (a) **Share premium:** Premiums from the issue of shares are reported in share premium.
- (b) **Retained earnings:** Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.
- (c) **Statutory reserve:** In accordance with the Banks and Other Financial Institutions Act of 1991 (Amended), 15% of profit after taxation has been transferred to statutory reserve. In addition, Pensions Alliance Limited, a subsidiary company in the group, has transferred 12.5% of its profit after taxation to a statutory reserve account which is required to be done on an annual basis under existing legislation.
- (d) **Available for sale reserve:** The revaluation reserve shows the effects from the fair value measurement of financial instruments of the available for sale category (AFS). Any gains or losses on this class of financial instruments are not recognised in the consolidated income statement until the asset has been sold or impaired.
- (e) **Treasury share reserve:** This represents 241.42million units (31 December 2014: 241.42million) of the bank's shares held by FSDH Staff Co-operative Society. The Co-operative Society holds 8.64% of the issued share capital of the bank and are held by the trustees to the scheme. The statement of affairs of the scheme have been consolidated into this financial statements.

34. Credit risk reserve

This represents a non-distributable reserve for the excess between the impairment reserve on loans and advances determined using Prudential Guidelines issued by the Central Bank of Nigeria over the impairment reserve calculated under IFRS.

b) Movement in credit risk reserve	GROUP		BANK	
	31 December 2015 N '000	31 December 2014 N '000	31 December 2015 N '000	31 December 2014 N '000
Balance as at 1st January	254,147	162,221	254,147	162,221
Transfer (to)/from retained earnings	744,134	91,926	744,134	91,926
Balance as at 31st December	<u>998,281</u>	<u>254,147</u>	<u>998,281</u>	<u>254,147</u>

35. Reconciliation of profit before tax to cash generated from operations

	31 December 2015 N'000	31 December 2014 N'000	31 December 2015 N'000	31 December 2014 N'000
Profit before income tax	4,716,102	3,642,102	3,377,577	2,590,578
Adjustments for:				
– Amortisation (note 25)	114,002	97,668	101,535	91,358
– Depreciation (note 26)	260,848	246,740	143,419	133,426
– Loss on disposal of intangible asset (Note 11)	255	-	-	-
– Profit on disposal of property and equipment (note 11)	(3,675)	(3,215)	(2,296)	(2,970)
– Benefit plan charge (note 23)	(8,619)	50,040	(6,588)	46,945
– Net interest income	(4,311,818)	(2,401,159)	(3,774,174)	(1,999,040)
– Dividend income	(62,197)	(69,717)	(545,613)	(385,941)
– Impairment charge on loans and advances (Note 8)	569,359	127,352	570,304	121,644
<i>Changes in working capital:</i>				
– Balances with Central Bank (restricted cash)	(185,043)	(364,299)	(185,043)	(364,299)
– Loans to banks (restricted cash)	71,482	(81,465)	-	-
– Loans and receivables to customers	(607,751)	(20,956,045)	(621,555)	(20,586,064)
– Financial instruments held for trading	2,791,348	(4,560,963)	2,721,871	(4,603,701)
– Derivatives financial assets	62,331	(12,526)	62,331	(12,526)
– Pledged assets	(3,143,590)	1,457,813	(3,143,590)	1,457,813
– Other assets	207,189	(147,767)	212,779	(35,294)
– Due to banks	(23,898,075)	34,761,375	(23,898,120)	34,761,330
– Due to customers	9,790,351	(5,814,214)	10,278,086	(5,930,706)
– Derivatives financial liabilities	(86,489)	25,715	(86,489)	25,715
– Other borrowings	1,958,364	-	1,958,364	-
– Other liabilities	6,107,327	568,456	5,881,126	561,025
Cash (used)/generated from operations	<u>(5,658,299)</u>	<u>6,565,890</u>	<u>(6,956,076)</u>	<u>5,869,293</u>

36. Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less from when the group became a party to the instrument.

	GROUP		BANK	
	2015 N'000	2014 N'000	2015 N'000	2014 N'000
Cash and bank balances (Note 14)	19,513,626	5,625,317	19,435,811	5,563,062
Placements with banks and discount houses in Nigeria (Note 15)	12,430,146	8,411,437	10,525,606	7,309,936
Treasury bills held for trading	-	688,119	-	688,119
Treasury bills classified as available for sale	-	2,228,934	-	2,228,934
	<u>31,943,772</u>	<u>16,953,807</u>	<u>29,961,417</u>	<u>15,790,051</u>

37. Group entities

The Group is controlled by FSDH Merchant Bank Limited "the ultimate parent". The controlling interest of FSDH Merchant Bank Limited in the Group entities is as disclosed in the accompanying disclosures below -

The basis of consolidation of the Group's subsidiaries is as stated in Note 2.2. The following disclosures are provided as regards the bank's interest in other entities and information relating to significant non-controlling interests in entities within the Group.

List of significant subsidiaries	Type of holding	Principal line of business	Ownership Interest	
			2015	2014
FSDH Asset Management Limited, incorporated in Nigeria	Direct	Fund & portfolio management	99.7%	99.7%
Pensions Alliance Limited, incorporated in Nigeria	Direct	Pension fund administration	51.0%	51.0%
FSDH Securities Limited, incorporated in Nigeria	Indirect	Stockbroking	99.6%	99.6%

Structured entities

The accounts of FSDH Staff Co-operative Society, a staff co-operative scheme which holds 8.64% of the equity holdings of the parent bank and FSDH Funding SPV Plc, a special purpose vehicle, set up to issue bonds to the public in order to provide funding to the bank has been consolidated in the Group financial statements. For information on judgements made to conclude the group has control in this entity, see Note 2.2.

The Group did not give any financial support during the year (2014 : Nil) to any structured entity it consolidated.

Unconsolidated structured entities

The Group has interests in some special purpose entities set up to hold the title to underlying assets held as collateral for mortgage loans advanced to employees. The entities are set up primarily to ensure that the employees do not suffer a double charge on transfer of title, while still providing collateral to the Group for the loans advanced. The SPEs are held in trust by nominees and the title to the property vested in the SPE. Under the terms of the Trust, the nominee can only take the following actions; return ownership of SPE to employee upon liquidation of the loan or commence recovery process on behalf of the Group against the property upon a default event by the employee.

The Group did not give any financial support during the year (2014 : Nil) to any unconsolidated structured entity.

Significant restrictions

There are no significant restrictions on the Group's ability to access and use assets or settle liabilities of the group other than those resulting from regulatory frameworks within which the subsidiaries operate. Pensions Alliance Limited, a pension fund administration company is the only group subsidiary besides the parent bank that regulatory framework requires it to keep certain percentages of its profits in a restricted statutory reserve account (as disclosed in Note 33).

Non-Controlling Interests (NCI) in subsidiaries

Information relating to the Group's subsidiary with material NCI is as below -

Pensions Alliance Limited

NCI ownership interests & voting rights percentage	49%	49%
	2015	2014
	N'000	N'000
Total assets	3,228,747	2,724,595
Total liabilities	7,10,077	6,08,184
Net assets	2,518,670	2,116,411
Carrying amount of NCI	1,234,148	1,037,041
Pensions Alliance Limited (cont'd)	2015	2014
	N'000	N'000
Revenue	3,038,414	1,909,602
Profit	1,415,048	1,076,999
Total comprehensive income	9,83,059	7,27,121
Profit allocated to NCI	4,81,699	3,64,435
Dividend paid to NCI during the year	2,84,592	2,10,210

Summarised cashflows		
Cashflow from operating activities	9 00,715	1 ,168,793
Cashflow from investing activities	102,793	42,321
Cashflow from financing activities, before dividends to NCI	(296,208)	(218,790)
Cashflow from financing activities, cash dividends to NCI	(284,592)	(210,210)
Net increase in cash and cash equivalents	<u>422,708</u>	<u>782,114</u>

38. Contingent liabilities and commitments

(a) Legal proceedings

The Group has litigation and claims which arose in the normal course of business and they are being contested by the Group. The directors, having sought professional legal counsel, are of the opinion that no loss will eventuate, hence no provision has been made for them in these financial statements.

(b) Credit related commitments

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

	GROUP		BANK	
	31 December 2015 N '000	31 December 2014 N '000	31 December 2015 N '000	31 December 2014 N '000
Letters of Credit	4 ,126,077	8 ,008,636	4 ,126,077	8 ,008,636
Performance bonds and guarantees	-	108,000	-	108,000
Loan Commitments	<u>15,402,967</u>	<u>23,704,515</u>	<u>15,402,967</u>	<u>23,704,515</u>
	<u>19,529,044</u>	<u>31,821,151</u>	<u>19,529,044</u>	<u>31,821,151</u>

39. Related party transactions

The parent company of the Group is FSDH Merchant Bank Limited.

A number of transactions are entered into with related parties in the normal course of business. These include advisory, investments and securities' transactions. In line with IAS 24, the Group categorised its shareholders, directors, members of its executive management committee and their related entities or persons of influence with which the Group had transactions for disclosure purposes.

(i) Key management personnel and their related entities

(a) Compensation

	31 December 2015 N'000	31 December 2014 N'000
Wages and salaries	475,651	450,330
Pension costs	<u>38,721</u>	<u>33,017</u>
	<u>514,372</u>	<u>483,347</u>

(b) Loans and advances

	31 December 2015 N'000	31 December 2014 N'000
Loans outstanding	<u>131,477</u>	<u>176,709</u>

Loans to key management personnel as disclosed above represent staff loans which are payable between 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employ of the Group for over 5 years. Mortgage loans are collateralised by the underlying property. There were no specific loan loss provision related to the amounts outstanding.

No loan was granted to any key management staff or employee outside their employment scheme of service.

(c) Deposits

	31 December 2015 N'000	31 December 2014 N'000
Due to customers	<u>344,900</u>	<u>308,097</u>

Key management staff has been defined as members of the management executive committee of the group.

(ii) Directors and their related entities

(a) Deposits	31 December 2015 N'000	31 December 2014 N'000
Due to customers	<u>2,633,005</u>	<u>1,766,338</u>

(b) Transactions

The aggregate value of transactions of services rendered to directors and their related entities over which they have control or significant influence were as follows:

Expense paid*	31 December 2015 N'000	31 December 2014 N'000
	<u>36,750</u>	<u>31,046</u>

*The bank had since its incorporation engaged the legal services of the law firm of Udo Udoma & Belo-Osagie, a law partnership firm related to Mr. Dan Agbor and Mrs Myma Belo-Osagie (non-executive directors) on a retainership basis. The retainership also covers the secretarial services provided by Alsec Nominees Limited to the bank. The retainership fee is included in the expense paid disclosed.

(c) Loans and advances	31 December 2015 N'000	31 December 2014 N'000
Loans and advances to customers	<u>3,094,971</u>	<u>1,063,048</u>
	<u>3,094,971</u>	<u>1,063,048</u>

This represents balance outstanding on credits advanced to directors and directors' related entities. No specific credit impairment has been recognised in respect of loans granted to these related parties.

(iii) Shareholders and related entities

(a) Deposits	31 December 2015 N'000	31 December 2014 N'000
Due to customers	<u>513,579</u>	<u>474,947</u>

(b) Cash and bank balances	31 December 2015 N'000	31 December 2014 N'000
Bank balances	<u>45,415</u>	<u>(7,893)</u>

(c) Derivative Financial Instruments	31 December 2015 N'000	31 December 2014 N'000
FX forward contract - asset	2,532	-
FX forward contract - liability	<u>1,382</u>	<u>-</u>

(c) Due to banks	31 December 2015 N'000	31 December 2014 N'000
Trade related obligations to local banks	<u>2,016,950</u>	<u>-</u>

(iv) Subsidiaries

(a) Deposits	31 December 2015 N'000	31 December 2014 N'000
Due to customers	<u>884,696</u>	<u>621,807</u>
Interest expense	<u>60,111</u>	<u>74,395</u>

This represents deposit balances of the subsidiaries with FSDH Merchant Bank Limited. The interest expense and balances as disclosed above have been eliminated in the consolidated group figures.

(b) Transactions	31 December 2015 N'000	31 December 2014 N'000
FSDH Asset Management Limited Technical management**	<u>42,961</u>	<u>38,741</u>
FSDH Securities Limited Technical management**	<u>17,023</u>	<u>13,925</u>

**The bank has a technical service agreement with FSDH Asset Management Limited and FSDH Securities Limited. The agreement provides for the provision of technical management assistance to both companies for a fee of 7.5% of total earnings (31 December 2014: 7.5% of earnings).

40. Insider related credits

In compliance with the Central Bank of Nigeria circular BSD/1/2004 on disclosure requirements on insider related credits, the following insider related credits and their performance as set below were outstanding as at 31 December 2015.

31 December 2015

Customer and relationship	Facility Type	Amount N'000	Status	Nature of security
Emerging Markets Telecoms Services Limited (Director related)	Term loan	3,094,971	Performing	Fixed charge on bank accounts, shares & license in subsidiaries, assignment of insurance policies and floating charge over other assets
		<u>3,094,971</u>		

31 December 2014

Customer and relationship	Facility Type	Amount N'000	Status	Nature of security
Emerging Markets Telecoms Services Limited (Director related)	Term loan	1,063,048	Performing	Fixed charge on bank accounts, shares & license in subsidiaries, assignment of insurance policies and floating charge over other assets
		<u>1,063,048</u>		

Insider-related credits include transactions involving shareholders, employees, directors and their related interests; the term director being as defined in section 20(5) of BOFIA 1991 (as amended). Under the circular, credits to employees under their employment scheme of service and shareholders' whose shareholding and related interest are less than 5% of the bank's paid up capital, are excluded.

No specific impairment charge has been recognised in these financials with respect to the insider related credits.

41. Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit after tax attributable to the equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares held as

	GROUP		BANK	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Profit after tax attributable to equity holders of the parent bank (N'000)	<u>3,612,894</u>	<u>2,663,724</u>	<u>3,379,236</u>	<u>2,492,073</u>
Weighted average number of ordinary shares ('000)	<u>2,794,794</u>	<u>2,794,794</u>	<u>2,794,794</u>	<u>2,794,794</u>
Treasury shares ('000)	<u>(241,419)</u>	<u>(241,419)</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares excluding treasury shares ('000)	<u>2,553,375</u>	<u>2,553,375</u>	<u>2,794,794</u>	<u>2,794,794</u>
Basic earnings per share (in kobo per share)	<u>141</u>	<u>104</u>	<u>121</u>	<u>89</u>

(ii) Diluted

The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders (31 December 2014: Nil).

Diluted earnings per share (expressed in kobo)	<u>141</u>	<u>104</u>	<u>121</u>	<u>89</u>
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42. Dividends

	31 December 2015 N'000	31 December 2014 N'000
Proposed dividend at 93.20kobo (2014: 26.75kobo) per share	2,604,750	747,607

Dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the next AGM, a dividend in respect of the financial year ended 31 December 2015 of 93.20kobo per share (2014: 26.75kobo) amounting to a total of N2.604billion (2014: N747.622million) will be proposed (payable less of 10% withholding tax). These financial statements do not reflect this resolution which will be accounted as an appropriation of retained earnings in the year ending 31 December 2016.

43. Compliance with banking regulations

During the year, the bank contravened certain sections of the relevant CBN circulars and/or directive which attracted the following penalty payments -

Late rendition of monthly returns on fraud and forgeries for December 2014	N'000
Non-rendition of return on chief compliance status	2,000
Infraction arising from AML/CFT spotchecks	2,000
Late rendition of return on Treasury Single Account status	2,000
	<u>8,000</u>

44. Comparatives

Certain prior year balances have been reclassified in line with current year presentation format. The reclassification as shown below did not impact on the bank or group results for 2014. The nature and reason for the reclassification are as shown below:

	Group N'000	Bank N'000
Net gains on financial instruments held for trading (Note 9)	2,475,852	2,432,912
Reclassified to Other Income (foreign currency translation)	<u>(31,274)</u>	<u>(31,274)</u>
	<u>2,444,578</u>	<u>2,401,638</u>
Included in prior year foreign exchange income under net gains on financial instrument held for trading was foreign currency translation income as shown above.		
Other Income (Note 11)	77,422	443,588
Reclassified from Net gains on financial instruments held for trading (foreign exchange)	<u>31,274</u>	<u>31,274</u>
	<u>108,696</u>	<u>474,862</u>

Reclassification to foreign currency translation under other income from foreign exchange income under net gains on financial instrument held for trading as shown above.

45. Events after statement of financial position date

There were no events subsequent to the financial position date which require adjustments to, or disclosure in these financial statements.

Other National Disclosures
Value Added Statement
for The Year Ended 31 December 2015

GROUP

	Dec 2015 N'000	%	Dec 2014 N'000	%
Gross earnings	20,480,789		15,642,062	
Interest and similar expenses	(10,066,110)		(7,190,544)	
	<u>10,414,679</u>		<u>8,451,518</u>	
Impairment allowance on risk assets	(569,359)		(127,352)	
Administrative Overheads- local	(1,788,152)		(1,470,490)	
Value added	<u>8,057,168</u>	100	<u>6,853,676</u>	100
Distribution of value added.				
To employees and directors:				
Salaries and benefits	2,966,216	37	2,867,165	42
To government:				
Government as taxes	621,509	8	613,943	9
The future:				
For replacement of fixed assets (depreciation)	260,848	3	246,741	4
For replacement of intangible assets (amortisation)	114,002	1	97,668	1
Transferred to non-controlling Interes	t 481,699	6	364,435	5
To reserves	3,612,894	45	2,663,724	39
	<u>8,057,168</u>	100	<u>6,853,676</u>	100

These statements shows the distribution of the wealth created by the Group during the periods.

BANK

	Dec 2015 N'000	%	Dec 2014 N'000	%
Gross earnings	17,216,322		12,749,233	
Interest and similar expenses	(10,126,140)		(7,264,829)	
	<u>7,090,182</u>		<u>5,484,404</u>	
Impairment allowance on risk assets	(570,304)		(121,644)	
Administrative Overheads- local	(1,199,029)		(936,416)	
Value added	<u>5,320,849</u>	100	<u>4,426,344</u>	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	1,698,318	32	1,610,982	37
To government:				
Tax	(1,659)	(0)	98,505	2
The future:				
For replacement of fixed assets (depreciation)	143,419	3	133,426	3
For replacement of intangible assets (amortisation)	101,535	2	91,358	2
To reserves	3,379,236	64	2,492,073	56
	<u>5,320,849</u>	100	<u>4,426,344</u>	100

These statements shows the distribution of the wealth created by the Bank during the periods.

Other National Disclosures
Five Year Financial Summary (Group)
for The Year Ended 31 December 2015

	Dec 2015 N'000	Dec 2014 N'000	Dec 2013 N'000	Dec 2012 N'000	Dec 2011 N'000
Gross earnings	20,480,789	15,642,062	13,161,978	13,901,702	11,156,381
Interest and similar expenses	(10,066,110)	(7,190,544)	(6,977,491)	(8,248,695)	(5,630,065)
Operating income	10,414,679	8,451,518	6,184,487	5,653,007	5,526,065
Profit before tax	4,716,102	3,642,102	2,065,561	2,267,657	2,561,033
Tax	(621,509)	(613,943)	551,178	918,042	(334,204)
Profit after tax	4,094,593	3,028,159	2,616,739	3,185,699	2,226,829
Minority interest	(481,699)	(364,435)	(238,022)	(176,990)	(113,867)
Profit attributable to equity holders	3,612,894	2,663,724	2,378,717	3,008,709	2,112,962
Earnings per share (kobo)	141	104	93	118	83
	Dec 2015 N'000	Dec 2014 N'000	Dec 2013 N'000	Dec 2012 N'000	Dec 2011 N'000
ASSETS					
Cash and bank balances	20,693,241	6,619,889	7,804,718	913,900	528,479
Loans to banks	12,543,134	8,595,908	424,203	16,415,697	694,386
Financial instruments held for trading	2,844,359	6,323,826	1,324,275	11,504,477	-
Loans and advances to customers	40,264,878	40,031,099	19,337,994	8,831,019	8,099,015
Derivative financial instruments	15,918	78,249	65,723	-	-
Investment securities	23,210,210	39,631,355	37,734,343	30,280,755	35,143,058
Pledged assets	10,764,082	7,620,492	11,288,320	22,819,716	28,965,871
Other assets	1,491,762	1,698,952	1,551,185	1,076,928	1,246,241
Retirement benefit scheme asset	111,258	295,425	-	55,515	10,411
Deferred tax assets	3,586,431	2,866,771	2,700,716	1,490,218	159,455
Intangible assets	138,407	193,139	218,294	236,102	175,785
Property and equipment	568,116	564,208	556,701	393,159	396,533
	116,231,796	114,519,313	83,006,472	94,017,486	75,419,234
LIABILITIES					
Due to banks	16,250,311	40,125,128	5,286,462	40,504,336	35,628,397
Due to customers	51,411,624	41,047,767	46,825,935	29,599,538	20,911,208
Derivative financial instruments	1,382	87,871	62,156	-	-
Retirement benefit obligation	-	-	3,383	-	-
Current income tax liability	1,580,788	1,156,099	1,075,099	887,142	701,215
Other liabilities	7,166,429	1,059,102	490,646	260,030	257,313
Debt securities issued	5,630,676	5,583,458	5,542,720	-	-
Other borrowed funds	3,948,697	-	-	-	-
	85,989,907	89,059,425	59,286,401	71,251,046	57,498,133
NET ASSETS	30,241,889	25,459,888	23,720,071	22,766,440	17,921,101
SHAREHOLDERS' FUNDS:					
Share capital	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794
Share premium	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587
Treasury share reserve	(450,040)	(450,040)	(450,040)	(450,040)	(450,040)
Retained earnings	18,922,897	17,499,000	16,141,531	14,624,282	12,693,806
Statutory reserve	5,026,480	4,399,594	3,932,752	3,565,277	3,241,132
Available for sale reserve	175,741	(1,614,236)	(1,283,591)	(328,391)	(2,564,305)
Credit risk reserve	998,281	254,147	162,221	322,486	144,672
	29,007,740	24,422,846	22,837,254	22,067,995	17,399,646
Non-controlling interest	1,234,149	1,037,042	882,817	698,445	521,455
SHAREHOLDERS' FUNDS	30,241,889	25,459,888	23,720,071	22,766,440	17,921,101

Other National Disclosures
Five Year Financial Summary (Bank)
for The Year Ended 31 December 2015

	Dec 2015 N'000	Dec 2014 N'000	Dec 2013 N'000	Dec 2012 N'000	Dec 2011 N'000
Gross earnings	17,216,322	12,749,233	10,766,950	11,914,854	9,727,861
Interest and similar expenses	<u>(10,126,140)</u>	<u>(7,264,829)</u>	<u>(7,227,365)</u>	<u>(8,317,703)</u>	<u>(5,674,252)</u>
Operating income	<u>7,090,182</u>	<u>5,484,404</u>	<u>3,539,585</u>	<u>3,597,151</u>	<u>4,053,609</u>
Profit before tax	3,377,577	2,590,578	967,693	1,690,957	2,251,688
Tax	<u>1,659</u>	<u>(98,505)</u>	<u>959,602</u>	<u>1,136,609</u>	<u>(189,387)</u>
Profit after tax	<u>3,379,236</u>	<u>2,492,073</u>	<u>1,927,295</u>	<u>2,827,566</u>	<u>2,062,301</u>
Earnings per share (Kobo)	<u>121</u>	<u>89</u>	<u>69</u>	<u>101</u>	<u>74</u>
	Dec 2015 N'000	Dec 2014 N'000	Dec 2013 N'000	Dec 2012 N'000	Dec 2011 N'000
ASSETS					
Cash and bank balances	20,615,426	6,557,634	7,487,144	883,704	527,668
Loans to banks	10,525,606	7,309,935	-	-	-
Financial instruments held for trading	2,844,336	6,254,326	1,212,037	11,324,890	-
Derivative financial instruments	15,918	78,249	65,723	-	-
Loans and advances to customers	39,677,039	39,437,893	19,120,214	24,138,943	8,080,045
Investment securities	21,713,417	37,478,573	34,780,706	28,792,738	33,549,615
Pledged assets	10,764,082	7,620,492	11,288,320	22,819,716	28,965,871
Other assets	447,575	660,354	625,060	434,802	698,173
Investment in subsidiaries	787,010	787,010	787,010	787,010	787,010
Retirement benefit scheme asset	87,950	258,368	-	50,892	5,441
Deferred tax assets	3,633,002	2,907,908	2,725,834	1,461,299	140,022
Intangible assets	110,426	159,229	201,695	232,213	175,785
Property and equipment	<u>335,317</u>	<u>332,144</u>	<u>316,805</u>	<u>225,151</u>	<u>216,719</u>
	<u>111,557,104</u>	<u>109,842,115</u>	<u>78,610,548</u>	<u>91,151,358</u>	<u>73,146,349</u>
LIABILITIES					
Due to banks	16,250,311	40,125,128	5,286,462	40,504,336	35,628,397
Due to customers	52,661,649	41,810,057	47,704,717	30,538,831	21,560,033
Derivative financial instruments	1,382	87,871	62,156	-	-
Retirement benefit obligation	-	-	17,332	-	-
Current income tax liability	920,152	585,196	543,274	571,774	571,773
Other liabilities	6,661,732	780,604	219,580	140,112	156,761
Debt securities issued	5,630,676	5,583,458	5,542,720	-	-
Other borrowed funds	<u>3,948,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>86,074,599</u>	<u>88,972,314</u>	<u>59,376,241</u>	<u>71,755,053</u>	<u>57,916,964</u>
NET ASSETS	<u>25,482,505</u>	<u>20,869,801</u>	<u>19,234,307</u>	<u>19,396,305</u>	<u>15,229,385</u>
SHAREHOLDERS' FUNDS:					
Share capital	2,794,794	2,794,794	2,794,794	2,794,794	2,794,794
Share premium	1,539,587	1,539,587	1,539,587	1,539,587	1,539,587
Retained earnings	15,344,788	14,088,083	12,912,075	11,852,593	10,126,101
Statutory reserve	4,650,947	4,144,062	3,770,251	3,467,659	3,184,902
Available for sale reserve	154,108	(1,950,872)	(1,944,621)	(580,814)	(2,560,671)
Credit risk reserve	998,281	254,147	162,221	322,486	144,672
Revaluation reserve	-	-	-	-	-
	<u>25,482,505</u>	<u>20,869,801</u>	<u>19,234,307</u>	<u>19,396,305</u>	<u>15,229,385</u>

