# Diamond Bank Plc and Subsidiary Companies

## Annual Report

## 31 December 2018

**Table of contents** **Page**

## Directors, officers and professional advisors

**Directors**

| | |
|---|---|
| Prof. Chris Ike Ogbechie [1] | Chairman |
| Mr. Oluseyi T. Bickerseth[2] | Chairman |
| Mr. Dele Babade[8] | Acting Chairman |
| Mr. Uzoma Dozie | Group Managing Director/CEO |
| Mrs. Caroline Anyanwu | Deputy Managing Director |
| Mr. Kabir Alkali Mohammed | Non-executive Director |
| Mr. Damian Dolland [3] | Non-executive Director |
| Mr. Rotimi O. Oyekanmi [4] | Independent Director |
| Mrs. Chizoma Okoli | Executive Director |
| Mr. Chiugo Ndubisi | Executive Director |
| Mrs Aisha Muhammed Oyebode [5] | Non-executive Director |
| Mrs Juliet Anammah [6] | Non-executive Director |
| Mr Christopher Ubosi | Non-executive Director |
| Mr. Idris M. Mohammed[7] | Non-executive Director |

[1] Prof. Chris Ike Ogbechie retired with effect from March 31, 2018
[2] Mr. Oluseyi T. Bickerseth was appointed effective June 26,2018 and resigned effective October 19, 2018
[3] Mr Damian Dolland resigned effective October 3, 2018
[4] Mr Rotimi O. Oyekanmi resigned effective October 19, 2018
[5] Mrs Aisha M. Oyebode resigned effective October 19, 2018
[6] Mrs Juliet Anammah resigned effective October 19, 2018
[7] Mr Idris M. Mohammed was appointed effective August 13, 2018
[8] Mr.Dele Babade was appointed as the Acting Chairman effective December 24, 2018

**Company Secretary**

| | |
|---|---|
| Uzoma Uja | Company Secretary/Legal Adviser |

**Corporate Head Office**
Diamond Bank Plc
PGD's Place, Plot 4, Block V, BIS Way
Oniru Estate, Victoria Island, Lagos.
Telephone: +234 1 2701500
+234 1 2620740-9
Email: enquiries@diamondbank.com
Website: www.diamondbank.com

**Independent auditor**
KPMG Professional Services
KPMG Tower, Bishop Aboyade Cole Street,
Victoria Island, Lagos
Telephone: +234 271 8955
Website: www.kpmg.com/ng

**Registrars**
Centurion Registrars Limited
33c Cameron Road
Ikoyi
Lagos.
Telephone: +234 704 535 5922

**Directors' report**
***For the year ended 31 December 2018***

The directors present their report on the affairs of Diamond Bank Plc (the Bank) and its subsidiary companies ("the Group"), together with the financial statements and auditor's report for the year ended 31 December 2018.

**a Legal form**

Diamond Bank was incorporated on 20 December 1990, and opened for business in March 1991 as a Private Limited Liability Company. In February 2001, the Bank became a universal bank. In January 2005, following a successful Private Placement and an Initial Public Offer (IPO), the Bank became a Public Limited Company and was subsequently listed on the Nigerian Stock Exchange in May 2005. In October 2005, the Bank acquired former Lion Bank of Nigeria Plc. The Bank was also listed on the Professional Securities Market of the London Stock Exchange in 2007, following a successful US$500 million GDR offering. In 2013, following the Central Bank of Nigeria's regulation repealing the universal banking model, Diamond Bank converted its license to an international commercial banking license.

**b Principal activity and business review**

The principal activity of the Group continues to be the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and money market activities. The Bank currently has one operating subsidiary: Diamond Pension Fund Custodian Limited in which it has 100% ownership, and a special purpose vehicle, Diamond Finance B.V. The Bank's consolidated financial statements include the results of the operating subsidiary.

Diamond Finance B.V. was incorporated on 26 February 2014 as a Structured Entity in the Netherlands for the purpose of providing subordinated foreign currency loans to Diamond Bank Plc by issuing Loan Participatory Notes to interested investors.

Diamond Bank's strategic objective is to be the fastest growing and most profitable technology driven retail banking franchise in Nigeria. This strategic intent requires the Bank to optimize the use of its resources which means, where necessary, divesting from its non-core assets, and focusing on the priority area, namely Nigerian retail banking.

**Application for National Banking License**

During the year, the Bank applied to the Central Bank of Nigeria (CBN) for a downgrade of its commercial banking license from International to National license. On November 29 2018, the CBN via its letter (ref: FPR/LAD/CON/DBN/01/034), stated a "no objection" to the Bank's application for the National Banking license. This was however subject to Diamond Bank Plc divesting from Diamond Bank UK..

**c Events after the reporting period**

Subsequent to year end, the Directors obtained the approval of the shareholders, the Federal High Court of Nigeria and the relevant regulators for a merger between the Bank and Access Bank Plc. The merger was effective on 19-March-2019. Following the approval of the merger by the Federal High Court of Nigeria on 19-March-2019, the Board of Diamond Bank Plc was dissolved. Access Bank Plc became the successor in title to the Bank subsequent to 19-March-2019. Consequently, the financial statements were also approved and issued by the Directors of Access Bank Plc on 17 April 2019 in addition to the approval by the Directors of Diamond Bank on 18 March 2019.

Further to this, an agreement for the sale of one of the Bank's foreign subsidiaries, Diamond Bank UK, was executed between Access Bank Plc ("the Seller") and BCTIB Holdings Limited ("the Purchaser") on 3 April 2019. This is in line with the Bank's plan to dispose of the subsidiary, which was classified as asset held for sale as at end of the year. See Note 52 for further details.

**d Operating results**

Gross earnings of the Group from continuing operations decreased from N189.6 billion to N187.0 billion and profit before income tax from continuing operations increased from a loss of N(11.5) billion in 2017 to a profit of N3.5 billion during the year ended 31 December 2018.

Highlights of the Group's operating results for the period under review are as follows:

| ***For the year ended 31 December*** | **Group** | **Group** | **Bank** | **Bank** |
|---|---|---|---|---|
| ***In thousands of naira*** | **2018** | **2017** | **2018** | **2017** |
| Gross earnings | 187,041,729 | 189,622,137 | 189,055,838 | 203,348,983 |
| Profit/(loss) before income tax | 3,538,428 | (11,546,952) | 6,115,428 | 2,190,907 |
| Minimum tax credit/(charge) | 1,299,774 | (1,310,230) | 1,299,774 | (1,299,774) |
| Income tax expense | (212,173) | (39,345) | (60,549) | (21,692) |
| Profit/(loss) for the year from continuing operations | 4,626,029 | (12,896,527) | 7,354,653 | 869,441 |
| Profit from discontinued operations net of tax | 671,275 | 3,885,313 | - | - |
| Profit/(loss) for the year | 5,297,304 | (9,011,214) | 7,354,653 | 869,441 |
| Non-controlling interest | (1,606) | (73,759) | - | - |
| Profit/(loss) attributable to group shareholders | 5,295,698 | (9,084,973) | 7,354,653 | 869,441 |
| ***Earnings per share from continuing operations*** | | | | |
| Basic earnings/(loss) per share (kobo) | 23 | (56) | 32 | 4 |
| Diluted earnings/(loss) per share (kobo) | 23 | (56) | 32 | 4 |
| ***Earnings per share from total operations*** | | | | |
| Basic earnings/(loss) per share (kobo) | 20 | (39) | 32 | 4 |
| Diluted earnings/(loss) per share (kobo) | 20 | (39) | 32 | 4 |
| Total equity | 37,073,692 | 223,312,957 | 28,399,548 | 213,563,961 |

**Directors' report - (cont'd)**

**e Directors and their interests**

The direct and indirect interests of directors in the issued share capital of the Bank as recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange is noted below

| | Direct Shareholding | | Indirect Shareholfing | |
|---|---|---|---|---|
| | Number of 50k ordinary shares held Dec-18 | Number of 50k ordinary shares held Dec-17 | Number of 50k ordinary shares held Dec-18 | Number of 50k ordinary shares held Dec-17 |
| Prof. Chris Ogbechie (Chairman)[1] | 16,047,124 | 16,047,124 | - | - |
| Mr. Oluseyi T. Bickersteth[2] | - | - | - | - |
| Mr. Dele Babade [8] | - | - | 4,110,118,107**** | 4,110,118,107**** |
| Mr. Uzoma Dozie (Managing Director) | 26,489,005 | 26,489,005 | 2,141,349,189** | 2,141,349,189** |
| Mrs. Caroline Anyanwu (Deputy Managing Director/CRO) | 6,330,000 | 6,330,000 | - | - |
| Mrs. Chizoma Okoli (Executive) | 2,347,234 | 2,347,234 | - | - |
| Mr. Chiugo Ndubisi(Executive) | 1,509,210 | 1,509,210 | - | - |
| Mr. Kabir Alkali Mohammed | 8,784,519 | 8,784,519 | 227,700*** | 227,700*** |
| Mr Idris M. Mohammed[7] | - | - | - | - |
| Mr. Damian Dolland[3] | - | - | 848,872,310* | 848,872,310* |
| Mr. Rotimi Olayiwola Oyekanmi[4] | - | - | - | - |
| Mrs. Aisha Muhammed Oyebode [5] | - | - | - | - |
| Mrs. Juliet Anammah [6] | - | - | - | - |
| Mr. Christopher Ubosi | 184,200 | 184,200 | - | - |

*[1] Prof. Chris Ike Ogbechie retired with effect from March 31, 2018*
*[2] Mr. Oluseyi T. Bickerseth was appointed effective June 26,2018 and resigned effective October 19, 2018*
*[3] Mr Damian Dolland resigned effective October 3, 2018*
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*[5] Mrs Aisha M. Oyebode resigned effective October 19, 2018*
*[6] Mrs Juliet Anammah resigned effective October 19, 2018*
*[7] Mr Idris M. Mohammed was appointed effective August 13, 2018*
*[8] Mr Dele Babade was appointed as the Acting Chairman effective December 24, 2018*

* Represents Kunoch Limited
** Represents Kunoch DB Limited
*** GDR Holding
**** CSSAF DBN Holding

**f Directors' interest in contracts**

For the purpose of section 277 (1) and (3) of the Companies and Allied Matters Act of Nigeria, none of the directors had direct or indirect interests in contracts with the Bank during the year, except:

| **Related Director** | **Interest in entity** | **Name of Company** | **Services to the Bank** |
|---|---|---|---|
| Mr. Uzoma Dozie | Director | Elpina Associates Limited | Supply and Maintenance |

**g Property and equipment**

Information relating to changes in property and equipment is provided in Note 28 to the financial statements.

**h (i) Shareholding analysis**

The shareholding pattern of the Bank as at 31 December 2018 is as stated below:

| | 31 December 2018 | | | |
|---|---|---|---|---|
| **Share Range** | No of Shareholders | Percentage (%) of Shareholders | No. of Holdings | Percentage (%) of Holdings |
| 1 - 10,000 | 91,521 | 78.88 | 193,383,832 | 0.83 |
| 10,001 - 50,000 | 15,704 | 13.54 | 311,983,949 | 1.35 |
| 50,001 - 100,000 | 4,581 | 3.95 | 299,103,077 | 1.29 |
| 100,001 - 500,000 | 3,203 | 2.76 | 622,344,154 | 2.69 |
| 500,001 - 1,000,000 | 408 | 0.35 | 293,120,767 | 1.27 |
| 1,000,001 - 5,000,000 | 415 | 0.36 | 851,239,841 | 3.68 |
| 5,000,001 - 10,000,000 | 68 | 0.06 | 511,476,625 | 2.21 |
| 10,000,001 - 50,000,000 | 71 | 0.06 | 1,520,515,620 | 6.57 |
| 50,000,001 - 100,000,000 | 18 | 0.02 | 1,284,409,715 | 5.55 |
| 100,000,001 - 500,000,000 | 24 | 0.02 | 4,772,245,702 | 20.61 |
| 500,000,001 - 1,000,000,000 | 8 | 0.01 | 5,273,122,392 | 22.77 |
| 1,000,000,001 - 10,000,000,000 | 3 | 0.00 | 7,227,443,294 | 31.21 |
| **TOTAL** | 116,024 | 100.00 | 23,160,388,968 | 100.00 |

| | 31 December 2017 | | | |
|---|---|---|---|---|
| **Share Range** | No of Shareholders | Percentage (%) of Shareholders | No. of Holdings | Percentage (%) of Holdings |
| 1 - 10,000 | 91,255 | 78.80 | 193,384,877 | 0.83 |
| 10,001 - 50,000 | 15,743 | 13.59 | 310,830,659 | 1.34 |
| 50,001 - 100,000 | 4,546 | 3.93 | 295,865,315 | 1.28 |
| 100,001 - 500,000 | 3,235 | 2.79 | 626,808,990 | 2.71 |
| 500,001 - 1,000,000 | 411 | 0.35 | 300,577,739 | 1.30 |
| 1,000,001 - 5,000,000 | 426 | 0.37 | 878,628,004 | 3.79 |
| 5,000,001 - 10,000,000 | 71 | 0.06 | 503,664,247 | 2.17 |
| 10,000,001 - 50,000,000 | 72 | 0.06 | 1,556,250,389 | 6.72 |
| 50,000,001 - 100,000,000 | 15 | 0.01 | 1,096,123,992 | 4.73 |
| 100,000,001 - 500,000,000 | 24 | 0.02 | 5,520,094,821 | 23.83 |
| 500,000,001 - 1,000,000,000 | 7 | 0.01 | 4,661,935,093 | 20.13 |
| 1,000,000,001 - 10,000,000,000 | 3 | 0.00 | 7,216,224,842 | 31.16 |
| **TOTAL** | 115,808 | 100.00 | 23,160,388,968 | 100.00 |

**(ii) Share Capital History**

| YEAR | AUTHORISED SHARE CAPITAL INCREASE | AUTHORISED SHARE CAPITAL CUMULATIVE | ISSUED SHARE CAPITAL INCREASE | ISSUED SHARE CAPITAL CUMULATIVE | CONSIDERATION |
|---|---|---|---|---|---|
| 1991 | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 | Cash |
| 1992 | 25,000,000 | 25,000,000 | 25,000,000 | 50,000,000 | Cash |
| 1993 | 50,000,000 | 100,000,000 | | 50,000,000 | Bonus issue of N20million and cash deposit of N25 million shares |
| 1994 | 100,000,000 | 200,000,000 | 45,000,000 | 95,000,000 | Bonus issue of N19million |
| 1995 | | 200,000,000 | 19,000,000 | 114,000,000 | Bonus issue of N38million |
| 1996 | | 200,000,000 | 38,000,000 | 152,000,000 | Bonus issue of N412.3million |
| 1997 | 800,000,000 | 1,000,000,000 | 412,300,000 | 564,300,000 | Rights issue of N156.75million |
| 1998 | | 1,000,000,000 | 156,750,000 | 721,050,000 | |
| 1999 | | 1,000,000,000 | | 721,050,000 | |
| 2000 | | 1,000,000,000 | | 721,050,000 | |
| 2001 | | 1,000,000,000 | | 721,050,000 | |
| 2002 | 1,000,000,000 | 2,000,000,000 | 360,525,000 | 1,081,575,000 | Bonus issue of N360.52million |
| 2003 | | 2,000,000,000 | | 1,081,575,000 | |
| 2004 | | 2,000,000,000 | 458,230,033 | 1,539,805,033 | Rights issue of N458.23million |
| 2004 | 1,500,000,000 | 3,500,000,000 | 513,268,327 | 2,056,233,169 | Bonus issue of N513.26 million |
| 2004 | | 3,500,000,000 | 3,159,809 | 2,056,233,169 | Rights issue of N3.1million |
| 2005 | | 3,500,000,000 | 981,373,342 | 3,037,606,511 | Private placement proceed of N12.3billion |
| 2005 | 1,500,000,000 | 5,000,000,000 | 420,000,000 | 3,457,606,511 | Share exchange between Diamond Bank and Lion Bank |
| 2005 | | 5,000,000,000 | 344,197,564 | 3,801,804,075 | IPO proceed of N4.6billion |
| 2006 | 2,000,000,000 | 7,000,000,000 | 898,152,632 | 4,699,956,707 | Private placement proceed of N17.06billion (Actis Holding Limited) |
| 2007 | | 7,000,000,000 | 1,879,699,250 | 6,579,655,957 | GDR proceeds of N59.05 billion |
| 2008 | 3,000,000,000 | 10,000,000,000 | 657,965,596 | 7,237,621,553 | Bonus issue of N657.96 million |
| 2009 | | 10,000,000,000 | | 7,237,621,553 | |
| 2010 | | 10,000,000,000 | | 7,237,621,553 | |
| 2011 | | 10,000,000,000 | | 7,237,621,553 | |
| 2012 | | 10,000,000,000 | | 7,237,621,553 | |
| 2013 | 5,000,000,000 | 15,000,000,000 | | 7,237,621,553 | |
| 2014 | | 15,000,000,000 | 4,342,572,932 | 11,580,194,485 | Rights issue of N50.4billion |
| 2015 | | 15,000,000,000 | | 11,580,194,485 | |
| 2016 | | 15,000,000,000 | | 11,580,194,485 | |
| 2017 | | 15,000,000,000 | | 11,580,194,485 | |
| 2018 | | 15,000,000,000 | | 11,580,194,485 | |

**i Substantive interest in shares**

According to the register of members as at 31 December 2018, no shareholder held more than 5% of the issued share capital of the Bank except the following:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| Shareholders | Number of shares held | Percentage of Shareholding % | Number of shares held | Percentage of Shareholding % |
| CSSAF DBN Holdings | 4,110,118,107 | 17.75 | 4,110,118,107 | 17.75 |
| Kunoch DB Limited | 2,141,349,189 | 9.25 | 2,141,349,189 | 9.25 |
| Stanbic Nominees Nigeria Limited | 1,683,471,260 | 7.27 | 1,973,872,451 | 8.52 |
| Diamond Partners Limited | 1,411,694,266 | 6.10 | 1,411,694,266 | 6.10 |

**j Charitable contributions**

The Bank made contributions to charitable and non-political organizations amounting to N274 million (31 December 2017: N519 million) during the year. The schedule of charitable donations is shown below:

| **Donation and sponsorship** | **Amount** |
|---|---|
| Depeening Financial Inclusion | 50,000,000 |
| Education and Youth development | 29,384,185 |
| Sponsorship of the Beauty Souk Fair | 25,000,000 |
| Sponsorship of IATF Trade Fair | 18,300,000 |
| Sponsorship of Business FINTECH Conference | 17,500,015 |
| Donation to St Saviour School Ikoyi | 15,000,030 |
| Sponsorship of Beat FM Xmas Concert | 10,250,000 |
| Sponsorship of PAU BET7 Capacity Building | 8,850,000 |
| Sponsorship of Ocean 8 Premiere | 6,960,000 |
| Donation of World Women Banking Africa Fin. Sector Development | 6,561,000 |
| Sponsorship of Women empowerment scheme | 6,162,900 |
| Sponsorship of Financial Inclusion Initiatives | 6,000,015 |
| Public Health and Welfare | 5,358,750 |
| Donation to Lagos State Kicks Against Drug Abuse | 5,000,000 |
| Sponsorship of Comm. Intiative for Safer Lagos | 5,000,000 |
| Sponsorship of Eclipse Live | 5,000,000 |
| Sponsorship of PWC Code Lagos Intiatives | 5,000,000 |
| Sponsorship of Social Media Week. | 5,000,000 |
| Sponsorship of Women in Development Conference | 5,000,000 |
| Sponsorship of Africa Business News | 4,000,000 |
| Sports and Cultural Development | 3,990,650 |
| Sponsorship of Golf Championship | 3,500,000 |
| Sponsorship of Digital Pay EXPO | 3,000,000 |
| Donation to ACEGID Center | 2,000,000 |
| Donation to NASS Committee on Capital Market | 2,000,000 |
| Sponsorship of FRSC | 2,000,000 |
| Sponsorship of 21st Annual Tax Conference | 1,500,000 |
| Sponsorship of Green latern Summit | 1,500,000 |
| Sponsorship of Alibaba Concert | 1,000,053 |
| Donation to IGP Book Launch | 1,000,000 |
| Sponsorship of Africa FINTECH Festival | 1,000,000 |
| Sponsorship of Comedy Master Class | 1,000,000 |
| Sponsorship of Her Nights Events | 1,000,000 |
| Sponsorship of National FINTECH Conference | 1,000,000 |
| Sponsorship of Top 25 CEOs Award | 1,000,000 |
| Sponsorship of Jam Rock Festival | 700,000 |
| Donation to South African National Day | 500,000 |
| Sponsorship of African High Commission | 500,000 |
| Sponsorship of Agricbiz Food & Security | 500,000 |
| Sponsorship of APPOEMN 2018 Conference | 500,000 |
| Sponsorship of Bizdat Economic Outlook Conference | 500,000 |
| Sponsorship of EWDI Annual Conference | 500,000 |
| Sponsorship of Financial Markets Conference | 500,000 |
| Sponsorship of ICC Nigeria Event | 500,000 |
| Sponsorship of Networks Digital Summit | 500,000 |
| Security | 400,000 |
| Sponsorship of SME development | 350,000 |
| Sponsorship of African Trade Fair | 98,222 |
| Others | 2,153,610 |
| | 274,019,430 |

**k Human resources**

*Employment of disabled persons*

The Group operates a non-discriminatory policy on recruitment. Applications by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and that appropriate training is provided. It is the policy of the Bank that the training, career development and promotion of disabled persons should as far as possible, be identical with those of other employees.

The Group has 1 disabled person in its employment as at 31 December 2018 (31 December 2017: 1)

*Analysis of women employed during the year*

| | 31 December 2018 | | |
|---|---|---|---|
| **DESCRIPTION** | **NUMBER** | **% TO TOTAL STAFF** | **% TO TOTAL NEW HIRE** |
| Female new hire | 183 | 5.7 | 55.5 |
| Male new hire | 147 | 4.6 | 44.5 |
| Total new hire | 330 | 10.3 | 100.0 |
| **Total staff** | | | |
| Female | 1,397 | 43.7 | |
| Male | 1,801 | 56.3 | |
| | 3,198 | 100.0 | |

| | 31 December 2017 | | |
|---|---|---|---|
| **DESCRIPTION** | **NUMBER** | **% TO TOTAL STAFF** | **% TO TOTAL NEW HIRE** |
| Female new hire | 28 | 0.9 | 33.7 |
| Male new hire | 55 | 1.7 | 66.3 |
| Total new hire | 83 | 2.6 | 100.0 |
| **Total staff** | | | |
| Female | 1,384 | 42.2 | |
| Male | 1,896 | 57.8 | |
| | 3,280 | 100.0 | |

*Analysis of top management positions by gender as at 31 December 2018*

| GRADE | **FEMALE** | **MALE** | **TOTAL** |
|---|---|---|---|
| General Manager | 1 | 4 | 5 |
| Deputy General Manager | 1 | 5 | 6 |
| Assistant General Manager | 5 | 12 | 17 |
| Total | 7 | 21 | 28 |
| *Percentage* | *25.0* | *75.0* | *100.0* |

*Analysis of top management positions by gender as at 31 December 2017*

| GRADE | **FEMALE** | **MALE** | **TOTAL** |
|---|---|---|---|
| General Manager | 2 | 4 | 6 |
| Deputy General Manager | 1 | 5 | 6 |
| Assistant General Manager | 4 | 11 | 15 |
| Total | 7 | 20 | 27 |
| *Percentage* | *25.9* | *74.1* | *100.0* |

*Analysis of executive and non executive Directors by gender as at 31 December 2018*

| GRADE | **FEMALE** | **MALE** | **TOTAL** |
|---|---|---|---|
| Executive Director | 1 | 1 | 2 |
| Managing Director | - | 1 | 1 |
| Deputy Managing Director | 1 | - | 1 |
| Non Executive Director | - | 4 | 4 |
| Independent Director | - | - | - |
| Total | 2 | 6 | 8 |
| *Percentage* | *25.0* | *75.0* | *100.0* |

Analysis of executive and non executive Directors by gender as at 31 December 2017

| GRADE | FEMALE | MALE | TOTAL |
|---|---|---|---|
| Executive Director | 1 | 1 | 2 |
| Managing Director | - | 1 | 1 |
| Deputy Managing Director | 1 | - | 1 |
| Non Executive Director | 2 | 5 | 7 |
| Independent Director | - | 1 | 1 |
| Total | 4 | 8 | 12 |
| Percentage | 33.3 | 66.7 | 100.0 |

l Health, safety and welfare at work

The Bank's employees are adequately insured against occupational hazards. In addition, medical facilities to specified limits to employees and their immediate families at the Bank's expense

m Employee involvement and training

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

The Bank has in-house facilities for staff training supplemented by facilities of local and foreign educational institutions.

n Complaints

| In thousands of naira | NUMBER 2018 | 2017 | AMOUNT CLAIMED 2018 N'000 | 2017 N'000 | AMOUNT REFUNDED 2018 N'000 | 2017 N'000 |
|---|---|---|---|---|---|---|
| Pending compaints, start of the year | 15,869 | 26,833 | 1,866,327 | 5,998,654 | | |
| Received complaints | 1,003,742 | 433,392 | 92,889,299 | 16,113,273 | | |
| Resolved complaints | (887,733) | (444,356) | (61,049,339) | (20,245,601) | 14,312,066 | 12,669,064 |
| Unresolved complaints pending end of the year | 131,878 | 15,869 | 33,706,287 | 1,866,327 | | |

Automated Teller Machine (ATM) Complaints

| | |
|---|---|
| Total Number of Complaints Received | 318,247 |
| Number Resolved: | 266,934 |
| Number Unresolved | 51,313 |

o Number of cards issued

| Card Type | Number of cards 2018 | 2017 |
|---|---|---|
| Visa Debit Cards | 10,256,258 | 8,505,196 |
| Verve Debit Cards | 651,819 | 501,870 |
| Visa Credit Cards | 112,332 | 109,273 |
| Volume of transactions | 234,993,440 | 162,773,536 |
| Value of transactions | 1,420,608,796,845 | 1,098,633,523,372 |

BY ORDER OF THE BOARD

Uzoma Uja
Company Secretary/ Legal Advisor
FRC/2013/NBA/00000001645
PGD's Place, Plot 4, Block V
Oniru Estate, Victoria Island
Lagos
18 March 2019

## CORPORATE GOVERNANCE

### Introduction

Diamond Bank Plc was conceived with the vision of creating a "strong financial services institution with effective presence in Nigeria, Africa and indeed all the key financial centers of the world." We are pleased to state that over the years, as our vision has been fulfilled we have not lost sight of our core values of integrity, excellence, customer and stakeholder satisfaction.

Diamond Bank is managed in compliance with relevant Laws, Regulations, Codes of Corporate Governance and International Best Practices. Compliance is the joint responsibility of the Board, Management and the entire staff of the Bank, and there is an established system of controls to ensure strict adherence to these principles.

### The Board

The primary mission of the Board is to effectively represent and promote the interest of shareholders and relevant stakeholders, by adding value to the Bank's performance. To achieve this and other objectives, these highly accomplished individuals were on the Board of Directors of Diamond Bank Plc during the 2018 financial year.

**Professor Chris Ike Ogbechie - Chairman**

Chris Ogbechie has a First Class Honours degree in Mechanical Engineering from Manchester University and an MBA from Manchester Business School. Chris obtained a PhD from the Brunel University, Middlesex, England. He has wide experience in marketing and strategy derived from his work as Group Head Marketing at Ecobank Transnational, Lome, Togo; Head of marketing/sales at Nestle Nigeria, Xerox and from his consulting work with Nigerian firms over the years. While in Nestle he had wide international exposure in Malaysia, Singapore and Switzerland. He has been involved with several start-ups and is on the Board of several companies.

He is a faculty member of the Lagos Business School (Pan Atlantic University), where he teaches Strategy and Corporate Governance. He is a visiting Professor of Marketing and Strategy at the Strathmore Business School, Nairobi, Kenya. He has written scholarly articles and books on Corporate Governance, Board Effectiveness, Strategy and Leadership in a Turbulent Environment and Sustainability amongst others.

Prof. Ogbechie sits on the Board of the Society for Corporate Governance Nigeria amongst other Companies and Not-for-Profit organisations. He is a fellow of the Nigerian Institute of Marketing and the Advertising Practitioners Council of Nigeria, member of the American Academy of Management, International Corporate Governance Network and the Strategic Management Association.

He is a philanthropist and a Papal Knight of St. Sylvester conferred on him by Pope John Paul II. He joined the Board of Diamond Bank in 2005 and retired effective March 31, 2018.

**Mr. Oluseyi Bickersteth - Independent Director/Chairman**

Mr. Bickersteth has a B.Sc in Economics from the University of Ibadan and an M.Sc in Economics from the York University in Canada. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Taxation of Nigeria (CITN).

Mr. Bickersteth was involved in Vision 2010 of the Federal Government of Nigeria, which prepared a memorandum on the vision for Nigeria, by year 2010. He has also chaired a working group on "Nigerian Tax Reforms 2003 & Beyond" for the Federal Government of Nigeria. Mr. Bickersteth also served on the technical committee of the Federal Government that prepared the Petroleum Industry Bill (PIB) for the oil and gas sector. The Bill is to reform the sector and encourage local content and active participation of indigenous players in the Nigerian Oil and Gas Industry. He was appointed to the Board on June 26, 2018 and he resigned effective October 19, 2018.

**Mr Dele Babade - Non-Executive Director (Acting Chariman)**

Mr. Babade has over 30 year career that includes HSBC London, Nomura International of Japan and Citigroup of the United States during which he has been responsible for significant Merger & Acquisition and Debt & Equity capital raising transactions for blue chip corporates. He began his career in 1988 at Midland Montagu/HSBC Group in International and Merchant Banking in the UK and subsequently joined Citibank where he held numerous positions in London, Ivory Coast, Nigeria and South Africa over a thirteen (13) year tenor. Mr. Babade was also previously Investment Banking Director for Africa at Nomura International in London, where he had responsibility for advising African Governments and Companies on capital raising in the international capital markets for bonds, equity and convertible debt securities as well as on privatisations. Most recently, he held the position of CEO at Ecobank Capital whilst also being a member of Ecobank's Group Executive Committee. He qualified as a Barrister of Lincoln's Inn England as well as Barrister and Solicitor of the Supreme Court of Nigeria. He has a post-graduate degree specialising in Corporate Finance and Securities Laws from University College London. He is currently a Board Director of the African Risk Capacity Pan African Insurance Company and serves as the Chairman of its Finance and Investment Committee. Mr. Babade was appointed to the Board with effect from April 20, 2017.

**Mr. Uzoma Dozie - Group Managing Director/Chief Executive Officer**

Uzoma Dozie graduated in 1991 with a Bachelor of Science degree in Chemistry from the University of Reading, Berkshire England. He obtained a Master of Science degree in Chemical Research from University College, University of London in 1992 and an MBA with specialisation in Finance, from Imperial College Management School, London in 1998. He also attended the Program for Management Development at the Harvard Business School, Boston, Massachusetts, USA. Uzoma started his banking career in the Commercial Banking Unit at Guaranty Trust Bank Plc where he worked for some years and later moved to Citizens International Bank Limited where he worked in the Oil and Gas Division. Thereafter, he joined Diamond Bank Limited as Manager and Head of the Bank's Oil and Gas Unit. He was at a time Head, Financial Control, then Retail Banking (where he spear-headed the introduction of lifestyle-changing retail products in the Bank). He equally headed two distinctive strategic business units in the Bank before his appointment as an Executive Director in 2005, during which time he supervised the Retail Banking and Corporate Banking Divisions of the Bank. He at a time acted as the Bank's Chief Financial Officer.

Mr. Dozie was the Executive Director in charge of Lagos Businesses between 2011 and 2013 until his appointment as a Deputy Managing Director in March, 2014 and charged with the responsibility to oversee the Retail Banking Directorate of the Bank. He has attended various specialist and executive development courses in Nigeria and overseas. Following the resignation of the immediate past Group Managing Director from the Board, Uzoma Dozie, a man who believes in using cutting edge technology to deliver services to customers, and improve the efficiency of how the enterprise functioned, was unanimously appointed by the Board as the Group Managing Director/Chief Executive Officer of the Bank effective from November 1, 2014. His appointment was approved by the Central Bank of Nigeria in January 2015.

**Mrs. Caroline Anyanwu-Deputy Managing Director/Chief Risk Officer**

Caroline Anyanwu is a first-class honors graduate of Statistics, a fellow of the Institute of Chartered Accountants of Nigeria and a price winner in the Professional Accounting qualifying examination. She commenced her professional career in Pricewaterhouse (Chartered Accountants) {now Pricewaterhouse Coopers} in 1985 where she trained and qualified as a Chartered Accountant and subsequently held the position of an Auditor Senior/Consultant.

Her exposure to the Nigerian Banking Industry commenced in African Continental Bank Limited in 1988 where she served as the Head, Strategic Planning. She subsequently worked in Oceanic Bank Plc and later United Bank for Africa Plc (UBA) where she rose to become Head, Credit Risk Management. She held this position until February 2006 before leaving to join Diamond Bank Plc as Group Head, Risk Management.

In September 2009, Caroline was appointed by the Central Bank of Nigeria as Executive Director, Risk Management in Finbank Plc. She returned to Diamond Bank in May 2011 as Executive Director/Chief Risk Officer of the Group.

Caroline's exposure in the banking industry spanned through several job functions including: Strategic Planning, Financial Control, Credit and Marketing, Banking Operations, Business Process Re-engineering and Risk Management. Mrs. Anyanwu was appointed a Deputy Managing Director of the Bank in April 2014.

**Mrs. Chizoma Okoli – Executive Director, Business Development**

Chizoma Okoli is a 1989 Law Graduate from the University of Benin and was called to the Nigerian Bar in December 1990. She is an Alumnus of the Lagos Business School having completed the Senior Management Program in 2006 and has an MBA from the Warwick Business School, Coventry, UK.

Chizoma started her banking career in Diamond Bank in April 1992 and has served the bank meritoriously for over 24 years, starting as an Executive Trainee in Operations and rising to become an Executive Director. Between 1994 and 1996, she was a cash officer at Marina Branch. By January 1996, she crossed over to Credit and Marketing, becoming the Head of Consumer and Commercial Banking between 1998 and 2000. She rose to become the Branch Manager of the Flagship Branch, Adeola Hopewell Branch, Victoria Island in 2003. Other key positions held by Mrs. Okoli in the Bank include: Group Head, National Corporate Victoria Island, Divisional Head Branch Banking Lagos 2 Division, Regional Manager Apapa Region, Divisional Head, Institutional Banking Group, Head, Corporate Banking Directorate and Head, Business Development.

Her appointment as an Executive Director was approved by the Central Bank of Nigeria on November 16, 2016.

**Mr. Chiugo Ndubisi – Executive Director/Chief Financial Officer**

Chiugo Ndubisi, functioned as the Acting Chief Financial Officer (CFO) until July 2016 when he was appointed the substantive Chief Financial Officer. He was previously the Head, Financial Management Division and formerly the Financial Controller. He has worked in several positions since joining the Bank in 1996 as an Executive Trainee.

Chiugo graduated in 1994 with a first-class honors degree in Engineering from the University of Nigeria, Nsukka and holds a Master of Business Administration degree (MBA) from the University of Lagos, Akoka.

He is a fellow of the Institute of Chartered Accountant of Nigeria (ICAN), Chartered Institute of Bankers of Nigeria (CIBN) and the Chartered Institute of Taxation of Nigeria (CITN), Chiugo has attended various local and international courses including the HSBC International Bankers' Course in London and the Citibank Foreign Exchange Workshop (Bourse Game). He is also an alumnus of the Advanced Management Programme (AMP) of the Wharton Business School and the Senior Management Programme (SMP) of the Lagos Business School.

His appointment as an Executive Director was approved by the Central Bank of Nigeria on November 16, 2016.

**Mr. Kabir Alkali Mohammed, mni, FCIS, FCMA,CGMA, FCA- Non-Executive Director**

Mr. Kabir Alkali was 49th President of the Institute of Chartered Accountants of Nigeria, and hails from Argungu, Kebbi State. He attended Government College, Sokoto (1965-1969); Federal Training Centre, Kaduna (1970-1971); WestHam College, now East London University (1972-1973); Chelmer Institute of Higher Education, Chelmsford, Essex (1974-1977); London School of Accountancy (1977-1978) where he passed out as one of the Best Qualifying Students in 1978.

He also attended the National Institute for Policy & Strategic Studies (2007) Kuru, Jos (Policy & Strategy) mni; and Havard Business School, Boston, USA (2009) (Corporate Governance). He has attended numerous senior Management Courses in Banking, Administration and Finance during his career in Nigeria and abroad. Mr. Mohammed was Cost Accountant, CRYOPLANTS, London; Assistant Chief Accountant, FRCN, Kaduna; Chief Internal Auditor FRCN, Kaduna Acting Bursar, University of Sokoto; Principal Manager, UBA Plc; Principal Manager, UBA Plc; General Manager (Finance & Accounts) NEPA; Executive Director, (Finance & Accounts) NEPA; He was appointed to the Board in 2013

**Mr Damian Dolland - Non-Executive Director**

Mr. Damian Dolland holds a B.Sc (Hons) in Biomedical & Electrical Engineering with Distinction and Cum Laude; he has Minor in Chemistry from Duke University, Durham, North Carolina. His career spans over 20 years in the Investment banking sector. Damian started his career with Morgan Stanley Dean Witter, New York as a Summer Analyst, Asset-backed Securities. Between 2000 and 2009, he was Executive Director, Investment Banking Division of Morgan Stanley, Johannesburg, South Africa where he built Morgan Stanley's Sub-Sahara Africa ex-SA Investment Banking Platform, which was awarded Best Foreign Investment Bank in Africa 2008 by EMEA Finance.

He was also a Managing Partner in Fidelis Advisory Partners, Johannesburg, South Africa, where he was responsible for client management, business development, transaction execution and management of day to day operations and staff. He was also Managing Director, Head of Investment Banking: Sub-Saharan Africa, J.P. Morgan between 2010 and 2012. He is presently the founder and Director of Darisami International Consultancy based in Port Louis Mauritius where he is involved in financial advisory and investments focused on Sub-Saharan Africa and the Caribbean specialising in Mergers & Acquisition, Debt & Equity financing and Real Estate. The Central Bank of Nigeria approved his appointed to the Board on November 24, 2015. He resigned from the Board effective October 3, 2018.

**Mr. Rotimi Olayiwola Oyekanmi - Independent Non-Executive Director**

Mr Rotimi Olayiwola Oyekanmi is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants of Nigeria. He holds a B.Sc (Hons) in Economics from the University of Ibadan and an M.Sc. from the London School of Economics and Political Science, London.

His career spans over 34 years in the Banking and investment sectors. He joined Arthur Andersen & Co (now KPMG Professional Services) in 1983 from where he moved to the International Institute of Tropical Agriculture as Chief Internal Auditor in 1988. He started his Banking career with Prime Merchant Bank Limited in 1991 as a Senior Manager. Between 2001 and 2009, he was Chairman, Venture Capital Association of Nigeria, a Director at African Venture Association and Chairman, African Venture Capital Association.

He was Group Head, Investment Banking at Ecobank Capital Nigeria from 2012 to 2013. Mr. Oyekanmi is currently the Chairman of Rendeavour Group and RenMoney MFB Limited and a Partner in Apis Partners LLP, a private equity asset manager Firm that supports growth stage financial services businesses in Africa and South Asia by providing them catalytic growth equity capital. His Appointment was approved by the Central Bank of Nigeria on December 1, 2016. He resigned from the Board effective October 19, 2018.

**Mrs Aisha Muhammed Oyebode - Non-Executive Director**

Mrs. Oyebode has an LLM in Public International Law from King’s College, University of London and an MBA in Finance from Imperial College, University of London. She is a Solicitor and Barrister at Law of the Supreme Court of Nigeria. She is also a member of the Nigerian Bar Association and the Chartered Institute of Arbitrators. Mrs. Oyebode founded and serves as CEO of the Murtala Muhammed Foundation (MMF), one of Nigeria’s largest charitable Foundations that promotes good governance and is dedicated to engendering socio economic change on the African continent with operational offices in Lagos, Kano and Abuja and programs across the six-geo political zones of the Federation. In December 2016, she was invited to join the Harvard Kennedy School’s Women’s Leadership Board (WLB) of the Women and Public Policy Program (WAPPP), a research center of the Kennedy School that specializes in gender research, teaching, training and outreach. Mrs. Oyebode is the founder and Group CEO of Asset Management Group Limited (AMG), a company founded in 1991, specializing in real estate development and management. Her appointment was approved by the Central Bank of Nigeria on the July 17, 2017. She resigned from the Board effective October 19, 2018.

**Mrs Juliet Anammah - Non-Executive Director**

Mrs. Anammah holds a degree in B. Pharm from the University of Nigeria, Nsukka, and an MBA in Finance from the same Institution. In 2008, Mrs. Anammah attended the University of Pennsylvania’s Wharton College Advanced Management Program. She is a fellow of the Yale University Nigeria Leaders Initiative and also a member of the Institute of Directors of Nigeria. Mrs. Anammah has over twenty five years of professional experience in Consumer Goods, Sales and Marketing Management Consulting and eCommerce (Retail and Marketplace). She commenced her career with Sanofi Aventis in 1991 and worked in key sales /marketing capacities till 1999. In 1999 she joined Accenture’s Strategy service line as a senior consultant and worked on various engagements largely related to corporate strategy, business planning, marketing strategy, business architecture design and mergers and acquisition. Mrs. Anammah also worked on large scale organization design and implementation projects and aligning business processes and technology to support business objectives. In 2004 she launched Accenture’s Products Operating Group which covers Accenture’s consulting services for Fast Moving Consumer Goods, Retail and Transport Industries in West Africa. The Operating Group had not existed in the region at the time. Mrs. Anammah rose to become a Partner in Accenture (Managing Director) in 2013. Mrs. Anammah is presently the Chief Executive Officer of Jumia, Nigeria, a position she undertook in 2015. Her appointment was approved by the Central Bank of Nigeria on July 17, 2017. She resigned from the Board effective October 19, 2018.

**Mr Christopher Ubosi - Non-Executive Director**

Mr. Christopher Ubosi holds a B.Sc. in Quantity Surveying from the University of Ife and an M.Sc from the University of Lagos. Mr Ubosi has over twenty years experience in the Built Environment, Telecommunications and Broadcasting Industries in Nigeria. He has been actively involved in private Radio Broadcasting in Nigeria since 1993. Chris is a pioneer in private broadcasting and new media, having run, operated and consulted severally for various top private radio stations in the country. He consulted for the Federal Government in the establishment of 32 digital stations Nationwide. Chris is the founder and CEO of Megalectrics Limited which operates 12 radio stations in Nigeria. The Central Bank of Nigeria approved Mr. Ubosi’s appointment on November 3, 2017.

**Mr. Idris Mohammed - Non-Executive Director**

Mr. Mohammed holds a B.Sc. degree in Industrial Engineering from Lehigh University, Bethlehem, PA. and an M.B.A. degree in Finance and Strategic Management from The Wharton School of the University of Pennsylvania, U.S.A. Mr. Mohammed has over 27 years of experience in private equity investing, corporate finance and banking, spanning both the U.S. A. and Africa.

He was appointed Managing Director of Carlyle Sub-Saharan Africa Fund at The Carlyle Group L.P. in October 2017. At the firm, he focuses on West and North Africa. Mr. Mohammed was previously a Partner at Development Partners International, a leading Africa-focused private equity investment firm. Prior to that, Mr. Mohammed served as a Vice President of WPA, Inc. He also served as a Vice President in the Special Situations Group at Goldman Sachs, where he focused on making principal investments in the energy, power and infrastructure sectors. He began his career in finance in 1992 at CoreStates Financial Corp (now Wells Fargo and Company) in the asset management business. He also held positions in treasury and asset/liability management.

Mr. Mohammed has served on the Board of several Companies, amongst which are Letshego Holdings Limited and AXA Mansard Insurance Plc/Mansard Insurance Plc. He was appointed to the Board on August 13, 2018.

**Training and Evaluation:**
In order to further develop the skill level of the Board, members attend courses and training programmes suited to enhancing their functions. If the situation necessitates it, the Directors are entitled to seek independent professional advice on matters for which they require clarification. Diamond Bank has always placed emphasis on the performance of the Board as a whole as well as on the performance of individual members in relation to their contributions to the Board and the Bank. Evaluation of the Executive Directors is carried out by the Governance and Personnel Committee which is comprised entirely of Non-Executive Directors while the evaluation of the Non-Executive Directors is undertaken by an independent external consultant.

**Functions of the Board:**
The Board meets regularly (at least once every quarter) to perform its stewardship and oversight functions, primary among which are:
- Review of the Bank's goals as well as the strategy for achieving these goals.
- Evaluation of present and future strengths, weaknesses and opportunities of the Bank. Comparisons with competitors, locally and internationally, and best practice.
- Review and approval of the Bank's financial objectives, plans and actions and significant allocation and expenditure.
- Approval of the annual budget;
- Approval of the annual and half-yearly financial statements, annual report and reports to shareholders.
- Consideration and where appropriate, declaration or recommendation of the payment of dividends.
- Reviewing the Bank's audit requirements.
- Reviewing the performance of, necessity for, and composition of Board Committees.
- Approval of the remuneration of the Chairman, Non-Executive Directors and Management.
- Reviewing risk management policies and controls, including compliance with legal and regulatory requirements.
- Reviewing the Bank's code of conduct and ethical standards.
- Reviewing shareholder and client relationships.

The Board also performs certain of its functions through Board Committees and Management Committees. The delegation of these functions does not in any way derogate from the discharge by members of their duties and responsibilities.

**Board Committees**

**The Board Governance and Personnel Committee**: The Governance and Personnel Committee is made up of 4 (four) Non-Executive Directors. As the name suggests, this Committee is responsible for the overall governance and personnel function of the Bank. Some functions of the Committee are: To consider and make recommendations to the Board on its composition and that of the Committees and Subsidiaries; Review and recommend nomination of Directors to the Board based on a proper selection process; Ensure adequate succession planning for Board of Directors and the Chief Executive Officer; Ensure the orientation and continuous education of Directors; Monitor the procedures established for compliance with regulatory requirements for related party transactions; Monitor staff compliance with the Code of Ethics and Business Conduct of the Bank; Ensure compliance with regulatory standards of Corporate Governance and regularly identify international Best Practices of Corporate Governance and close any identified gaps; Recruitment or promotion of staff to Assistant General Manager level and above and to approve the remuneration, benefits and other terms and conditions of the service contracts of such officers; Recommend to the Board the terms and conditions of the service contract, including remuneration packages of the Executive Directors with a view to ensuring that these officers are fairly rewarded for their effort; Review cases of infractions of the Bank's policies committed by staff of Assistant General Manager level and above and apply appropriate sanctions where necessary; Review and approval of policies on staff welfare and fringe benefits; Annual review of the Board Charter; and ensuring the annual review of the Board and Board Committees' performance.

Members of the Board Governance and Personnel Committee are: Mrs. Juliet Anammah (Chairman), Mr. Rotimi Oyekanmi, Mr. Dele Babade and Mr. Christopher Ubosi.

**The Board Risk Management Committee**: The Committee is composed of three Non-Executive Directors and three Executive Directors. The functions of the Committee include amongst others, establishing the group's risk appetite; ensuring that business profile and plans are consistent with the group's risk appetite; establishing and communicating the group's risk management framework including responsibilities, authorities and control; establishing the process for identifying and analyzing business level risks; agreeing and implementing risk measurement and reporting standards and methodologies; establishing key control processes and practices, including limit structures, impairment, allowance criteria and reporting requirements; monitoring the operation of the controls and adherence to risk direction and limits; ensuring that the group's risk management practices and conditions are appropriate for the business environment.

Members of the Board Risk Management Committee are: Mr. Kabir Alkali Mohammed (Chairman), Mr. Damian Dolland* Mr. Damian Dolland resigned effective October 3, 2018, Mr. Dele Babade, Mrs. Aisha Oyebode, Mr. Uzoma Dozie, Mrs. Caroline Anyanwu and Mr. Chiugo Ndubisi.

**The Board Audit Committee**: The Committee is made up of three Non-Executive Directors. The functions of the Committee include but not limited to review of the financial reporting process with a view to ensuring the Bank's compliance with accounting and reporting standards other financial matters and the applicable laws and regulations; reviewing of the draft financial and interim management reports, prospectus and other financial documents. Reviewing critical accounting issues; reviewing accounting policies and practices used by the group and ensuring that the information presented by the group supports a balanced, clear and understandable view of its financial position and prospects, reviewing the integrity of the bank's financial reporting and oversee the independence of the external auditors, evaluating the performance, objectivity and independence of the external auditor; developing and implementing policy on the engagement of the external auditor to undertake non-audit services, reviewing the level of external audit fees and the scope of, approach to and findings from external audit work, discussing with the external auditors any proposed changes in accounting policies, reviewing and discussing the scope of the audit and audit plan; reviewing the objective scope of the internal audit function and the adequacy of available resources.

Members of the Board Audit Committee are: Mr. Rotimi Oyekanmi (Chairman), Mr. Kabir Alkali Mohammed, Mr. Damian Dolland* Mr. Damian Dolland resigned effective October 3, 2018 and Mrs. Aisha Oyebode

**The Board Credit Committee**: The Credit Committee is made up of 7 (Seven) members, 4 (Four) Non-Executive Directors and 3 (Three) Executive Directors. The primary function of this Committee is to consider all matters pertaining to the granting of credits by the Bank in accordance with approved policies and approval of credits in excess of the limits delegated to the Management Credit Committee, significant revisions to credit policies, and establish portfolio distribution guidelines in conformity with government regulations. In achieving this objective, the Committee ensures that the overall credit policies are aligned with the Bank's risk tolerance level. In addition, the Committee performs the following functions: Reviewing the policies and methodologies for assessing the Bank's credit risks and recommending appropriate exposure limits; and reviewing large exposures and impaired assets.

Members of the Board Credit Committee are: Mr. Dele Babade (Chairman) Mr. Kabir Alkali Mohammed, Mr. Damian Dolland, Mrs. Juliet Anammah, Mr. Christopher Ubosi, Mr. Uzoma Dozie, Mrs. Caroline Anyanwu and Mrs. Chizoma Okoli.

**The Audit Committee**: This Committee is established in accordance with the provisions of section 359(3)-(6) of the Companies and Allied Matters Act and in compliance with the provisions of the CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria. The Committee consists of three (3) Shareholders' Representatives and Three (3) Non-Executive Directors. The Chairman of the Committee is a Shareholder and a Chartered Accountant. All members of the Committee are independent of the Bank's management. The Committee's primary functions are, to review and ensure the effectiveness of accounting systems and internal controls; review the scope and planning of audit requirements; make recommendations to the Board regarding the appointment, removal and remuneration of the external auditors; and to ensure that the accounting policies of the Bank are in accordance with legal requirements and agreed ethical principles.

Members of the statutory Audit Committee are Sir Nnamdi C. Oyeka, (Chairman) - Shareholder, Mr. Abayomi Olaofe – Shareholder, Alhaji Isma'Ila M. Zakari and Mr. Damian Dolland, Mrs. Aisha Oyebode and Mr. Dele Babade.

**Management Committees**

**Executive Committee (EXCO)**: The primary responsibility of this Committee is to ensure the implementation of the Bank's strategic and business plan as approved by the Board, efficient deployment and management of the Bank's resources; acts as a liaison between the Board and Management and provide leadership to the Management Team and Subsidiary Companies. The EXCO develops and reviews on an on-going basis, the Bank's business focus and strategy, subject to the approval of the Board; aligns the Bank's plan with the overall Group strategy; tracks an manages strategic and business performance against approved budget plans; makes proposals to the Board and Board Committees on major policies/policy changes and decisions; tracks and monitors progress and accomplishments on major initiatives and projects; develops high level policies to assist in the successful achievement of the Bank's overall business objectives.

**Assets and Liabilities Committee (ALCO)**: The primary functions of this Committee are the creation of a balance sheet structure to allocate sources and utilization of funds in a manner that would improve the Bank's financial performance; maximizing the value of capital overtime whilst controlling risk exposures; and managing the Bank's liquidity with respect to the composition of portfolio of liquid assets, control of cash flow, control of short- term borrowing capacity, monitoring of undrawn commitments, and contingency funding plans.

**Management Credit Committee (MCC)**: Primarily, the Management Credit Committee approves credits in line with the Bank's credit policy. All credits exceeding the approval limit of the MCC are recommended to the Board Credit Committee for approval. The MCC also regularly assesses the Bank's risk asset portfolio to determine the optimum mix; the amount of exposures per customer and related group of customers; and approves the limits of interbank placements. The MCC meets regularly to review watch-listed/non-performing accounts and approve specific provisions to be made on non-performing accounts.

**Personnel Management Committee (PMC)**: The Personnel Management Committee reviews and makes recommendations on policies regarding Manpower Planning and Career Development; recruitment, selection and training of staff; performance management and staff appraisal; compensation, staff welfare and benefits schemes; Staff Movement and Audit; moderation of staff appraisal exercises and the implementation of the existing staff personnel policies and guidelines. The PMC reviews cases of infraction on the Bank's policies and procedures and applies adequate sanctions where necessary

**IT Steering Committee**: The Committee serves as a Think Tank for all Information Technology (IT) matters and determines IT strategy and policies and coordinates the implementation of these policies

**Budget and Revenue Sharing Committee**: This Committee prepares budget outlines for all the units of the Bank; carries out a half yearly review of the budget in order to prepare an updated budget for the remaining months of the year; evaluates and approves extra budgetary expenditure.

**Cost Management Committee**: The Committee periodically reviews the costs/expenses of the Bank and recommends appropriate cost reduction/control measures; reviews and streamlines the acquisition of capital expenditure and bulk purchases of consumables with a view to reducing cost without compromising quality; and generally reviews the procurement procedures of the Bank

**Group Risk Management Committee**: This Committee provides central oversight of risk management across the Group, formulates policies and standards for the management of risk within the Group, monitors implementation of risk policies and implements Board decisions across the Group.

**Shareholder Relations**

Diamond Bank believes in strengthening shareholder relations and has a dedicated Investor Relations Unit to cater to shareholders' needs. In addition to this, the entire staff of the Bank are always available to resolve any issues which our highly esteemed shareholders may bring forward. The establishment of Shareholders' Associations has further improved the lines of communication between shareholders and the Bank such that the duly appointed representatives are able to table the concerns of the shareholders to the Management of the Bank. Shareholders are also encouraged to express their opinions at General Meetings.

**Directors' Remuneration Policy**
The remuneration policy of Diamond Bank Plc and its subsidiary companies ("the Group") is designed to establish a framework for defining and structuring the remuneration of executive and non-executive directors noting the Group's scope of operations, productivity and performance as well as shareholder value creation. The remuneration policy also takes cognisance of the relevant Codes of Corporate Governance in Nigeria with a view to ensuring adherence to the highest standards of Corporate Governance

**Remuneration Principles**
1. Appropriately compensate directors for the services they provide to the Group;
2. Align director remuneration with shareholders' interest;
3. Attract and retain the right skills required to efficiently manage the operations and growth of our business;
4. Implement performance based incentive program to motivate directors to perform in the best interest of the Group; and
5. Ensure transparency, equity and consistency in remuneration matters across the Group.

**Objectives of Remuneration Policy**
The primary objectives of the Group's remuneration policy and practices are to:
i) Motivate directors to pursue and promote balance between the short term and long term growth of the Group while maximising shareholders' return;
ii) Enable the Group to attract and retain people of proven ability, experience and skills in the market in which it competes for talent;
iii) Link rewards to the creation of value for shareholders;
iv) Ensure an appropriate balance between fixed and variable remuneration while reflecting the short and long term objectives of the Group;
v) Encourage fairness and demonstrate a clear relationship between remuneration and performance based on set targets on individual and corporate performance;
vi) Encourage behaviour consistent with Diamond Bank's values, principles and Code of Business Conduct. This will lead to an appropriate balance in performance, governance, controls, risk management, customer service, people management, brand and reputation management;
vii) Ensure that remuneration arrangements are equitable, transparent, well communicated and easily understood, aligned with the interest of shareholders and adequately disclosed;
viii) Limit severance payments on termination to pre-approved contractual arrangements which does not commit the Group to paying for non-performance; and
ix) Comply with the relevant legal and regulatory requirements.

**Executive Directors' Remuneration**
The remuneration of Executive Directors is designed to:
- Attract and retain directors;
- Align their interests with those of shareholders;
- Link rewards to set targets on individual and corporate performance; and
- Ensure total remuneration is competitive by market standards

**Composition of Remuneration**
- The remuneration packages of the Group Managing Director (GMD), Executive Directors and other executives in the subsidiary companies will be determined by the Governance and Personnel Committee and are subject to the Board's approval.
- The compensation of the GMD and the Executive Directors shall include incentive schemes to encourage continued improvement in performance against the criteria set and agreed by the Board.
- The Governance and Personnel Committee will set operational targets consisting of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance for the executives at the beginning of each year.

Typical KPIs and assessment criteria include:
- Achieving pre-determined growth in the Group's turnover, profit after tax, return on asset etc;
- Meeting strategic and operational objectives; and
- Assessment of personal effort and contribution

Remuneration of the GMD and other Executive Directors consist of both fixed and variable remuneration components. The components of remuneration for Executive Directors comprise base salary (a fixed sum payable monthly which is reviewed annually), benefits (including car allowances, medical allowance etc.), an annual bonus, long term incentives and pension contributions.

The performance of the executives directors are measured against these criteria at the end of the financial year and their evaluation result is used to determine the variable element of their remuneration

## COMPLAINT MANAGEMENT POLICY & PROCEDURES

### 1. BACKGROUND

Diamond Bank is committed to delivering excellent customer service to its customers at all times. To this end, the Bank has put in place a Customer Charter to serve as a reminder of this commitment to our customers. With the above in mind, the Bank recognizes that mistakes will sometimes be made and when this happens, the Bank will aim to resolve any and every complaint in a fair and transparent manner.

Complaint handling is part of the promises included in the Customer Charter and to enable the fair and transparent treatment of complaints, the Bank has put in place policies and procedures to guide the handling of complaints. The Customer Complaints Process (CCP) details how complaints will be handled from receipt to resolution. It also includes the responsibilities of all involved. The CCP is supported by an automated Customer Complaint Management System (CCMS) which is a web-based application.

Similarly, the office of the Ombudsman has also been created to give opportunities to customers to further pursue the resolution of complaints not resolved to their satisfaction. The policies and procedures required for this system's use are as detailed below.

### 2. POLICIES AND PROCEDURES

(a) Complaints from customers can be received through any of the following means:

- The Online Complaints form (via Diamond Bank website or intranet for staff).
- Telephone (customer hotlines phones in the banking hall/ATM locations; Contact Centre numbers – 0700 300 0000, 01-2793500, 01-6283892, 08082255322; CRU's number – 01-7741214 or any of the Bank's telephone numbers).
- E-mail / any other mailbox in the Bank).
- The Customer Complaint form (paper-based form to be picked up in the banking hall).
- Surface mail [addressed to the Customer Relations Unit (CRU), a branch/ unit within the bank or any staff]. Face-to-face interaction (verbally).

(b) The complaint must be logged into the Customer Complaint Management System (CCMS) by the staff that received the complaint. The staff must also ensure that the contact details of the customer were included to enable direct communication with the customer upon resolution of the complaint by CRU. The application shall auto-assign the complaint based on category & issue types to the respective case owners (Resolving Unit).

Note: The information received via the online complaint form shall be automatically integrated in the CCMS. Complaints not logged on the CCMS shall be resolved by the relevant unit but penalties shall apply to the staff who received the complaint but did not log it.

(c) CCMS shall automatically forward a notification to the customer stating that the complaint has been received and will be resolved within 2 working days. The case reference number and other complaint details shall also be forwarded to the customer via email.

(d) The staff responsible for the complaint (Case Owner) shall attend to the complaint and resolve it in line with the Service Level Agreements (SLA) defined for the complaint category and issue. Detailed update actions shall also be entered into the CCMS until resolution is complete.A case owner is also responsible for ensuring that detailed resolution actions are entered into a case before case closure.

Note: Case Owners shall be as determined by Head of the Resolving Unit. Reassignment of complaint within the unit shall apply as advised by the Head of the Resolving Unit. Case Owners shall only have access to their case records.

(e) All complaints shall be resolved within the specified timeline (based on the SLA of the unit) from date of receipt. Complaints not resolved within stipulated timelines shall be duly escalated based on the SLA. For complaints that cannot be resolved within 2 working days, the first update will be sent within the first 2 working days and subsequently every 3 working days until resolved. However, complaints with immediate resolution shall be communicated to the customer same day of receipt, and logged as resolved on the CCMS.

(f) On satisfactory resolution of a complaint, the Case Owner shall provide comprehensive resolution details which shall also include possible root causes of the complaint as well as attach supporting documents to back up the decision or action taken and then close the case. (Auto notification shall be forwarded to the CRU to show that the case has been resolved).

(g) CRU shall monitor the complaint resolution process via the CCMS. All complaints shall be reviewed by CRU upon successful resolution of the complaints by the Case Owner. CRU staff shall notify the customer on the same day if received before close of business.

### 3. UNRESOLVED COMPLAINTS

1. Complaints not resolved to the customers' satisfaction were referred to the office of the Ombudsman, who shall be any officer designated by the Bank).Customers are expected to send feedback to the office of the Ombudsman not later than 14 days after receipt of resolution status.
2. The Ombudsman shall only accept complaints via email – telephone – 234-1-7412607 or a formal letter of complaint written to the office of the Ombudsman.
3. The Ombudsman shall make rulings within the shortest possible time after the complaint has been received. Feedback on decisions taken shall be forwarded to the customer and CRU.

## 4. REWARD AND PENALTY SCHEME FOR LOGGING OF COMPLAINTS

The Reward and Penalty Scheme for CCMS is designed to encourage staff to log complaints and also to boost staff confidence in the Bank's Complaint Management process. This will in turn increase customer satisfaction and loyalty.

**i Categories**

The following categories exist under the scheme:

- Staff that logs the most complaints
- Branch that logs the most complaints
- Region that logs the most complaints (Business Banking and Operations)

**ii Reward Structure**

A target will be set for every staff/branch and region in any of the categories mentioned above. The targets will be reviewed bi-annually by the Customer Relations Unit. Reward – To be determined and communicated by the Customer Relations Unit.

**iii Penalty**

Failure to log a complaint - This involves staff/branch's failure to log a complaint. This can be monitored if the duplicate copy of the complaint form (retained by the customer) is returned to the branch by the customer

A caution letter will be sent to the indicted staff and depending on the weight of the complaint and its impact on the business, the Head of Internal Control and Human Capital Management will determine the sanction to be applied.

Where a branch or region is indicted and depending on the weight of the complaint and its impact on the business, the Head of Internal Control and Human Capital Management will determine the sanction to be applied.

## 5 BENEFITS OF CUSTOMER COMPLAINTS MANAGEMENT SYSTEM (CCMS)

i Enables a fair and transparent treatment of all customer complaints.
ii Assist the Bank to redesign services with the customer as the focal point.
iii The Bank will be in a better position to continuously re-assess customer's needs.
iv The CCMS will highlight where there is a need to change organisational practices to better serve the customer. Staff can be re-trained on service delivery based on number of complaints and resolution of said complaints.
v The CCMS will enable the tracking of complaints.

## 6 ROLES AND RESPONSIBILITIES

**i Staff**

All staff of Diamond Bank shall take responsibility for complaints brought to their notice by customers until the complaint is logged in the CCMS. All complaints (in whatever form) received by staff MUST be logged into the CCMS to help the bank determine areas of improvement in policies, processes and product offerings.

**ii Customer Relations Unit (CRU)**

The CRU shall be responsible for:
i Ensuring the prompt and appropriate resolution of customer complaints.
ii Ensuring that all complaints were appropriately logged into the CCMS
iii Provision of resolution status to customers and communication of the resolution outcome on all complaints.
iv Ensuring the proper escalation of customer complaints.
v Review of resolved cases to ensure appropriate resolution by case owners.
vi Root cause analysis and initiation of service improvement actions as applicable
vii Provision of reports for management and as requested
viii Creating Case Owners in the CCMS application

**iii Internal Control Unit,** shall be responsible for ensuring adherence to the procedures and policies guiding the use of the CCMS

**iv Ombudsman** will be responsible for the following:

(a) Review of cases that have not been resolved to the satisfaction of the customer
(b) Serve as an adviser where a customer is uncertain about which policy, procedure, or regulation applies to his/her situation.
(c) Mediate between a customer and the Bank where the customer feels that he/she has been unfairly or inequitably treated or that a policy, procedure, or regulation has been applied unfairly or erroneously, or is itself fundamentally unfair

## INSIDER TRADING POLICY

This Policy is designed to prevent insider trading or allegations of insider trading by every person in possession of price sensitive information or other confidential information not yet in the public domain, and to protect the Bank's reputation for integrity and ethical conduct. It shall accordingly apply to every person as stated in the Investment and Securities Act 2007 (ISA) and the Securities and Exchange Commission Code of Corporate Governance for Public Companies in Nigeria of April 2011 (SEC Code).

By Section 17 SEC Code, "Directors of public companies, their immediate families, that is spouse, son, daughter, other or father, and other insiders as defined under Section 315 of the Investment and Securities Act (ISA), 2007 and SEC Rules and Regulations, in possession of price sensitive information or other confidential information shall not deal with the securities of the Company where such would amount to insider trading as defined under the ISA".

"Insider" according to Section 315 ISA 2007, means-

(a) Any person who is or is connected with the Bank in one or more of the following capacities-

- a director of the Bank or a related Company;
- an officer of the Bank or a related Company;
- an employer of the Bank or a related Company;
- an employee of the Bank, involved in a professional or business relationship
- any shareholder of the Bank who owns 5 per cent or more of any class of securities or any person who is or can be deemed to have any relationship with the Bank or member;
- members of the Audit Committee of a the Bank;

(b) "Any of the persons listed in paragraph (a), who by virtue of having been connected with any such person or connected with the Bank in any other way, possesses unpublished price sensitive information in relation to the securities of the Bank, and any reference to unpublished price sensitive information in relation to any securities of the Bank which

i relates to specific matters relating or of concern (directly or indirectly) to the Bank, that is, is not of a general nature relating or of concern to the Bank; and

ii is not generally known to those persons who are accustomed to or would be likely to deal in those securities but which would, if it were generally known to them be likely materially to affect the price of those securities;"

In general, any of the persons listed in Section 315 ISA may freely buy or sell the Bank's stock when the trading Window is open as long as they are not in possession of material non-public information and they first obtain pre-clearance for a proposed transaction from the Company Secretary.

Directors, officers, employees, consultants of the Bank and every person falling under the ambit of the SEC Code and ISA are prohibited from dealing in the securities of the Bank for a prescribed period (as stated in the Windows Related Procedure below) preceding the announcement of its financial results or in any period considered sensitive (for example, during a merger & acquisition and or any business combination).Windows will generally be closed during the following time periods and maybe closed during times that the officers of the Bank deem appropriate.

***Quarterly /Annual Closed Window Periods.***

To avoid the appearance of trading on the basis of material information, you shall not trade in the Bank's securities during the period beginning two weeks prior to the anticipated date for the release of earnings results or filing of the Quarterly Report with the Securities and Exchange Commission (SEC) and Nigerian Stock Exchange (NSE) and ending after the second full business day following the release of the Bank's earnings/financial results.

Directors, officers, employees, consultants of the Bank and every person affected by the SEC Code and ISA shall not trade in Diamond Bank Plc's securities unless the person is sure that he/she does not possess any material inside information.

Directors, officers, employees, consultants of the Bank and every person affected by this Policy shall not pass any material non-public information on to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice is a violation of this Policy even though you did not trade or gained any benefit from the trading engaged in by the person to whom the information was released. (No Tipping)

Directors, officers, employees, consultants of the Bank and every person affected by this Policy may not trade in securities of any other company unless they are sure that they do not possess any material inside information about that company, which they obtained as Directors, officers, employees, consultants of the Bank and every person affected by this Policy of Diamond Bank Plc, such as information about a major contract or merger being negotiated.

The existence of a personal financial emergency does not excuse compliance with this Policy.

**Criminal liability:** Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences. Breach of the provisions of this Policy is an offence punishable with imprisonment not exceeding seven years as prescribed by the ISA.

**Corporate Governance Principles**

Diamond Bank ensures compliance with the corporate governance principles established by the Code of Corporate Governance for Banks and Discount Houses in Nigeria, issued by the Central Bank of Nigeria (CBN) and the Securities and Exchange Code of Corporate Governance for Public Companies in Nigeria. In the quest to adopt best practices in the industry, the Bank established a Corporate Governance Framework which sets out a top-level framework for corporate governance in the Bank, This is revised from time to time to keep it in line with international best practices on good governance, corporate governance and extant regulations, codes and laws.

**Financial Reporting and Accounting**

The audit for the period under review was conducted by the firm of KPMG Professional Services which is independent of the Bank. In keeping with the provisions of section 359 subsections (3) & (4) of the Companies and Allied Matters Act, the report of the Auditors is submitted to the Audit Committee which examines the report and makes recommendations to the shareholders at each Annual General Meeting.

## COMPLIANCE

The Compliance Division is vested with compliance risk management and maintaining relationships with regulators. The Compliance function is responsible for promoting compliance with statutory and regulatory requirements, internal policies and the Anti- Money Laundering program of the Bank. The Bank, in line with the constantly evolving nature of Information Technology has made substantial investments in Information Technology to provide the best services for its customers while ensuring compliance with statutory and regulatory requirements. To further strengthen its Corporate Governance structure, the Bank implemented a Compliance Risk Management framework, which highlights the strategies required to effectively manage the risk of non-compliance. This includes the following:

- Development of a regulatory universe comprising a rule book of all the laws, rules and regulations governing the banking industry with inbuilt controls to ensure business is conducted in consonance with the laws of the land.
- Establishment of a full-fledged compliance division and ensuring its independence by appointing a senior management staff who reports to the Board through the Board Risk Management Committee as the Bank's Chief Compliance Officer. Adequate human and financial resources are made available to ensure effective management of Compliance Risk.
- To effectively identify and assess Compliance Risks presented by customers, products and services, the Bank, through the Compliance function developed a risk measurement and monitoring information system that will provide management with timely and meaningful reports related to compliance with laws and regulations at the business unit and transaction levels.
- The Compliance function analyses rules, regulations and laws in order to ensure that these are incorporated into the Bank's processes and procedures on day-to-day relationship management and transactions.
- Supporting the Business, in particular, by providing training to employees on laws, regulations, internal policies and standards
- Establishment of a well-defined and clearly communicated process for ensuring that identified compliance risks and breaches are escalated to the appropriate level and corrective actions taken promptly.
- Deployment of an Anti-Money Laundering (AML) software for identifying, tracking and reporting of suspicious transactions in line with the Money Laundering (Prohibition) Act, 2011 as amended in 2012.

**WHISTLE BLOWING COMPLIANCE STATUS – 2018**

In line with the Bank's commitment to comply with Sections 3.3 and 3.4 of the Central bank of Nigeria Guidelines on Whistle Blowing for Banks and Other Financial Institutions in Nigeria, the Bank has established a robust whistle-blowing procedure, which encourages reporting of financial and ethical improprieties through dedicated and confidential channels.

In adherence to the guidelines on ongoing review of the whistle blowing policy, the bank reviewed its Whistle blowing policy during the year under review.

There was a coordinated awareness campaign during the year to improve the culture of reporting concerns relating to unethical behaviour or dishonesty by Employees, Management, Directors, Depositors, Service Providers, Creditors and all other stakeholders.

All whistle blowing reports received via the whistle-blowing channels were reviewed and reports of action taken presented to the Board Audit Committee and Central Bank of Nigeria.

The identity of Whistle Blowers is kept confidential in line with the Bank's Whistle Blowing policy. Below is the status of Whistle Blowing incidents reported in 2018

| TOTAL NUMBER REPORTED | TOTAL ADDRESSED | OUTSTANDING |
|---|---|---|
| 40 | 35 | 5* |

*Investigation in respect of the outstanding incident is ongoing and yet to be concluded

**Details of Related Companies/Persons engaged as Service Providers/Suppliers are as follows:**

| Name of Contractor/Vendor | Relationship | Name of Director | Nature of Contract |
|---|---|---|---|
| Elpina Associates Limited | Director | Uzoma Dozie | Supply and Maintenance |

**Analysis of Fraud and Forgeries Returns**

| Nature of Fraud | No. | % Loss | Actual Loss to the Bank (N) Jan-Dec 2018 | No. | % Loss | Actual Loss to the Bank (N) Jan-Dec 2017 |
|---|---|---|---|---|---|---|
| Fraudulent Cash Withdrawal | 3 | 0.06 | 334,000 | 5 | 0.29 | 850,000 |
| Fraudulent Mobile Money Transfer, ATM cash withdrawal, visa credit card, & SMS alert | 32 | 83.29 | 486,370,658 | 9 | 3.94 | 11,756,662 |
| Cash suppression & theft | 83 | 3.67 | 21,403,475 | 64 | 6.15 | 18,344,512 |
| Fraudulent Cheque Withdrawal | 5 | 1.72 | 10,047,500 | 6 | 25.55 | 76,188,592 |
| Impersonation | 4 | 0.03 | 159,500 | 1 | 1.55 | 4,610,000 |
| Fraudulent Internet Fund Transfer. | 3 | 0.06 | 330,602 | 9 | 56.96 | 169,831,373 |
| Fraudulent Western Union Money Transfer Liquidations | 2 | 0.10 | 577,395 | - | - | - |
| Fraudulent dividend warrant clearing | 1 | - | - | 2 | 0.01 | 31,957 |
| Fraudulent fund transfer | 4 | 8.55 | 49,925,000 | 16 | 2.08 | 6,200,950 |
| Uncredited cash deposit | - | - | - | 1 | 0.02 | 47,000 |
| Fraudulent cash deposit | 2 | 0.02 | 100,000 | - | - | - |
| Theft of valuables | 1 | 0.04 | 225,000 | - | - | - |
| Monegram fraud | 2 | - | - | - | - | - |
| Cloned/forged cheque | 2 | - | 140,019 | - | - | - |
| Other Fraudulent activities | 17 | 2.46 | 14,338,500 | 14 | 3.46 | 10,319,303 |
| | **161** | **100** | **583,951,649** | **127** | **100** | **298,180,349** |

**Attendance at Board Committee meetings**

Directors' attendances at meetings are as shown below:

**Full Board Meeting:**

| NAME | 12-Mar | 7-Jun | 19-Jul | 18-Oct | 12-Nov | 3-Dec | 7-Dec | 14-Dec | 16-Dec |
|---|---|---|---|---|---|---|---|---|---|
| Prof. Chris Ogbechie[1] | √ | Retired | | | | | | | |
| Mr. Oluseyi Bickerseth[2] | Not yet appointed | | √ | √ | Resigned | | | | |
| Mr. Uzoma Dozie | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mrs. Caroline Anyanwu | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mrs. Chizoma Okoli | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr. Chiugo Ndubisi | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr. Kabir Alkali Mohammed | √ | √ | √ | √ | X | √ | √ | √ | √ |
| Mr. Damian Dolland[3] | √ | √ | √ | √ | Resigned | | | | |
| Mr. Rotimi Oyakanmi[4] | √ | √ | √ | √ | Resigned | | | | |
| Mr. Dele Babade | √ | √ | √ | √ | X | √ | √ | √ | √ |
| Mrs. Aisha M. Oyebode[5] | √ | √ | √ | √ | Resigned | | | | |
| Mrs. Juliet Anammah[6] | √ | √ | √ | √ | Resigned | | | | |
| Mr. Christopher Ubosi[7] | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Mr. Idris Mohammed | Not yet a appointed | | | √ | √ | √ | √ | √ | √ |

1 Prof. Chris Ogbechie: Retired with effect from March 31, 2018
2 Mr. Oluseyi Bickersteth: Appointed with effect from June 26, 2018 and resigned October 19, 2018
3 Mr. Damian Dolland: Resigned with effect from October 3, 2018
4 Mr. Rotimi Oyekanmi Resigned with effect from October 19, 2018
5 Mrs. Aisha M. Oyebode Resigned with effect from October 19, 2018
6 Mrs. Juliet Anammah: Resigned with effect from October 19, 2018
7 Mr. Idris Mohammed: Appointed with effect from August 13, 2018

**Board Governance & Personnel Committee:**

| NAME | 9-Mar | 1-Jun | 11-Jul | 16-Oct |
|---|---|---|---|---|
| Mrs. Juliet Anammah | √ | √ | √ | √ |
| Mr. Dele Babade | √ | √ | √ | √ |
| Mr. Rotimi Oyekanmi | √ | √ | √ | √ |
| Mr. Christopher Ubosi | √ | √ | √ | √ |

**Board Risk Management Committee:**

| NAME | 7-Mar | 5-Jun | 18-Jul | 17-Oct |
|---|---|---|---|---|
| Mr. Kabir Mohammed | √ | √ | √ | √ |
| Mr. Damian Dolland | √ | √ | √ | X |
| Mr. Rotimi Oyekanmi | √ | √ | √ | √ |
| Mr. Dele Babade | √ | √ | √ | √ |
| Mrs. Aisha Oyebode | √ | √ | √ | √ |
| Mr. Uzoma Dozie | √ | X | √ | X |
| Mrs. Caroline Anyanwu | √ | √ | √ | √ |
| Mr. Chiugo Ndubisi | √ | √ | √ | √ |

**Board Audit Committee:**

| NAME | 7-Mar | 5-Jun | 12-Jul | 18-Jul | 17-Oct |
|---|---|---|---|---|---|
| Mr. Rotimi Oyekanmi | X | √ | √ | √ | √ |
| Mr. Kabir Mohammed | √ | √ | √ | √ | √ |
| Mr. Damian Dolland | √ | √ | X | √ | X |
| Mrs. Aisha Oyebode | √ | √ | √ | √ | √ |

**Board Credit Committee:**

| NAME | 6-Mar | 6-Jun | 17-Jul | 16-Oct |
|---|---|---|---|---|
| Mr. Dele Babade | √ | √ | √ | √ |
| Mr. Kabir Mohammed | √ | √ | √ | √ |
| Mr. Damian Dolland | √ | √ | √ | X |
| Mrs. Juliet Anammah | √ | √ | √ | √ |
| Mr. Christopher Ubosi | √ | √ | X | √ |
| Mr. Uzoma Dozie | √ | √ | √ | √ |
| Mrs. Caroline Anyanwu | √ | √ | √ | √ |
| Mrs. Chizoma Okoli | √ | √ | √ | √ |

**Statutory Audit Committee:**

| NAME | 6-Mar | 4-Jun | 11-Jul | 10-Oct |
|---|---|---|---|---|
| Sir. Nnamdi Oyeka | √ | √ | √ | √ |
| Mr. Abayomi Olaofe | √ | √ | √ | √ |
| Alhaji Isma'lla Zakari | √ | √ | √ | √ |
| Mr. Damian Dolland | √ | √ | √ | X |
| Mrs. Aisha Oyebode | √ | √ | √ | √ |
| Mr. Dele Babade | √ | √ | √ | √ |

BY ORDER OF THE BOARD

**Uzoma Uja**
**Company Secretary/Legal Adviser**
FRC/2013/NBA/00000001645
PGD's Place, Plot 4, Block V
Oniru Estate, Victoria Island
Lagos
18 March 2019

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2018

The Directors accept responsibility for the preparation of the annual consolidated and separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria. 2004, Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of Federation of Nigeria and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

**As indicated in note 2.2(e), the Federal High Court of Nigeria and the Shareholders, on 19 March 2019 and 6 March 2019 respectively, sanctioned the merger between Diamond Bank Plc and Access Bank Plc. The Bank is therefore not a going concern. However, given that the Bank is to be dissolved without being wound up, the financial statements have been prepared using applicable International Financial Reporting Standards (IFRSs) on the basis that the operations of the Bank will continue in the merged entity comprising the Bank and Access Bank Plc.**

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY

Mr. Uzoma Dozie
Group Managing Director/CEO
FRC/2015/CIBN/00000011214
18 March 2019

Mr. Chiugo Ndubisi
ED/ Chief Financial Officer
FRC/2013/ICAN/00000001565
18 March 2019

**Report of the Statutory audit committee**

To the members of **Diamond Bank Plc:**

In compliance with Section 359(6) of the Companies and Allied Matters Act of Nigeria (1990), Cap C20 LFN 2004, we have reviewed the consolidated and separate financial statements of Diamond Bank Plc for the twelve (12) months ended 31 December 2018 and hereby state as follows:

- The scope and planning of the audit were adequate in our opinion;
- The accounting and reporting policies of the Group conformed with the statutory requirements and agreed ethical practices;
- The Internal Control and Internal Audit functions were operating effectively; and
- The External Auditor's findings as stated in the management letter are being dealt with satisfactorily by the management.
- Related party transactions and balances have been disclosed in note 46 to the financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-related credits in Financial Statements BSD/1/2004 .

Sir Nnamdi Oyeka FCA
Chairman, Audit Committee
FRC/2013/ICAN/00000002899
18 March 2019

Members of the Audit Committee are:

| | | |
|---|---|---|
| 1. | Sir Nnamdi Oyeka FCA | Chairman (Shareholder Representative) |
| 2. | Mr Abayomi Olaofe | Member (Shareholder Representative) |
| 3. | Alhaji Isma'ila M. Zakari. FCA | Member (Shareholder Representative) |
| 4. | Mr Dele Babade | Member (Director) |

In attendance
**Uzoma Uja - Company Secretary/ Legal Adviser**
FRC/2013/NBA/00000001645

KPMG

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

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Access Bank Plc (Successor in title to Diamond Bank Plc)

### Report on the Audit of the Consolidated and Separate Financial Statements

#### *Opinion*

We have audited the consolidated and separate financial statements of Diamond Bank Plc ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages **29** to **165**

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B.3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars .

#### *Basis for Opinion*

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

#### *Emphasis of Matter - Going Concern*

Without qualifying our opinion, we draw attention to Note 2.2(e) of these financial statements which indicates that the Federal High Court on 19 March 2019 sanctioned the merger between Diamond Bank Plc and Access Bank Plc. Under the scheme of the merger, all the assets, liabilities and undertakings including real property and intellectual property rights of Diamond Bank were transferred to Access Bank. The entire share capital of Diamond Bank was cancelled, consequently Diamond Bank was dissolved without being wound up. The Directors have therefore determined that the going concern basis is not appropriate for the preparation of the financial statements for the year ended 31 December 2018. This note further explains the basis of preparation of these financial statements. Our opinion is not modified in this regard

#### *Key Audit Matters*

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

**i)** Impairment of loans and advances to customers
The determination of the impairment of loans and advances requires a high level of subjectivity inherent in estimating the impact of key assumptions on the recoverability of loan balances, including the application of industry knowledge and prevailing economic conditions in arriving at the level of impairment allowance required.

During the year, the Group adopted IFRS 9 *Financial Instruments*, a new and complex accounting standard. The key change arising from the adoption of IFRS 9 was that the Group's impairment losses on financial assets are now based on an Expected Credit Loss (ECL) model which incorporates expected future losses due to macroeconomic variables rather than an incurred loss model, where only past and present loss events were considered.

The determination of impairment allowance using the ECL model requires the application of certain financial indices which are estimated from financial data obtained within and outside the Group.

The key judgements and assumptions made in the application of the ECL model include:

- the possibility of a loan becoming past due and subsequently defaulting;
- the estimation of the realizeable values of collaterals;
- determining whether a loan has shown a significant increase in credit risk affecting its classification;
- the rate of recovery on the loans that are past due and in default;
- the estimate of forward looking information such as inflation rate, foreign exchange rates and Gross Domestic Product (GDP) growth rates

The level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, the inputs estimated, the complexity of the estimation process and the significant judgment involved, make the impairment of loans and advances a matter of significance to the audit.

*How the matter was addressed during the audit*
Our audit procedures included the following with respect to the reporting periods as at 1 January 2018 and 31 December 2018:

- We tested the key control over the loan impairment process relating to the monitoring of the performance of loans and advances by the Bank.
- We tested the accuracy of loan grading and recoverability of loans in sectors assessed to be high risk by inspecting a sample of credit files.
- We challenged the Group's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic condition, as expected by the relevant accounting standards.
- We assessed the appropriateness of the Group's determination of significant increase in credit risk and the resultant classification of loans into the various stages. For loans and advances which have shown a significant increase in credit risk, we evaluated the level of past due obligations and qualitative factors such as cumulative industry knowledge about the obligors to determine whether the Group should make an estimate based on the losses expected to result from defined default events within a year or over the life of the loans and advances.
- With the assistance of our financial risk management specialists, we assessed the key data and assumptions for the data inputs into the ECL model used by the Group. Our procedures included the following:
  - We evaluated the appropriateness of the Group's forward looking assumptions such as inflation rate, foreign exchange rate and Gross Domestics Product (GDP) growth rate used in the ECL calculations by using available information from external sources.
  - We re-performed the calculation of the recoverable amount of outstanding loan balances considering relevant inputs such as the estimated cash flows (including collateral), probability of foreclosure and time to recover the collateral.
  - We assessed the appropriateness of the Probability of Default (PD) used in the ECL calculations for reasonableness by checking the historical movement in facilities between default and non-default categories.
  - We assessed the reasonableness of the calculation of Loss Given Default (LGD) rates used by the Group in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD and reviewing the valuation of the collateral used. We also factored in the the trend in the local credit environment into our LGD assessment.
- Our financial risk management specialists re-performed the calculations of impairment allowance for loans and advances using the Group's impairment model and validated key inputs.
- We checked that the difference between previously reported impairment allowance on loans and advances and the ECL impairment allowance was recognized in the opening retained earnings at 1 January 2018 in line with the requirements of the relevant accounting standards.
- We assessed whether disclosures in these financial statements appropriately reflect the Group's exposure to credit risk including collateral information in line with the requirements of the relevant accounting standards.

*Refer to Note 2.8 (the Group's accounting policy on impairment), Note 4 (critical accounting judgements in applying the Group's accounting policies) and Note 3.2 (credit risk disclosures) to the consolidated and separate financial statements.*

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### *Other Information*

The Directors are responsible for the other information which comprises the List of Directors, Officers and Professional Advisors, Directors' Report, Corporate Governance Report, Statement of Directors' responsibilities, Report of the Statutory Audit Committee and Other National Disclosures (but does not include the consolidated and separate financial statements and our audit report thereon), which we obtained prior to the date of this auditors' report. It also includes other information such as the Vision Statement, Mission Statement and Core Values, Corporate Profile, Notice of Annual General Meeting, Chairman's Statement, Chief Executive Officer's Review, Board of Directors' pictures, List of Management team, Corporate Social Responsibility Report and Board Performance Assessment (together the "outstanding reports") which are expected to be made available to us after that date.

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

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

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B.3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

***Report on Other Legal and Regulatory Requirements***

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

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

*Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act, Cap B.3, Laws of the Federation of Nigeria, 2004 and the Central Bank of Nigeria circular BSD/1/2004*

i The Bank and Group paid penalties in respect of contraventions of the Bank and Other Financial Institutions Act during the year ended 31 December 2018. Details of penalties paid are disclosed in Note 51 to the financial statements.

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

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Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
18 April 2019
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0960075

## Consolidated and separate statements of financial position
As at 31 December

| In thousands of Naira | Note | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with central banks | 18 | 302,374,354 | 299,397,460 | 302,370,585 | 299,395,467 |
| Financial assets FVTPL | 19 | 10,673,463 | 38,333,109 | 10,673,463 | 38,333,109 |
| Derivative assets | 20 | 388,755 | 1,318,528 | 388,755 | 1,318,528 |
| Assets pledged as collateral | 21 | 119,029,468 | 95,488,267 | 139,923,315 | 116,357,892 |
| Loans to banks | 22 | 37,943,747 | 35,155,501 | 82,078,754 | 77,610,730 |
| Loans and advances to customers | 23 | 567,896,958 | 755,503,162 | 567,881,391 | 755,488,058 |
| Investment securities | | | | | |
| - FVOCI | 24(a) | 39,085,170 | 148,279,372 | 39,085,170 | 148,039,154 |
| - Amortised cost | 24(b) | 115,619,166 | 75,742,440 | 115,549,127 | 75,742,440 |
| Investment in subsidiaries | 25 | - | - | 2,000,000 | 2,000,000 |
| Investments in associates | | 98,915 | - | 98,915 | - |
| Investment properties held for sale | 27 | 4,052,378 | 3,961,700 | 3,877,378 | 3,788,000 |
| Property and Equipment | 28 | 65,455,041 | 63,840,777 | 65,376,369 | 63,814,940 |
| Intangible Assets | 29 | 3,153,045 | 3,907,526 | 3,080,370 | 3,836,377 |
| Deferred tax Assets | 30 | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,388 |
| Other assets | 31 | 29,008,864 | 96,966,851 | 28,944,189 | 96,873,210 |
| | | 1,299,763,712 | 1,622,879,081 | 1,366,312,169 | 1,687,582,293 |
| Assets included in disposal groups classified as held for sale | 47(a) | 71,445,024 | 91,928,185 | 7,976,260 | 7,976,260 |
| Total assets | | 1,371,208,736 | 1,714,807,266 | 1,374,288,429 | 1,695,558,553 |
| **Liabilities** | | | | | |
| Deposits from banks | 32 | 48,765,050 | 10,958,909 | 65,153,150 | 25,861,109 |
| Deposits from customers | 33 | 1,043,976,729 | 1,161,594,129 | 1,047,764,975 | 1,164,726,773 |
| Derivative Liabilities | 34 | 6,375 | 740,724 | 6,375 | 740,724 |
| Current income tax liability | 16 | 472,868 | 1,620,950 | 327,525 | 1,592,413 |
| Deferred tax liabilities | 30 | 13,071 | 5,049 | - | - |
| Other liabilities | 35 | 46,887,715 | 48,897,903 | 46,855,246 | 48,878,175 |
| Borrowings | 36 | 121,876,210 | 161,297,212 | 130,780,058 | 169,680,170 |
| Long term debt | 37 | 55,001,552 | 70,515,228 | 55,001,552 | 70,515,228 |
| | | 1,316,999,570 | 1,455,630,104 | 1,345,888,881 | 1,481,994,592 |
| Liabilities included in disposal groups classified as held for sale | 47(a) | 17,135,474 | 35,864,205 | - | - |
| Total liabilities | | 1,334,135,044 | 1,491,494,309 | 1,345,888,881 | 1,481,994,592 |
| **Equity** | | | | | |
| Share Capital | 38 | 11,580,195 | 11,580,195 | 11,580,195 | 11,580,195 |
| Share Premium | 39 | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 |
| Retained earnings | 39 | (146,583,376) | 8,239,777 | (148,332,792) | 5,139,548 |
| Other reserves | | | | | |
| - Statutory reserve | 39 | 24,526,456 | 23,423,258 | 24,526,456 | 23,423,258 |
| - Regulatory risk reserve | 39 | - | 31,062,558 | - | 31,062,558 |
| - Small scale industries (SSI) reserve | 39 | 3,966,628 | 3,966,628 | 3,966,628 | 3,966,628 |
| - Fair value reserve | 39 | 2,164,787 | 3,886,328 | 2,126,087 | 3,858,800 |
| - Foreign currency translation reserve | 39 | 6,878,110 | 6,615,281 | - | - |
| Total equity attributable to owners of the Bank | | 37,065,774 | 223,306,999 | 28,399,548 | 213,563,961 |
| Non- controlling interest | 40 | 7,918 | 5,958 | - | - |
| Total shareholders equity | | 37,073,692 | 223,312,957 | 28,399,548 | 213,563,961 |
| Total equity and liabilities | | 1,371,208,736 | 1,714,807,266 | 1,374,288,429 | 1,695,558,553 |

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

The financial statements were approved by the Board of Directors on 18 March 2019 and signed on its behalf by:

Mr. Uzoma Dozie
Group Managing Director/CEO
FRC/2015/CIBN/00000011214

Mr. Chiugo Ndubisi
ED/ Chief Financial Officer
FRC/2013/ICAN/00000001565

**Consolidated and separate statement of profit or loss and other comprehensive income**
**For the year ended 31 December**

| *In thousands of Naira* | Note | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|---|
| **Gross earnings** | | 187,041,729 | 189,622,137 | 189,055,838 | 203,348,983 |
| Interest income | 7 | 139,804,508 | 145,322,604 | 142,295,197 | 146,905,435 |
| Interest expense | 8 | (55,571,844) | (47,038,414) | (56,007,366) | (47,281,945) |
| **Net interest income** | | **84,232,664** | **98,284,190** | **86,287,831** | **99,623,490** |
| Net impairment loss on financial assets | 9 | (20,553,824) | (56,830,411) | (19,923,798) | (56,830,411) |
| **Net interest income after impairment loss on financial assets** | | 63,678,840 | 41,453,779 | 66,364,033 | 42,793,079 |
| Fees and commission income | 10 | 39,722,561 | 37,068,422 | 39,246,218 | 36,636,136 |
| Fees and commissions expense | 10 | (9,714,601) | (8,453,192) | (9,830,100) | (8,672,485) |
| **Net fee and commission income** | | 30,007,960 | 28,615,230 | 29,416,118 | 27,963,651 |
| Net trading income | 11 | 7,260,597 | 3,900,434 | 7,260,597 | 3,900,434 |
| Other operating income | 12 | 555,116 | 2,552,265 | 554,879 | 15,128,566 |
| Net (loss)/gain from other financial instruments at fair value through profit or loss | 13 | (301,053) | 778,412 | (301,053) | 778,412 |
| **Net operating income** | | **101,201,460** | **77,300,120** | **103,294,574** | **90,564,142** |
| Personnel expense | 14 | (22,857,032) | (23,787,509) | (22,698,919) | (23,622,675) |
| Depreciation and amortisation | 28,29 | (8,057,666) | (8,127,495) | (8,003,156) | (8,097,253) |
| Operating lease expense | 15 | (1,044,832) | (1,022,071) | (1,034,712) | (1,012,564) |
| Other operating expense | 15 | (65,703,502) | (55,909,997) | (65,442,359) | (55,640,743) |
| **Total expenses** | | **(97,663,032)** | **(88,847,072)** | **(97,179,146)** | **(88,373,235)** |
| **Profit/(loss) before income tax** | | **3,538,428** | **(11,546,952)** | **6,115,428** | **2,190,907** |
| Minimum tax | 16 | 1,299,774 | (1,310,230) | 1,299,774 | (1,299,774) |
| Income tax expense | 16 | (212,173) | (39,345) | (60,549) | (21,692) |
| **Profit/(loss) from continuing operations** | | **4,626,029** | **(12,896,527)** | **7,354,653** | **869,441** |
| **Discontinued operations** | | | | | |
| Profit from discontinued operations (net of tax) | 47(b) | 671,275 | 3,885,313 | - | - |
| **Profit/(loss) for the year** | | **5,297,304** | **(9,011,214)** | **7,354,653** | **869,441** |
| *Other comprehensive income net of income tax:* | | | | | |
| ***Items that will not be reclassified to profit or loss*** | | | | | |
| **From continuing operations** | | | | | |
| Foreign currency translation differences | | 354 | 459 | - | - |
| Fair value gain/(loss) on FVOCI investments | | (1,697,688) | 1,357,849 | (1,697,689) | 1,357,611 |
| **Total other comprehensive income from continuing operations** | | **(1,697,334)** | **1,358,308** | **(1,697,689)** | **1,357,611** |
| **From discontinued operations** | | | | | |
| Foreign currency translation differences | | 262,829 | 4,744,879 | - | - |
| Fair value gain/(loss) on FVOCI investments | | 11,210 | 72,106 | - | - |
| **Total other comprehensive income from discontinued operations** | | **274,039** | **4,816,985** | - | - |
| **Other comprehensive income for the year, net of tax** | | **(1,423,295)** | **6,175,293** | **(1,697,689)** | **1,357,611** |
| **Total comprehensive income for the year** | | **3,874,009** | **(2,835,921)** | **5,656,964** | **2,227,052** |
| **Profit/(loss) from continuing operations attributable to :** | | | | | |
| Owners of the Bank | | 4,624,423 | (12,970,286) | 7,354,653 | 869,441 |
| Non-controlling interest | | 1,606 | 73,759 | - | - |
| | | **4,626,029** | **(12,896,527)** | **7,354,653** | **869,441** |

| | | | | | |
|---|---|---|---|---|---|
| **Profit/(loss) from discontinued operations attributable to:** | | | | | |
| Owners of the Bank | | 671,275 | 3,885,313 | - | - |
| Non-controlling interest | | - | - | - | - |
| | | **671,275** | **3,885,313** | - | - |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the Bank | | 5,295,698 | (9,084,973) | 7,354,653 | 869,441 |
| Non-controlling interest | | 1,606 | 73,759 | - | - |
| **Profit/(loss) for the year** | | **5,297,304** | **(9,011,214)** | **7,354,653** | **869,441** |
| **Total comprehensive income from continuing operations attributable to :** | | | | | |
| Owners of the Bank | | 2,926,735 | (11,678,155) | 5,656,964 | 2,227,052 |
| Non-controlling interest | | 1,960 | 139,936 | - | - |
| | | **2,928,695** | **(11,538,219)** | **5,656,964** | **2,227,052** |
| **Total comprehensive income from discontinued operations attributable to:** | | | | | |
| Owners of the Bank | | 945,314 | 8,702,298 | - | - |
| Non-controlling interest | | - | - | - | - |
| | | **945,314** | **8,702,298** | - | - |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Bank | | 3,872,049 | (2,975,857) | 5,656,964 | 2,227,052 |
| Non-controlling interest | | 1,960 | 139,936 | - | - |
| **Total comprehensive income for the year** | | **3,874,009** | **(2,835,921)** | **5,656,964** | **2,227,052** |
| **Earnings per share- total operations** | | | | | |
| Basic earnings/(loss) per share (kobo) | 17(a) | 23 | (39) | 32 | 4 |
| Diluted earnings/(loss) per share (kobo) | 17(b) | 23 | (39) | **32** | 4 |
| **Earnings per share- continuing operations** | | | | | |
| Basic earnings/(loss) per share (kobo) | 17(a) | 20 | (56) | 32 | 4 |
| Diluted earnings/(loss) per share (kobo) | 17(b) | 20 | (56) | 32 | 4 |
| **Earnings per share- discontinued operations** | | | | | |
| Basic earnings/(loss) per share (kobo) | 17(a) | 3 | 17 | - | - |
| Diluted earnings/(loss) per share (kobo) | 17(b) | 3 | 17 | - | - |

*The accompanying notes and significant accounting policies are an integral part of these consolidated and separate financial statements.*

## Consolidated and separate statements of changes in equity
***For the year ended 31 December***

**Group**

| *In thousands of Naira* | Stated Capital | Share premium | Retained Earnings | Statotory reserve | Regulatory risk reserve | Small scale industry reserve | Fair value reserve | Foreign Currency translation reserve | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | 11,580,195 | 134,532,974 | 8,239,777 | 23,423,258 | 31,062,558 | 3,966,628 | 3,886,328 | 6,615,281 | 223,306,999 | 5,958 | 223,312,957 |
| **Effect of retrospective restatement:** | | | | | | | | | | | |
| IFRS 9 transition adjustments | - | - | (190,078,211) | - | - | - | (35,063) | - | (190,113,274) | - | (190,113,274) |
| Transfer from regulatory risk reserve | - | - | 31,062,558 | - | (31,062,558) | - | - | - | - | - | - |
| **Restated balance as at 1 January 2018** | **11,580,195** | **134,532,974** | **(150,775,876)** | **23,423,258** | **-** | **3,966,628** | **3,851,265** | **6,615,281** | **33,193,725** | **5,958** | **33,199,683** |
| Profit for the year | - | - | 5,295,698 | - | - | - | - | - | 5,295,698 | 1,606 | 5,297,304 |
| **Other comprehensive income:** | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | - | 262,829 | 262,829 | 354 | 263,183 |
| Fair value movement on FVOCI financial assets | - | - | - | - | - | - | (1,686,478) | - | (1,686,478) | - | (1,686,478) |
| **Total comprehensive income** | **-** | **-** | **5,295,698** | **-** | **-** | **-** | **(1,686,478)** | **262,829** | **3,872,049** | **1,960** | **3,874,009** |
| **Transfer between reserves** | | | | | | | | | | | |
| Transfer from retained earnings | - | - | (1,103,198) | 1,103,198 | - | - | - | - | - | - | - |
| | **-** | **-** | **(1,103,198)** | **1,103,198** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 31 December 2018** | **11,580,195** | **134,532,974** | **(146,583,376)** | **24,526,456** | **-** | **3,966,628** | **2,164,787** | **6,878,110** | **37,065,774** | **7,918** | **37,073,692** |
| **Balance at 1 January 2017** | **11,580,195** | **134,532,974** | **12,042,517** | **23,541,079** | **29,098,571** | **3,966,628** | **2,456,373** | **9,064,519** | **226,282,856** | **425,107** | **226,707,963** |
| Loss for the year | - | - | (9,084,973) | - | - | - | - | - | (9,084,973) | 73,759 | (9,011,214) |
| **Other comprehensive income:** | | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | - | 4,679,161 | 4,679,161 | 66,177 | 4,745,338 |
| Fair value movement on FVOCI financial assets | - | - | - | - | - | - | 1,429,955 | - | 1,429,955 | - | 1,429,955 |
| **Total comprehensive income** | - | - | **(9,084,973)** | - | - | - | **1,429,955** | **4,679,161** | **(2,975,857)** | **139,936** | **(2,835,921)** |
| **Transfer between reserves** | | | | | | | | | | | |
| Transfer from retained earnings | - | - | (2,094,403) | 130,416 | 1,963,987 | - | - | - | - | - | - |
| **Transactions with equity holders recorded directly in equity** | | | | | | | | | | | |
| Deconsolidation of disposed subsidiary | - | - | 7,376,636 | (248,237) | - | - | - | (7,128,399) | - | (559,085) | (559,085) |
| | - | - | **5,282,233** | **(117,821)** | **1,963,987** | - | - | **(7,128,399)** | - | **(559,085)** | **(559,085)** |
| **Balance at 31 December 2017** | **11,580,195** | **134,532,974** | **8,239,777** | **23,423,258** | **31,062,558** | **3,966,628** | **3,886,328** | **6,615,281** | **223,306,999** | **5,958** | **223,312,957** |

*The accompanying notes and significant accounting policies are an integral part of these consolidated and separate financial statements.*

**Consolidated and separate statements of changes in equity**
***For the year ended 31 December***

**Bank**

| | Shared Capital | Share premium | Retained earnings | Statutory reserve | Regulatory risk reserve | Small scale industry reserve | Fair value reserve | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | 11,580,195 | 134,532,974 | 5,139,548 | 23,423,258 | 31,062,558 | 3,966,628 | 3,858,800 | 213,563,961 |
| **Effect of retrospective restatement:** | | | | | | | | |
| IFRS 9 transition adjustment | - | - | (190,786,353) | - | - | - | (35,024) | (190,821,377) |
| Transfer from regulatory risk reserve | - | - | 31,062,558 | - | (31,062,558) | - | - | - |
| **Restated balance as at 1 January 2018** | 11,580,195 | 134,532,974 | (154,584,247) | 23,423,258 | - | 3,966,628 | 3,823,776 | 22,742,584 |
| Profit for the year | - | - | 7,354,653 | - | - | - | - | 7,354,653 |
| **Other comprehensive income:** | | | | | | | | |
| Fair value movement on FVOCI financial assets | - | - | - | - | - | - | (1,697,689) | (1,697,689) |
| **Total comprehensive income** | - | - | 7,354,653 | - | - | - | (1,697,689) | 5,656,964 |
| **Transfer between reserves** | | | | | | | | |
| Transfer from retained earnings | - | - | (1,103,198) | 1,103,198 | - | - | - | - |
| | - | - | (1,103,198) | 1,103,198 | - | - | - | - |
| **Balance at 31 December 2018** | **11,580,195** | **134,532,974** | **(148,332,792)** | **24,526,456** | - | **3,966,628** | **2,126,087** | **28,399,548** |
| **Balance at 1 January 2017** | 11,580,195 | 134,532,974 | 6,364,510 | 23,292,842 | 29,098,571 | 3,966,628 | 2,501,189 | 211,336,909 |
| Profit for the year | - | - | 869,441 | - | - | - | - | 869,441 |
| **Other comprehensive income:** | | | | | | | | |
| Fair value movement on FVOCI financial assets | - | - | - | - | - | - | 1,357,611 | 1,357,611 |
| **Total comprehensive income** | - | - | 869,441 | - | - | - | 1,357,611 | 2,227,052 |
| **Transfer between reserves** | | | | | | | | |
| Transfer from retained earnings | - | - | (2,094,403) | 130,416 | 1,963,987 | - | - | - |
| | - | - | (2,094,403) | 130,416 | 1,963,987 | - | - | - |
| **Balance at 31 December 2017** | 11,580,195 | 134,532,974 | 5,139,548 | 23,423,258 | 31,062,558 | 3,966,628 | 3,858,800 | 213,563,961 |

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

**Consolidated and separate statements of cash flows**
**For the year ended 31 December**

| | Note | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|---|
| Profit/(loss) after tax | | 5,297,304 | (9,011,214) | 7,354,653 | 869,441 |
| *Add:* | | | | | |
| Minimum tax | 16 | (1,299,774) | 1,310,230 | (1,299,774) | 1,299,774 |
| Income tax expense | 16 | 212,173 | 39,345 | 60,549 | 21,692 |
| Profit before tax | | 4,209,703 | (7,661,639) | 6,115,428 | 2,190,907 |
| *Adjustments for:* | | | | | |
| Depreciation and amortization | | 8,057,666 | 8,127,495 | 8,003,156 | 8,097,253 |
| (Gain)/loss on disposal of property and equipment | 12 | (108,942) | 161,351 | (108,705) | 161,351 |
| Gain on disposal of subsidiary | 12 | - | (2,264,367) | - | (14,845,667) |
| Impairment charge on loans and advances | 9 | 19,168,977 | 57,397,081 | 19,168,880 | 57,397,081 |
| Impairment charge/(write back) on investment securities | 9 | (36,022) | (15,612) | (35,993) | (15,612) |
| Impairment charge/(write back) on cash and balances with central banks | 9 | (763) | - | (763) | - |
| Impairment charge/(write back) on loans to banks | 9 | (112,987) | - | (546,090) | - |
| Impairment charge/(write back) on assets pledged as collateral | 9 | 398 | - | (196,747) | - |
| Impairment charge on off balance sheet items | 9 | 8,113 | - | 8,113 | - |
| Impairment charge on other assets | 9 | 5,669,798 | 2,415,657 | 5,670,088 | 2,415,657 |
| Interest income | 7 | (139,804,508) | (145,322,604) | (142,295,197) | (146,905,435) |
| Interest expense | 8 | 55,571,844 | 47,038,414 | 56,007,366 | 47,281,945 |
| Contributions to defined benefit plans | 14 | 661,089 | 701,447 | 657,780 | 698,136 |
| Fair value loss/(gain) on financial assets FVTPL | 11 | (2,793,534) | (739,103) | (2,793,534) | (739,103) |
| Foreign exchange gains | 11 | (4,467,063) | (3,161,331) | (4,467,063) | (3,161,331) |
| Fair value gain on other financial instruments | 13 | 301,053 | (778,412) | 301,053 | (778,412) |
| Fair value (gain)/loss on investment properties | 27 | (87,083) | (75,023) | (87,083) | (70,023) |
| Dividend income | 12 | (69,978) | (47,209) | (69,978) | (47,209) |
| Loans written off as uncollectible | 9 | 523,757 | 1,127,184 | 523,757 | 1,127,184 |
| | | (53,308,482) | (43,096,671) | (54,145,532) | (47,193,278) |
| Change in financial assets FVTPL | 42(i) | 30,453,180 | (30,723,771) | 30,453,180 | (30,723,771) |
| Change in assets pledged as collateral | 42(vii)) | (23,587,262) | 126,409,959 | (23,686,775) | 54,265,925 |
| Change in mandatory reserve deposits | 42(viii) | (22,422,119) | 18,302,550 | (22,422,119) | 7,361,766 |
| Change in derivative assets | 42(ix) | 929,773 | 769,680 | 929,773 | 607,249 |
| Change in loans and advances to customers | 42(ii) | (18,552,320) | 181,306,691 | (18,551,187) | (9,376,682) |
| Change in other assets | 42(iii) | 60,932,459 | (23,236,038) | 60,904,237 | (49,219,516) |
| Changes in investment in associates | 26 | (98,915) | - | (98,915) | - |
| Change in assets classified as held for sale | | 20,483,161 | (91,057,211) | - | - |
| Change in deposits from customers | 42(iv) | (116,634,306) | (265,761,631) | (116,414,226) | 27,186,679 |
| Change in deposit from banks | 42(v) | 37,806,141 | (92,450,388) | 39,292,041 | 12,495,795 |
| Change in derivative liabilities | 42(x) | (1,035,402) | (668,643) | (1,035,402) | (607,250) |
| Change in other liabilities | 42(xi) | (3,928,859) | (11,365,255) | (3,941,600) | 8,611,080 |
| Change in liabilities included in assets held for sale | | (18,728,731) | 35,864,205 | - | - |
| | | (107,691,682) | (195,706,524) | (108,716,525) | (26,592,003) |
| Interest received | | 139,804,508 | 145,322,604 | 142,295,197 | 146,905,435 |
| Interest paid on customer deposits | 42(iv) | (37,069,454) | (26,674,549) | (37,069,454) | (26,674,549) |
| Income tax paid | 16 | (60,481) | (1,756,573) | (25,663) | (1,327,914) |
| Retirement benefit obligations paid | 14 | (661,089) | (701,447) | (657,780) | (698,136) |
| **Net cash flow (used in)/generated from operating activities** | | (5,678,198) | (79,516,489) | (4,174,225) | 91,612,833 |
| **Investing activities** | | | | | |
| Net sale/(purchase) of investment securities | 42(vi) | 67,566,634 | 12,988,644 | 67,396,464 | (62,097,514) |
| Dividends received | 12 | 69,978 | 47,209 | 69,978 | 47,209 |
| Purchase of investment properties | 27 | (3,595) | (16,477) | (2,295) | (16,477) |
| Purchase of property and equipment | 28 | (10,873,587) | (13,357,885) | (10,827,746) | (9,258,856) |
| Proceeds from sale of property and equipment | 42(xii) | 2,618,780 | 338,186 | 2,659,609 | 110,546 |
| Proceeds from disposal of subsidary | 42(xiii) | - | 20,703,631 | - | 20,711,289 |
| Purchase of intangible assets | 29 | (854,496) | (1,737,035) | (832,532) | (1,432,890) |
| **Net cash generated from/(used in) used in investing activities** | | 58,523,714 | 18,966,273 | 58,463,478 | (51,936,693) |

| | | | | | |
|---|---|---|---|---|---|
| **Financing activities** | | | | | |
| Proceeds from borrowings | 42(xiv) | 18,576,629 | 120,000 | 18,576,629 | 120,000 |
| Net repayment of borrowings | 42(xv) | (54,954,334) | (20,984,984) | (54,724,279) | (37,681,659) |
| Repayment of long term debts | 42(xvi) | (33,128,312) | (5,082,108) | (33,128,312) | (5,066,113) |
| **Net cash generated used in financing activities** | | (69,506,017) | (25,947,092) | (69,275,962) | (42,627,772) |
| **Decrease in cash and cash equivalents** | | (16,660,501) | (86,497,308) | (14,986,709) | (2,951,632) |
| **Cash and cash equivalents at beginning of year** | | 108,505,106 | 195,002,414 | 150,958,342 | 153,909,974 |
| **Cash and cash equivalents at end of year** | 43 | 91,844,605 | 108,505,106 | 135,971,633 | 150,958,342 |

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

**Notes to the Consolidated Financial Statements**

## 1 Reporting entity

Diamond Bank Plc (the Bank) was incorporated in Nigeria as a private limited liability company on 20 December 1990. In February 2005, following a highly successful private placement share offer which substantially raised the Bank's equity base, Diamond Bank became a public limited liability company. The address of its corporate office is PGD's Place, Plot 4, Block V, BIS Way, Oniru Estate, Lekki, Lagos.

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Diamond Bank provides a full range of financial services including investment, commercial and retail banking, securities dealing and custodian services.

Diamond Bank Plc operates through its subsidiaries, including Diamond Pension Fund Custodian Limited, and Diamond Bank UK Limited.

In addition, Diamond Bank Nigeria Plc incorporated two structured entities, Stitching Diamond Finance and Diamond Finance BV, for the purpose of facilitating foreign currency borrowing arrangements.

The consolidated and separate financial statements of the Bank for the year ended 31 December 2018 were authorised for issue on 18 March 2019 by the Board of Directors of Diamond Bank Plc

Following the approval of the merger by the Federal High Court of Nigeria on 19-March-2019, the Board of Diamond Bank Plc was dissolved. Access Bank Plc became the successor in title to the Bank subsequent to 19-March-2019. Consequently, the financial statements were also approved and issued by the Directors of Access Bank Plc on 17 April 2019 in addition to the approval by the Directors of Diamond Bank on 18 March 2019.

## 2 Changes in acccounting policies

### 2.1 Introduction of summary of significant accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 2.2 to all periods presented in these consolidated and separate financial statements. The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of 1 January 2018.

### i IFRS 9 Financial Instruments.

The Group has adopted IFRS 9, "Financial Instruments" as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

The major change in the current adoption relates to the impairment of financial assets. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 (Financial Instrument Disclosures). Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures will also only been applied in the current period, see note 3. The comparative period disclosures repeat those disclosure made in the prior year.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

**Transition**

As permitted by the transitional provisions of IFRS 9, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented to 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

(i). The determination of the business model within which a financial asset is held.

(ii). The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss

(iii). The designation of certain investments in equity instruments not held for trading at fair value through other comprehensive income

(iv). For financial liabilities designated as at fair value through profit or loss, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit and loss.

- If a debt security had low credit risk at the date of initial applicationof IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

**Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 2.6(c).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit and loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit and loss.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities

| | | | | Group | | Bank | |
|---|---|---|---|---|---|---|---|
| **In thousands of Naira** | **Note** | **Original classification under IAS 39** | **New classification under IFRS 9** | **Original carrying amount under IAS 39** | **Carrying amount under IFRS 9** | **Original carrying amount under IAS 39** | **Carrying amount under IFRS 9** |
| **Financial assets** | | | | | | | |
| Cash and balances with central banks | 18 | Loans and receivables | Amortised cost | 299,397,460 | 299,396,346 | 299,395,467 | 299,394,353 |
| Financial assets FVTPL | 19 | FVTPL | FVTPL | 38,333,109 | 38,333,109 | 38,333,109 | 38,333,109 |
| Derivative assets | 20 | FVTPL | FVTPL | 1,318,528 | 1,318,528 | 1,318,528 | 1,318,528 |
| Assets pledged as collateral | 21 | Held to maturity | Amortised cost | 94,420,486 | 94,388,705 | 94,420,486 | 94,388,705 |
| Assets pledged as collateral | 21 | Loans and receivables | Amortised cost | 1,067,781 | 1,067,781 | 21,937,406 | 21,651,088 |
| Loans to banks | 22 | Loans and receivables | Amortised cost | 35,155,501 | 35,039,324 | 77,610,730 | 77,057,240 |
| Loans and advances to customers | 23 | Loans and receivables | Amortised cost | 755,503,162 | 569,037,372 | 755,488,058 | 569,022,841 |
| Investment securities | 24(a) | Available-for-sale | FVOCI | 148,279,372 | 148,244,309 | 148,039,154 | 148,004,130 |
| Investment securities | 24(b) | Held to maturity | Amortised cost | 75,742,440 | 75,688,327 | 75,742,440 | 75,688,327 |
| Other assets | 31 | Loans and receivables | Amortised cost | 88,103,182 | 86,618,386 | 88,021,390 | 86,537,628 |
| | | | | **1,537,321,021** | **1,349,132,187** | **1,600,306,768** | **1,411,395,949** |
| **Financial liabilites** | | | | | | | |
| Deposits from banks | 32 | Other financial liabilities | Amortised cost | 10,958,909 | 10,958,909 | 25,861,109 | 25,861,109 |
| Deposit from customers | 33 | Other financial liabilities | Amortised cost | 1,161,594,129 | 1,161,594,129 | 1,164,726,773 | 1,164,726,773 |
| Derivative liability | 34 | FVTPL | FVTPL | 740,724 | 740,724 | 740,724 | 740,724 |
| Other liabilities | 35 | Other financial liabilities | Amortised cost | 44,460,729 | 44,460,729 | 44,449,077 | 44,449,077 |
| Borrowings | 36 | Other financial liabilities | Amortised cost | 161,297,212 | 161,297,212 | 169,680,170 | 169,680,170 |
| Long term debt | 37 | Other financial liabilities | Amortised cost | 70,515,228 | 70,515,228 | 70,515,228 | 70,515,228 |
| | | | | **1,449,566,931** | **1,449,566,931** | **1,475,973,081** | **1,475,973,081** |

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.6(c)(i). The application of these policies resulted in the classification set out in the table above and explained below.

(a) Before the adoption of IFRS 9, the Group classified its bank balances and loan portfolios that are not quoted as loans and receivables. On transiting to IFRS 9, the Bank assessed these loan portfolios to have contractual terms that are consistent with basic lending arrangements, and to have a business model of holding to collect contractual cash flows which meet the SPPI test. Accordingly, these loans have been classified as measured at amortised cost. These loan portfolios are still presented in the statement of financial position as 'Loans and advances to banks' and 'Loans and advances to customers'.

(b) Before the adoption of IFRS 9, the Bank classified debt instruments such as treasury bills and bonds as available-for-sale investment securities. Under IFRS 9, the Bank has classified these debt instruments as fair value through other comprehensive income (FVOCI), as these assets were assessed to have a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets as well as contractual cash flows that meet the SPPI test. These investments are still presented in the statement of financial position as 'Investment Securities' and classified as 'debt instruments measured at FVOCI' in the notes.

(c) Before the adoption of IFRS 9, the Bank classified certain debt instruments as held to maturity investment securities. Under IFRS 9, these assets have been assessed as having a business model of holding to collect contractual cash flows which comprise of solely payments of principal and interest. Accordingly, these debt instruments are classified as measured at amortised cost. These investments are still presented in the statement of financial position as 'Investment Securities' and classified as 'debt instruments measured at amortised cost' in the notes.

(d) Before the adoption of IFRS 9, the Bank classified equity instruments which are not held for trading as available-for-sale investment securities. At the date of transition to IFRS 9, the Bank has elected to apply the fair value through other comprehensive income option. Accordingly, the assets will remain accounted for at FVOCI with no subsequent recycling of realised gains or losses permitted. These investments are still presented in the statement of financial position as 'Investment Securities' and classified as 'equity instruments measured at FVOCI' in the notes.

| In thousands of Naira | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | **IAS 39 carrying amount 31 December 2017** | **Reclassification** | **Remeasurement** | **IFRS 9 carrying amount 1 January 2018** | **IAS 39 carrying amount 31 December 2017** | **Reclassification** | **Remeasurement** | **IFRS 9 carrying amount 1 January 2018** |
| **Financial assets** | | | | | | | | |
| ***FVOCI*** | | | | | | | | |
| Investment securities | | | | | | | | |
| Brought forward: Available for sale | 148,279,372 | | | | 148,039,154 | | | |
| Reclassified to: FVOCI-debt | | 142,454,228 | | | | 142,214,010 | | |
| FVOCI Unquoted equity | | 5,825,144 | | | | 5,825,144 | | |
| Remeasurement | | | (35,063) | | | | (35,024) | |
| Carried forward: FVOCI | | | | 148,244,309 | | | | 148,004,130 |
| Total FVOCI | 148,279,372 | 148,279,372 | (35,063) | 148,244,309 | 148,039,154 | 148,039,154 | (35,024) | 148,004,130 |
| ***FVTPL*** | | | | | | | | |
| Financial assets FVTPL | | | | | | | | |
| Brought forward: FVTPL | 38,333,109 | | | | 38,333,109 | | | |
| Remeasurement | | | - | | | | - | |
| Carried forward: FVTPL | | | | 38,333,109 | | | | 38,333,109 |
| Derivative assets | | | | | | | | |
| Brought forward: FVTPL | 1,318,528 | | | | 1,318,528 | | | |
| Remeasurement | | | - | | | | | |
| Carried forward: FVTPL | | | | 1,318,528 | | | | 1,318,528 |
| Total FVTPL | 39,651,637 | | - | 39,651,637 | 39,651,637 | | - | 39,651,637 |

| In thousands of Naira | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | IAS 39 carrying amount 31 December 2017 | Reclassification | Remeasurement | IFRS 9 carrying amount 1 January 2018 | IAS 39 carrying amount 31 December 2017 | Reclassification | Remeasurement | IFRS 9 carrying amount 1 January 2018 |
| **Financial assets** | | | | | | | | |
| ***Amortised cost*** | | | | | | | | |
| Cash and balances with central banks | | | | | | | | |
| Brought forward: Loans and receivables | 299,397,460 | | | | 299,395,467 | | | |
| Remeasurement | | | (1,114) | | | | (1,114) | |
| Carried forward: Amortised cost | | | | 299,396,346 | | | | 299,394,353 |
| Assets pledged as collateral | | | | | | | | |
| Brought forward: Held to maturity | 94,420,486 | | | | 94,420,486 | | | |
| Remeasurement | | | (31,781) | | | | (31,781) | |
| Carried forward: Amortised cost | | | | 94,388,705 | | | | 94,388,705 |
| Assets pledged as collateral | | | | | | | | |
| Brought forward: Loans and receivables | 1,067,781 | | | | 21,937,406 | | | |
| Remeasurement | | | (13,882) | | | | (286,318) | |
| Carried forward: Amortised cost | | | | 1,067,781 | | | | 21,651,088 |
| Loans to banks | | | | | | | | |
| Brought forward: Loans and receivables | 35,155,501 | | | | 77,610,730 | | | |
| Remeasurement | | | (116,177) | | | | (553,490) | |
| Carried forward: Amortised cost | | | | 35,039,324 | | | | 77,057,240 |
| Loans and advances to customers | | | | | | | | |
| Brought forward: Loans and receivables | 755,503,162 | | | | 755,488,058 | | | |
| Remeasurement | | | (186,465,790) | | | | (186,465,217) | |
| Carried forward: Amortised cost | | | | 569,037,372 | | | | 569,022,841 |
| Investment securities | | | | | | | | |
| Brought forward: Held to maturity | 75,742,440 | | | | 75,742,440 | | | |
| Remeasurement | | | (54,113) | | | | (54,113) | |
| Carried forward: Amortised cost | | | | 75,688,327 | | | | 75,688,327 |
| Other assets | | | | | | | | |
| Brought forward: Loans and receivables | 88,103,182 | | | | 88,021,390 | | | |
| Remeasurement | | | (1,484,796) | | | | (1,483,762) | |
| Carried forward: Amortised cost | | | | 86,618,386 | | | | 86,537,628 |
| Total amortised cost | 1,349,390,012 | | (188,167,653) | 1,161,236,241 | 1,412,615,977 | | (188,875,795) | 1,223,740,182 |

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairement model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39, see Note 2.8.5.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The following table analyses the impact of transition to IFRS 9 on fair value and retained earnings. The impact relates to fair value reserve and retained earnings. There is no impact on other components of equity.

| | Impact of adopting IFRS 9 at 1 January 2018 | |
|---|---|---|
| **In thousands of Naira** | **Group** | **Bank** |
| **Fair value reserve** | | |
| Closing balance under IAS 39 (31 December 2017) | 3,886,328 | 3,858,800 |
| Recognition of expected credit loss under IFRS 9 for financial assets FVOCI | (35,063) | (35,024) |
| **Opening balance under IFRS 9 (1 January 2018)** | 3,851,265 | 3,823,776 |
| **Retained earnings** | | |
| Closing balance under IAS 39 (31 December 2017) | 8,239,777 | 5,139,548 |
| Recognition of expected credit losses under IFRS 9 for loans and advances | (186,465,790) | (186,465,217) |
| Recognition of expected credit losses under IFRS 9 for off balance sheets commitments and undrawn commitments | (1,910,558) | (1,910,558) |
| Recognition of expected credit losses under IFRS 9 for cash and balances with central banks | (1,114) | (1,114) |
| Recognition of expected credit losses under IFRS 9 for assets pledged as collateral | (45,663) | (318,099) |
| Recognition of expected credit losses under IFRS 9 for investment securities amortised cost | (54,113) | (54,113) |
| Recognition of expected credit losses under IFRS 9 for other financial assets | (1,484,796) | (1,483,762) |
| Recognition of expected credit losses under IFRS 9 for loans to banks | (116,177) | (553,490) |
| Recognition of effect of IFRS 9 transitional adjustment under regulatory risk reserve | 31,062,558 | 31,062,558 |
| **Opening balance under IFRS 9 (1 January 2018)** | (150,775,876) | (154,584,247) |

**ii. IFRS 15: Revenue from contracts with customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognize revenue, and at what amount:

a) Identify the contract(s) with a customer

b) Identify the performance obligations in the contract

c) Determine the transaction price

d) Allocate the transaction price to the performance obligations in the contract

e) Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of application of January 1, 2018. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Group. Accordingly the impact on the comparative information is limited to new disclosure requirements.

**iii IFRIC 22 Foreign currency transactions and advance consideration**

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

The amendment clarifies that the transaction date is the date on which the Group initially recognises the prepayment or deferred income arising from the advance consideration.

For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when the Group:

• pays or receives consideration in a foreign currency; and

• recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

## 2.2 Basis of preparation

### (a) Statement of compliance

These financial statements are the consolidated and separate financial statements of the Bank, and its subsidiaries (together, "the Group"). The consolidated and separate financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). The financial statements comply with the Companies and Allied Matters Act, Cap C.20, Banks and other Financial Institutions Act, Financial Reporting Council of Nigeria Act 2011 and the relevant Central Bank of Nigeria (CBN) guidelines and circulars.

### (b) Functional and presentation currency

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

### (c) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items

- derivative financial instruments which are measured at fair value.
- non-derivative financial instruments at fair value through profit or loss which are measured at fair value.
- FVOCI financial assets which are measured at fair value.
- investment properties held for sale which are measured at fair value.
- Financial assets which are measured at amortized cost using effective interest rate.
- loans to customers and loans to banks which are measured at amortized cost using effective interest rate.
- other financial liabilities that are not classified as at fair value through profit or loss which are measured at amortized cost using the effective interest rate method.

### (d) Use of judgements and estimates

The preparation of financial statements in conformity with the 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 year 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. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 - (critical accounting judgments).

### (e) Going Concern

Subsequent to year end, the Directors obtained the approval of the shareholders, the Federal High Court of Nigeria and the relevant regulators for a merger between Diamond Bank Plc ("the bank") and Access Bank Plc. In accordance with the Scheme of Merger, the Bank has been dissolved withour being wound up. See Note 52 for further details.

The Directors have determined that following the merger between Diamond Bank and Access Bank, Diamond Bank will not continue as a going concern in the foreseeable future and the financial statements have therefore not been prepared on a going concern basis.

The Directors have therefore prepared the financial statements using applicable International Financial Reporting Standards (IFRSs) on the basis that the operations of the Bank will continue in the merged entity comprising the Bank and Access Bank Plc.

## 2.3 New Standards, interpretations and amendments to existing standards that are not yet effective

### (i) IFRS 16: Leases

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

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

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

### (ii) IFRIC 23 Uncertainty over income tax treatments

These amendments provide clarity on the accounting for income tax treatments that have yet to be accepted by the tax authorities.

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

## 2.4 Consolidation

### (a) *Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, 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. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are consolidated from the date on which control is acquired by the Group. They are de-consolidated from the date on which control ceases. The results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity.

### (b) *Business combinations*

The Group applies IFRS 3 *Business Combinations* in accounting for business combinations.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the Group obtains control. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately.

The Group measures goodwill at the acquisition date as the total of:

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

Goodwill is measured at cost less accumulated impairment losses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

In the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost.

### (c) *Transactions eliminated on consolidation*

Intra-group transactions, balances and any unrealised incomes and expenses on transactions between companies within the Group (except for foreign currency transactions gains or losses) are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (d) *Acquistion from entities under common control*

Common control transactions are business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and such control acquired is not transitory.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

### (e) *Non controlling interests (NCI)*

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date

### (f) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost and it is accounted for as an investment per IFRS 10, or using equity accounting if the retained interes is an associate.

**(g)** ***Associates***

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. This is generally represented by a shareholding of between 20% and 50% or other qualitative factors.

Investments in associates are accounted for using the equity method of accounting. They are initially recognised at cost, which includes transaction costs. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Subsequent to initial recognition, the Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit or loss; its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated profit or loss.

In the separate financial statements of the Bank, investments in associates are accounted for at cost.

(h) ***Structured Entities***

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The financial statements of structured entities are included in the Group's financial statements where the substance of the relationship is that the Group controls the special purpose entity. The Group established one structured entity, Diamond Finance BV, for the purpose of facilitating foreign currency borrowing arrangements through the issuance of loan notes to borrowers. Accordingly the financial statements of Diamond Finance B.V. have been consolidated as the Group has control over the entity.

**2.5 Foreign currency translation**

**(a)** ***Foreign transactions and balances***

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured (i.e. spot exchange rate).

The local currency (Nigerian Naira) is the functional and presentation currency for the Group's financial statement, thus foreign currency balances are translated by using the current exchange rate at the reporting date. The translation rate applied by the Bank is the rate per the Nigerian Inter- bank Foreign exchange market (NAFEX) as published by the FMDQ OTC. The translation rates for third currencies are derived by multiplying the interbank rate (i.e. the USDollar/Naira) with applicable cross rates of those currencies.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the carrying amount of the asset or liability in the functional currency at the beginning of the year, adjusted for any movements during the year due to effective interests, payments, additions, fair value changes etc. and the carrying amount in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the spot exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost denominated in a foreign currency are translated with the spot exchange rate as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- FVOCI equity instruments

(b) ***Foreign Operations***

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities including goodwill and fair value adjustments arising on acquisition, are translated to Naira at the closing spot exchange rate at the reporting date;
- income and expenses of each foreign operation are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (OCI) and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to retained earnings on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative exchange difference recognised in OCI is reattributed to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

## 2.6 Financial assets and liabilities

### (a) Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments carried at fair value through profit or loss are initially recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial assets are recognised or de-recognised on the date the Group commits to purchase or sell the instruments (trade day accounting).

### (b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at amortised cost or fair value depending on their classification category

### (c) Classification

### (i) Financial assets

**Policy applicable from 1 January 2018**

Subsequent to initial recognition, all financial assets within the Group are measured at:

- amortised cost
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The Group's financial assets are subsequently measured at amortised cost if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect' business model test - The asset is held within a business model whose objective is to hold the financial asset in other to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date.

  Interest in this context is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Debt instruments are measured at fair value through other comprehensive income (FVOCI) by the Group if they meet both of the following criteria and are not designated as FVTPL:

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets (equity investments) are measured at fair value through other comprehensive income.

A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Group if the financial asset is:

- A debt instrument that does not qualify to be measured at amortised cost or FVOCI;
- An equity investment which the Group has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- A financial asset where the Group has elected to measure the asset at FVTPL under the fair value option.

**Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfoilio and the operation of those policies in practice. These includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount oustanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assesment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition

**Policy applicable before 1 January 2018**

The Group classified its financial assets into one of the following categories

- loans and receivables
- held to maturity
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading
  - designated as at FVTPL

**(ii) Financial liabilities**

Financial liabilities are either classified by the Group as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost by the Group unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or
- The Group elects to measure the financial liability at FVTPL (using the fair value option).

**(iii) Financial guarantees contracts and loan commitments**

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

– from 1 January 2018: at the higher of the loss allowance determined in accordance with IFRS 9 (see note 3.2.18) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

– before 1 January 2018: at the higher of the amount representing the initial fair value amortised over the life of the guarantee or the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

– from 1 January 2018: the Group recognises a loss allowance

– before 1 January 2018: the Group recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

The Group conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties. Contingent liabilities and commitments comprise usance lines and letters of credit.

Usance and letters of credit are agreements to lend to a customer in the future subject to certain conditions. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer.

Letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the Customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Contingent liabilities and commitments are initially recognized at fair value which is also generally equal to the fees received and amortized over the life of the commitment. The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment when a payment under the contingent liability has become probable and the unamortised fee.

**(d) Derecognition**

**(i) Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (e)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group sometimes enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

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

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

**(ii) Financial liabilities**

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

**(e) Modifications of financial assets and financial liabilities**

**Financial assets**

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (d)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

**(f) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, the Group has 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.

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

**(g) Amortised cost measurement**

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

**(h) Fair value measurement**

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

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

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

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

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures the assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

**(i) Pledge of assets as collateral**

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.

Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated at amortised cost or fair value through other comprehensive income (FVOCI). Where assets pledged as collateral are designated as FVOCI, subsequent measurement is at fair value through other comprehensive income. Other financial assets pledged as collateral are measured at amortised cost.

## 2.7 Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at fair value through profit or loss;
- the terms of embedded derivative would meet the definition of a derivative if they were contained in a separate contract and;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic charcteristics and risks of the host contract

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

## 2.8 Impairment

**Policy applicable before 1 January 2018**

### 2.8.1 Objective evidence of impairment

At each reporting date, the Group assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

– Delinquency in contractual payments of principal or interest;

– Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);

– Breach of loan covenants or conditions;

– Initiation of bankruptcy proceedings;

– Deterioration of the borrower's competitive position;

– Deterioration in the value of collateral; and

– Downgrading below investment grade level.

### 2.8.2 Individual or collective assessment

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

### 2.8.3 Measurement of impairment

The amount of impairment loss for financial assets carried at amortised cost was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in profit or loss. If a financial instrument had variable interest rates, the discount rate for measuring any impairment loss was 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 reflected the cash flows that may have resulted from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure was probable.

For the purposes of a collective evaluation of impairment, financial assets were grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considered asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics were 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 were collectively evaluated for impairment were 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 was 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 was based and to remove the effects of conditions in the historical period that did not currently exist.

Estimates of changes in future cash flows for groups of assets were 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 were reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan was uncollectible, it was written off against the related provision for loan impairment. Such loans were written off after all the necessary procedures including regulatory apprasial where necessary had been completed and the amount of the loss had been determined.

Amount reported as other financial assets were tested for impairment on an individual basis at the reporting date. In testing for impairment, the Group assessed whether there was objective evidence that a loss event had occurred. If it was established that a loss event had occurred and the loss event had an impact on the recoverable amount of the asset, an impairment charge was taken against the asset carrying amount.

**2.8.4 Reversal of impairment**

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

**2.8.5 Policy applicable from 1 January 2018**

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

• Financial assets that are debt instruments;

• Lease receivables;

• Financial guarantee contracts issued; and

• Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

• Debt investment securities that are determined to have low credit risk at the reporting date; and

• Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

**2.8.6 Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

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

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

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

**2.8.7 Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower or issuer;

• A breach of contract such as a default or past due event;

• The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

• The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

• The market's assessment of creditworthiness as reflected in the bond yields.

• The rating agencies' assessments of creditworthiness.

• The country's ability to access the capital markets for new debt issuance.

• The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

• The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

**2.8.8 Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• Loan commitments and financial guarantee contracts: generally, as a provision;

• Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision for debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of the asset is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve.

**2.9 Reclassification of financial instruments**

Financial assets are required to be reclassified in certain rare circumstances among the amortised cost, FVOCI and FVTPL categories. When the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets in accordance with the new model. The reclassification is applied prospectively from the reclassification date. Accordingly, any previously recognised gains, losses or interest are not to be reinstated. Changes in the business model for managing financial assets are expected to be very infrequent.

**2.10 Restructuring of financial instruments**

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**2.11 Collateral**

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults.

The Group may also use other credit instruments, such as derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability see note 3.2(b)(i).

## 2.12 Revenue recognition

### (i) Interest income and expense

***Policy prior to 1 January 2018***

Interest income and expense are recognised in profit or loss 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. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

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 rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

***Policy from 1 January 2018***

**Effective interest rate**

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

**Amortised cost and gross carrying amount**

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**Calculation of interest income and expense**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rate of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2.8.7.

**Presentation**

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes only interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes only interest on financial liabilities measured at amortised cost.

**(ii) 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. If it is unlikely that the loan will be drawn down, the commitment fee is recognised on a straight line basis over the commitment period. 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, are recognised on completion of the underlying transaction. Included in the Group's fee and commission income is income from custodial services provided over pension and non-pension assets which are generally recognized on accrual basis when the services have been provided.

**(iii) Income from bonds, financial guarantees and letters of credit**

Income from bonds or financial guarantees and letters of credit are initially measured at fair value and subsequently recognised on a straight line basis over the life of the bond or guarantee.

**(iv) Dividend income**

Dividend income is recognised when the entity's right to receive payment is established. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other opertaing income based on the underlying classification of the equity investments.

**(v) Net trading income**

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

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

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

## 2.13 Impairment of non-financial assets

At each reporting date, the carrying amount of non-financial assets (other than investment properties held for sale and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Additionally, assets that have an indefinite useful life (including goodwill) and are not subject to amortisation are tested annually for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU).

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synegies of the combination. The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

## 2.14 Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks, loans to banks and other short term investments classified as held to maturity, with original maturities of 3 months or less.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### 2.14.1 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined using the indirect method. Profit for the year is therefore adjusted by income/expense and non-cash items, such as measurement gains or losses, changes in impairment allowances, as well as changes from operating assets. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

The Group's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach). Interest and dividends received on investment securities are classified as investing activities; interest paid on customer deposits are classified as operating cash flows, while dividends paid to shareholders are included in financing activities.

## 2.15 Leases

Leases are divided into finance leases and operating leases.

(a) ***The Group is a lessee***

(i) ***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

***(ii) Finance lease***

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'Deposits from banks' or 'Deposits from customers' depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

***(b) The Group is a lessor***

***(i) Operating lease***

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

***(ii) Finance lease***

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

## 2.16 Investment properties held for sale

Investment properties held for sale represent investment properties which are held for long-term rental yields or for capital appreciation or both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Recognition of these properties takes place only when it is probable that the future economic benefits that are associated with the properties will flow to the entity and the cost can be measured reliably.

Investment properties held for sale are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property held for sale at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of such properties. Subsequent to initial recognition, properties held for sale are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of these properties are included in the profit or loss in the period in which they arise. Subsequent expenditure is included in the asset's carrying amount 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.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. Any gain or loss on disposal of these properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

The fair value of these properties is based on the nature, location and condition of the specific asset. The fair value is obtained from professional third party valuers contracted to perform valuations on behalf of the Group. The fair value of these properties do not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## 2.17 Property and equipment

### *(i) Recognition and measurement*

The cost of an item of property and equipment is initially recognized by the Group if and only if 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. All property and equipment used by the Group is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. If significant parts of a property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

### *(ii) Subsequent costs*

Subsequent expenditures are included in the asset's carrying amount or are 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 the replaced part is derecognised. All other repair and maintenance costs are charged to 'other operating expenses' during the financial period in which they are incurred.

### *(iii) Depreciation*

Freehold land is not depreciated. Depreciation of items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| • Land | Not depreciated |
| • Leaseholds improvements: | over the unexpired lease term. |
| • Buildings | twenty five years |
| • Motor vehicles: | four years |
| • Office equipment: | three years |
| • Computer | three years |
| • Furniture and fittings: | four years |

The assets' residual values, depreciation methods and useful lives are reviewed annually, and adjusted if appropriate.

### *(iv) De-recognition*

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

### *(v) Other requirements*

Construction cost and improvements in respect of offices are carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as prepayments in "other assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

## 2.18 Intangible assets

The cost of an intangible asset is initially recognized by the Group if and only if 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. Subsequent measurement is as detailed below:

### *Goodwill*

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see 2.4(b). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is assessed for impairment annually.

### *Software*

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the cost can be measured reliably. All other expenditure is expensed when incurred.

Software is amortised on a straight line in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three years.

Software under development which are not available for use are tested for impairment annually.

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

An intangible asset shall be derecognized by the Group 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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is recognised.

## 2.19 Non-current assets classified as held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit analysis or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distrubition and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; o
- is a subsidiary acquired exclusively with a view to re-sale

Classification as discontinued operation occurs on disposal, or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative year.

## 2.20 Income taxation

The tax expense for the period comprises current and deferred tax. It is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

### (a) *Current income tax*

The current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date in the respective jurisdiction. Current tax also includes any tax arising from dividends received.

Current tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the recoginzed amounts, or when it intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### *(b) Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.
Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible differences can be utilised. Such deferred tax assets and liabilities are not recognised if:

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties held for sale that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through the sale unless the presumption is rebutted. The presumption is rebutted when the investment properties held for sale is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Management has reviewed the Group's investment properties held for sale portfolio and concluded that none of the Group's investment properties held for sale are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Although, Management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted, the Group has elected to recognise deferred tax on changes in fair value of the investment properties held for sale as the Group is subject to capital gains taxes on disposal of its investment properties.

## 2.21 Employee benefits

### (a) *Defined contribution scheme*

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group contributes 12% of basic salary, rent and transport allowances, with the employee contributing a further 8% in line with the provisions of the Pension Reforms Act 2014. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense 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) Short term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *(c) Other employee benefits*

Other employee benefits are expensed when they are incurred. Other personnel expenses relate to one-off discretionary payments and other benefits paid to staff of the Group. There is no other constructive or contractual obligations on the Group aside from the actual amount incurred.

## 2.22 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### (a) *Levies*

A provision for levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

## 2.23 Share capital

### *(a)* *Share issue costs*

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

### *(b)* *Dividends on ordinary shares*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank’s shareholders.

Dividends for the period that are declared after the date of the statement of financial position are disclosed 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 Company and Allied Matters Act of Nigeria.

## 2.24 Share premium

Share premium account warehouses excess of share issue proceeds over the par value of the shares.

### 2.25 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise options to convert the outstanding notional amount of borrowing with conversion options.

Where the Group reports a discontinued operation, it shall disclose the basic and diluted earnings per share for both continuing and total operations in the statement of profit or loss and other comprehensive income

### 2.26 Statutory reserve

The Nigerian Banking industry regulations require banks to make an annual appropriation to a statutory reserve. 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.

### 2.27 Regulatory risk reserve

The regulatory risk reserve represents a reserve created when credit impairment on loans and advances as accounted for under IFRS using the incurred loss model differ from the prudential provisioning requirements set by the Central Bank of Nigeria

### 2.28 Fair value reserve

The fair value reserve warehouses cummulative fair value gains/losses on financial assets classifed as fair value through other comprehensive income. Fair value gains on financial assets (excluding equity investments) are reclassified to profit or loss account on disposal of the assets.

### 2.29 Foreign currency translation reserves

This reserve warehouses foreign currency gains or losses on translation of foreign subsidiaries at the closing rate. On disposal of the foreign subsidiary, the cummulative foreign currency gains or losses in relation to that subsidiary is reclassified to retained earnings

### 2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Management Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. Refer to Note 5 for the Group segment report.

### 2.31 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through Diamond Pension Fund Custodian Limited, a subsidiary company that results in the holding of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The carrying value of the assets as at reporting date are disclosed in the financial statements (see Note 45.3). The carrying value of the assets under custody were determined as follows:

- Real estate and real estate investment trust, equity and equity fund are carried at fair value.
- all other classes of assets under custody are carried at cost.

Fees and commissions earned from providing such services are generally recognised on an accrual basis in line with the agreement between the Group and the party for which the Group holds its assets.

## 3. Financial risk management

### 3.1 Introduction and overview

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

**Enterprise risk review**

The underlying premise of Enterprise Risk Management is that every entity exists to provide value for its stakeholders. All organizations face uncertainty, uncertainty presents both risks and opportunities, with the potential to erode or enhance value.

In recent years, managing an enterprise's risk in a consistent, efficient and sustainable manner has become a critical priority, as the business environment faces unprecedented levels of complexity changing geopolitical threats, new regulations and increasing shareholders' demand.

The Diamond Bank Group seeks to achieve an appropriate balance between risk and reward in its business strategy, and continues to build and enhance the risk management capabilities that will assist it in delivering its growth plans in a controlled environment.

The Group has made significant progress in its vision to become world-class at managing risk. The Group’s Enterprise Risk Management (ERM) framework addresses specific risk areas such as credit, market, liquidity, operational, strategic and reputational risks.

Full implementation of the requirements of the ERM Framework is on-going under the oversight of the Board Risk Management Committee (BRMC), which is tasked with monitoring the implementation on behalf of the Board.

The Group’s Enterprise Risk Management (ERM) Framework ensures risks are managed using a structured and disciplined approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities and threats faced. The Group’s “Enterprise-wide” Risk Management methodology ensures the removal of functional, divisional, departmental or cultural barriers to managing risks.

The main benefits and objectives to the Group of the ERM implementation include the following:

- It provides a platform for the Board and Management to confidently make informed decisions regarding the trade-off between risk and reward;
- It aligns business decisions at the operating level to the Group’s appetite for risk;
- It balances operational control with the achievement of strategic objectives;
- It enables Executives to systematically identify and manage significant risks on an aggregate basis;
- It enables the evaluation of new and existing investments on both a standalone and portfolio basis; and
- It minimizes operational surprises and related costs or losses.

Diamond Bank's Enterprise Risk Management vision is " to build a world-class risk management culture".

**Risk Management governance structure**

The following management committees, comprising of senior management staff, support the Executive Committee in performing its risk management roles:

*(i) Asset and Liability Management Committee (ALCO)*

The Asset and Liability Committee (ALCO) is responsible for market and liquidity risk management.

*(ii) Management Credit Committee (MCC)*

The Management Committee (MCC) is responsible for managing credit risks in the Group. The Committee focuses on Management of the Group's credit risk exposures. The Management Credit Committee (MCC) deliberates on issues concerning the credit risk. These include issues from credit approval, restructure, write off, and approval of credit policies.

*(iii) Group Risk Management Committee (RMC)*

The Group Risk Management Committee (RMC) has oversight responsibility for all other risk categories except credit, market and liquidity risks. Risk categories within the purview of the committee include, but are not limited to, the following: Operational risk; Strategic risk; Legal risk; Compliance risk; Reputational risk; Accounting & Taxation risk; Human Capital risk; and Information Security risk.

**Business units**

Business Units and their staff, as primary risk owners/managers, are responsible for the day-to-day identification, mitigation, management and monitoring of risks within their respective functions.

Business Units and their staff are also responsible for the following:

- Implementing the Group’s risk management strategies;
- Managing day-to-day risk exposures by using appropriate procedures and controls in line with the Group’s risk management framework;
- Identifying risk issues and implementing remedial action to address these issues; and
- Reporting and escalating material risks and associated issues to appropriate authorities.

**Units and functions with primary responsibility for independent risk oversight and monitoring**

These units and function include the following:

- Risk Management & Control Division;
- Legal Unit;
- Corporate Communications Units
- Strategic Planning & Research Unit; and
- Financial Control Unit.
- Human Capital Management Unit and
- Compliance Unit

**Units and functions with primary responsibility for evaluating and providing independent assurance.**

This is made up of the

- Internal Auditors (i.e. Corporate Audit function); and
- The External Auditors.

## 3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arises principally from lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in the off-balance sheet financial instruments. The credit risk management is centralized in Risk Managment and Control at the group level and reports to the board of directors and interacts with the head of each business segment regularly.

Diamond Bank has a credit risk management framework approved by its Board. The credit risk management objectives are:

(1) To provide a clear and consistent direction for the Bank for creating and managing credit exposures;

(2) To maintain a high quality risk assets portfolio and minimize credit losses arising from errors of judgement.

(3) To achieve the lowest non-performing loans in the industry while maximizing returns on assets created;

(4) To maximize stakeholder value;

(5) To develop a strong credit risk culture where all staff actively participate in the risk management process.

The credit risk appetite of the bank is defined by its expression or willingness to accept risk up to a level that minimizes erosion of earnings or capital due to avoidable losses from credit activities. The Bank's Credit Risk Management Strategy is driven by its objectives and includes adoption of the following strategies for the management of credit risk;

(i) A selective and disciplined approach to credit origination and focus on customers that will create attractive value for the Bank;

(ii) Adherence by all lending and approval individuals to the Bank's credit risk policies, developed to enable staff identify, measure and manage credit risk exposures;

(iii) The Board and Senior Management set the tone for the right risk culture in the Bank;

(iv) Adequate pricing for the risks taken by the Bank;

(v) Establishment and enforcement of the Bank's exposure and provisioning policies in accordance with the International Financial Reporting Standards and other regulatory requirements; and

(vi) Broadening of the knowledge and skills of all credit personnel through training and capacity building programmes.

### (a) Credit risk measurement

*(i) Loans and advances*

In measuring credit risk of loan and advances to customers and banks at a counterparty level, the Group reflects the following components (i) the client or counterparty's character and capacity to pay off its contractual obligations; (ii) current exposures to the counterparty and its likely future development; (iii) credit history of the counterparty; and (iv) the likely recovery ratio in case of default obligations - value of collateral and other ways out.

The Group's rating scale, the Diamond Master Rating (DMR), reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Diamond Master Rating Table

| DIAMOND BANK | CBN | CBN MID WEIGHT | DB REMARK | CBN REMARK |
|---|---|---|---|---|
| D01 | AAA | 1.5 | Investment Grade | Extremely low risk |
| D02 | AA | 2.5 | Investment Grade | Very low |
| D03 | A | 3.5 | Investment Grade | Low risk |
| D04 | BBB | 4.5 | Sub investment Grade | Acceptable risk |
| D05 | BB | 5.5 | Sub investment Grade | Moderately Higk risk |
| D06 | B | 6.6 | Sub investment Grade | High risk |
| D07 | CCC | 7.5 | Sub investment Grade | Very high risk |
| D08 | CC | 8.5 | Watchlist | Extremely high risk |
| D09 | C | 9.5 | Watchlist | High likelihood of default |
| D10 | D | | Default | Default |

(ii) *Debt securities and other bills*

For credit risk associated with debt securities, ratings assessments by external agencies such as Standard & Poor's, Moody's, Agusto & Co and Fitch are taken into consideration. In addition to this, limits have been put in place to monitor credit risk exposures per issue, issuer and sector.

***(b) Risk limit control and mitigation policies***

The Group manages limits and control concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers (single obligor limits), and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Group also sets internal credit approval limits for various levels in the credit process and are shown in the table below:

**Authorizing level**

| **Approver** | **Band 1**<br>**D01 - D03**<br>**(Investment Grade)**<br>**(PD< 0.55%)** | **Band 2**<br>**D04- D07**<br>**(Sub-Investment Grade)**<br>**(0.55% < PD < 14.06%)** | **Band 3**<br>**D08 – D10**<br>**(Watchlist/Default) PD**<br>**> 14.06%** |
|---|---|---|---|
| | **N'Million** | **N'Million** | **N'Million** |
| **Full Board-Ratification** | **>10,000 up to SOL*** ** | **>4,000 up to SOL*** ** | **>1,500 up to SOL*** ** |
| **BCC*** | **10,000** | **4,000** | **1,500** |
| **MCC**** | **4,000** | **2,000** | **500** |
| **MINI-MCC** | **2,000** | **1,000** | **250** |
| **Group Managing Director** | **500** | **300** | **150** |
| **Executive Director, RB, Lagos & West** | **300** | **200** | **100** |
| **Executive Director, RB, North** | **300** | **200** | **100** |
| **Executive Director, CFO** | **100** | **50** | **15** |
| **Divisional Head, Regional Business- South** | **200** | **150** | **Nil** |

* Board Credit Committee
** Management Credit Committee
*** Single Obligor Limit

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.
Some other specific control and mitigation measures are outlined below.

(i) *Collateral*

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similiar instruments, which are secured by portfolios of financial instruments.

The guiding principles behind collateral acceptability are adequacy and realizability. The Management Credit Committee (MCC) approves the guidelines for acceptability of credit collateral. The committee also provides a clear articulation of:

- Acceptable collateral in respect of each credit product including description, location restrictions in respect of landed property, guidelines in respect of minimum realizable value of such collateral;
- Required documentation/perfection of collateral;
- Conditions for waivers of collateral requirement and guidelines for approval of collateral waiver;
- Acceptability of cash and other forms of collateral denominated in foreign currency;

All items pledged as security for credit facilities are usually registered in the name of the Bank. Additional criteria including insurance cover as may be defined in the Bank's risk management policy provisions are usually met. Collateral as security in respect of approved credit exposures include mortgage on landed property, quoted stocks/shares of actively traded blue chip companies only, charge on assets (fixed and/or floating), guarantees issued by other banks acceptable to Diamond Bank, lien on asset being financed and others.

Collateral must be appreciating or at least stable. Estimate of open market value of the collateral item(s) should be adequate to ensure full recovery of the Bank's principal credit exposure.

The fair values of collaterals are based upon the latest valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighborhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation e.g. subsequent movements in house prices, after making allowance for dilapidations. The fair values of non- property collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument and other acceptable valuation methodologies.

The same fair value approach is used in determining the collaterals value in the course of sale or realization. The Bank does not take physical possession of properties or other assets held as collateral and uses external agents to realize the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower.

Also, recently approved policy includes the additional extract below;

1. Assessment of collateral value shall reflect standard internal bank discounts in appropriating lending value. These valuation guidelines are only for use in estimating or reporting collateral margins. These standards are intended to optimize our collateral analysis and shall not be construed to imply any limited opinions of realizable market values. A maximum exposure of 75% of the "Forced Sale Value" of the property is allowed per client while further discount shall reflect the bank's policy on collateral coverage for other assets. For all types of collateral the internal assessment discounts shall be applied to reduce collateral values before further reducing said values by the amount of debts owed to senior lien holders, if any.

2 Daily mark-to-market shall be carried out on all equity shares in line with fair value accounting standards and provisioning shall be applied monthly on shortfalls.

However, as proactive measures towards preventing total diminution and control asset delinquency, four margin limits are instituted as follows:

i Initial Margin of 200%;
ii First Maintenance Margin of 175%; and
iii Second Maintenance Margin of 150%
iv Below 150%

*(c) Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collaterised by the underlying shipments of goods to which they relate and therefore carrry less risk than a direct loan.

***Methodology for risk rating***

Diamond Bank Plc uses the Moody's rating tool as the core rating for all its corporate credits. In addition to the core rating, the Bank has recently developed a new rating framework for rating all corporate exposure in its credit portfolio. Through the new corporate framework, each corporate borrowers will be given a rating on the 10-grade Diamond Master Rating Scale, which signifies the borrower's creditworthiness and risk of default. These ratings will be used to determine pricing, availability of credit, required collateral and other important decisions such as in relation to the extension of loans.

The new rating framework takes the core rating (i.e. Moody's) as a foundation and uses other factors such as the Group/country rating, early warning signals and any relevant new information to arrive at a more realistic rating for the borrower.

### 3.2.1 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk at 31 December 2018 and 31 December 2017 respectively, is represented by the net carrying amounts of the financial assets set out in Note 6 below, with the exception of financial guarantees issued by the Group for which the maximum exposure to credit risk is represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to Note 45 Contingent Liabilities and Commitments).

**Group**

**31 December 2018**

| | Loans and Advances to customers | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Term loans** | **Overdrafts** | **Staff loans** | **Finance leases** | **Total** |
| 12 months ECL | 328,247,239 | 43,869,580 | 5,000,231 | 3,221,233 | 380,338,283 |
| Lifetime ECL not credit impaired | 136,155,891 | 1,756,959 | 77,785 | 80,307 | 138,070,942 |
| Lifetime ECL credit impaired | 118,716,027 | 150,403,092 | 39,042 | 235,184 | 269,393,345 |
| **Gross loans and advances** | **583,119,157** | **196,029,631** | **5,117,058** | **3,536,724** | **787,802,570** |
| **Less allowance for impairment** | | | | | |
| 12 - months ECL | (17,292,508) | (4,683,952) | (455,753) | (413,137) | (22,845,350) |
| Lifetime ECL not credit impaired | (21,361,116) | (262,140) | (26,798) | (7,637) | (21,657,691) |
| Lifetime ECL credit impaired | (79,718,725) | (95,505,674) | (27,194) | (150,978) | (175,402,571) |
| **Total allowance for impairment** | **(118,372,349)** | **(100,451,766)** | **(509,745)** | **(571,752)** | **(219,905,612)** |
| **Net loans and advances** | **464,746,808** | **95,577,865** | **4,607,313** | **2,964,972** | **567,896,958** |

**Bank**

**31 December 2018**

| | Loans and Advances to customers | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Term loans** | **Overdrafts** | **Staff loans** | **Finance leases** | **Total** |
| 12 months ECL | 328,247,239 | 43,869,580 | 4,983,995 | 3,221,233 | 380,322,047 |
| Lifetime ECL not credit impaired | 136,155,891 | 1,756,959 | 77,785 | 80,307 | 138,070,942 |
| Lifetime ECL credit impaired | 118,716,027 | 150,403,092 | 39,042 | 235,184 | 269,393,345 |
| **Gross loans and advances** | **583,119,157** | **196,029,631** | **5,100,822** | **3,536,724** | **787,786,334** |
| **Less allowance for impairment** | | | | | |
| 12 - months ECL | (17,292,508) | (4,683,952) | (455,084) | (413,137) | (22,844,681) |
| Lifetime ECL not credit impaired | (21,361,116) | (262,140) | (26,798) | (7,637) | (21,657,691) |
| Lifetime ECL credit impaired | (79,718,725) | (95,505,674) | (27,194) | (150,978) | (175,402,571) |
| **Total allowance for impairment** | **(118,372,349)** | **(100,451,766)** | **(509,076)** | **(571,752)** | **(219,904,943)** |
| **Net loans and advances** | **464,746,808** | **95,577,865** | **4,591,746** | **2,964,972** | **567,881,391** |

**31 December 2017**

| | **Note** | **Loans and advances to customers** | |
|---|---|---|---|
| *In thousands of Naira* | | **Group** | **Bank** |
| D01 - D07 | | 467,972,708 | 467,957,604 |
| D08 | | 71,909,919 | 71,909,919 |
| D09 - D10 | | 274,484,868 | 274,484,868 |
| **Gross loans and advances** | | 814,367,495 | 814,352,391 |
| Less allowance for impairment | 23 | (58,864,333) | (58,864,333) |
| | | 755,503,162 | 755,488,058 |

**Credit rating - 12 month ECL: All financial assest excluding loans and advances**

**Group**

**31 December 2018**
***In thousands of Naira***

| | Cash and balances with central banks | Financial assets at FVTPL | Assets pledged as collateral | Loans to banks | Investment securities | Derivative assets | Other financial assets |
|---|---|---|---|---|---|---|---|
| 12 months ECL | 53,904,751 | 10,673,463 | 119,075,528 | 37,946,938 | 154,776,964 | 388,755 | 27,785,342 |
| Lifetime ECL not credit impaired | - | - | - | - | - | - | - |
| Lifetime ECL credit impaired | - | - | - | - | - | - | - |
| **Gross amount** | 53,904,751 | 10,673,463 | 119,075,528 | 37,946,938 | 154,776,964 | 388,755 | 27,785,342 |
| ECL - impairment | (352) | - | (46,060) | (3,191) | (72,628) | - | (6,815,752) |
| **Carrying amount** | 53,904,399 | 10,673,463 | 119,029,468 | 37,943,747 | 154,704,336 | 388,755 | 20,969,590 |

**Bank**

**31 December 2018**
***In thousands of Naira***

| | Cash and balances with central banks | Financial assets at FVTPL | Assets pledged as collateral | Loans to banks | Investment securities | Derivative assets | Other financial assets |
|---|---|---|---|---|---|---|---|
| 12 months ECL | 53,900,982 | 10,673,463 | 140,044,667 | 82,086,153 | 154,706,916 | 388,755 | 27,729,397 |
| Lifetime ECL not credit impaired | - | - | - | - | - | - | - |
| Lifetime ECL credit impaired | - | - | - | - | - | - | - |
| **Gross amount** | 53,900,982 | 10,673,463 | 140,044,667 | 82,086,153 | 154,706,916 | 388,755 | 27,729,397 |
| ECL - impairment | (352) | - | (121,352) | (7,399) | (72,619) | - | (6,812,472) |
| **Carrying amount** | 53,900,630 | 10,673,463 | 139,923,315 | 82,078,754 | 154,634,297 | 388,755 | 20,916,925 |

**Credit exposure neither past due nor impaired**

The credit quality of investments in debt securities that were neither past due nor impaired are assessed by reference to external credit ratings information about counterparty default rates.

**Group**

| | | Debt securities | | | |
|---|---|---|---|---|---|
| *In thousands of naira* | Note | Treasury bills | Bonds | Placements with other banks | Total |
| **31 December 2017** | | | | | |
| Financial assets at FVTPL | 19 | 37,688,365 | 644,744 | - | 38,333,109 |
| Investment securities at amortised cost | 24 | 48,142,679 | 25,643,399 | - | 73,786,078 |
| Investment securities at FVOCI | 24 | 140,968,940 | 1,485,288 | - | 142,454,228 |
| Assets pledged as collateral | 21 | 35,274,517 | 59,145,969 | 1,067,781 | 95,488,267 |
| | | **262,074,501** | **86,919,400** | **1,067,781** | **350,061,682** |

**Bank**

| | | Debt securities | | | |
|---|---|---|---|---|---|
| *In thousands of naira* | Note | Treasury bills | Bonds | Placements with other banks | Total |
| **31 December 2017** | | | | | |
| Financial assets at FVTPL | 19 | 37,688,365 | 644,744 | - | 38,333,109 |
| Investment securities at amortised cost | 24 | 48,142,679 | 27,599,761 | - | 75,742,440 |
| Investment securities at FVOCI | 24 | 140,728,722 | 1,485,288 | - | 142,214,010 |
| Assets pledged as collateral | 21 | 35,274,517 | 59,145,969 | 21,937,406 | 116,357,892 |
| | | **261,834,283** | **88,875,762** | **21,937,406** | **372,647,451** |

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

**Group**
***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Financial guarantees | 45.2 | 52,096,012 | 52,096,012 | 449,604 | 2,549,077 | 6,696,829 | 19,499,415 | 12,158,877 | 10,742,210 |
| Contingent letters of credit | 45.2 | 35,560,153 | 35,562,153 | 6,774,017 | 16,804,287 | 1,686,127 | 10,297,722 | - | - |
| | | **87,656,165** | **87,658,165** | **7,223,621** | **19,353,364** | **8,382,956** | **29,797,137** | **12,158,877** | **10,742,210** |

**Group**
***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Financial guarantees | 45.2 | 22,038,160 | 22,038,160 | 1,245,154 | 927,280 | 2,571,679 | 1,378,427 | 15,465,620 | 450,000 |
| Contingent letters of credit | 45.2 | 21,219,102 | 21,219,104 | 1,629,003 | 1,152,677 | 3,668,128 | 14,172,122 | 597,174 | - |
| | | **43,257,262** | **43,257,264** | **2,874,157** | **2,079,957** | **6,239,807** | **15,550,549** | **16,062,794** | **450,000** |

**Bank**
***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Financial guarantees | 45.2 | 52,096,012 | 52,096,012 | 449,604 | 2,549,077 | 6,696,829 | 19,499,415 | 12,158,877 | 10,742,210 |
| Contingent letters of credit | 45.2 | 35,560,153 | 35,562,153 | 6,774,017 | 16,804,287 | 1,686,127 | 10,297,722 | - | - |
| | | **87,656,165** | **87,658,165** | **7,223,621** | **19,353,364** | **8,382,956** | **29,797,137** | **12,158,877** | **10,742,210** |

**Bank**
***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Financial guarantees | 45.2 | 22,038,160 | 22,038,160 | 1,245,154 | 927,280 | 2,571,679 | 1,378,427 | 15,465,620 | 450,000 |
| Contingent letters of credit | 45.2 | 21,219,102 | 21,219,104 | 1,629,003 | 1,152,677 | 3,668,128 | 14,172,122 | 597,174 | - |
| | | **43,257,262** | **43,257,264** | **2,874,157** | **2,079,957** | **6,239,807** | **15,550,549** | **16,062,794** | **450,000** |

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments

### 3.2.2 Credit concentrations

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2018 and 31 December 2017. For this table, the Group has allocated exposures to regions based on the region of domicile of the counterparties.

**Group**

***In thousands of naira***

| 31 December 2018 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| In Nigeria: | | | | | | | | | |
| North East | - | - | - | - | 494,484 | - | - | - | 494,484 |
| North Central | - | - | - | - | 11,173,326 | - | - | - | 11,173,326 |
| North West | - | - | - | - | 6,515,201 | - | - | - | 6,515,201 |
| South East | - | - | - | - | 32,353,286 | - | - | - | 32,353,286 |
| South South | - | - | - | - | 26,445,661 | - | - | - | 26,445,661 |
| South West | 302,374,354 | 10,673,463 | 114,594,619 | - | 490,915,000 | 154,704,336 | 388,755 | 29,008,864 | 1,102,659,391 |
| Rest of West Africa | - | - | - | - | - | - | - | - | - |
| Europe | - | - | 4,434,849 | 37,943,747 | - | - | - | - | 42,378,596 |
| **Total** | **302,374,354** | **10,673,463** | **119,029,468** | **37,943,747** | **567,896,958** | **154,704,336** | **388,755** | **29,008,864** | **1,222,019,945** |

**Bank**

***In thousands of naira***

| 31 December 2018 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| In Nigeria: | | | | | | | | | |
| North East | - | - | - | - | 494,484 | - | - | - | 494,484 |
| North Central | - | - | - | - | 11,173,326 | - | - | - | 11,173,326 |
| North West | - | - | - | - | 6,515,201 | - | - | - | 6,515,201 |
| South East | - | - | - | - | 32,353,286 | - | - | - | 32,353,286 |
| South South | - | - | - | - | 26,445,661 | - | - | - | 26,445,661 |
| South West | 302,370,585 | 10,673,463 | 114,594,618 | - | 490,899,433 | 154,634,297 | 388,755 | 28,944,189 | 1,102,505,340 |
| Rest of West Africa | - | - | - | - | - | - | - | - | - |
| Europe | - | - | 25,328,697 | 82,078,754 | - | - | - | - | 107,407,451 |
| **Total** | **302,370,585** | **10,673,463** | **139,923,315** | **82,078,754** | **567,881,391** | **154,634,297** | **388,755** | **28,944,189** | **1,286,894,749** |

**Group**

***In thousands of naira***

| 31 December 2017 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| In Nigeria: | | | | | | | | | |
| North East | - | - | - | - | 451,216 | - | - | - | 451,216 |
| North Central | - | - | - | - | 13,978,168 | - | - | - | 13,978,168 |
| North West | - | - | - | - | 6,587,267 | - | - | - | 6,587,267 |
| South East | - | - | - | - | 23,866,253 | - | - | - | 23,866,253 |
| South South | - | - | - | - | 24,221,249 | - | - | - | 24,221,249 |
| South West | 299,397,460 | 38,333,109 | 94,420,486 | 9,938,183 | 669,483,637 | 224,021,812 | 1,318,528 | 96,966,851 | 1,433,880,066 |
| Rest of West Africa | - | - | - | - | 3,814,461 | - | - | - | 3,814,461 |
| Europe | - | - | 1,067,781 | 25,217,318 | 13,100,911 | - | - | - | 39,386,010 |
| **Total** | **299,397,460** | **38,333,109** | **95,488,267** | **35,155,501** | **755,503,162** | **224,021,812** | **1,318,528** | **96,966,851** | **1,546,184,690** |

**Bank**

***In thousands of naira***

| 31 December 2017 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| In Nigeria: | | | | | | | | | |
| North East | - | - | - | - | 451,216 | - | - | - | 451,216 |
| North Central | - | - | - | - | 13,978,168 | - | - | - | 13,978,168 |
| North West | - | - | - | - | 6,587,267 | - | - | - | 6,587,267 |
| South East | - | - | - | - | 23,866,253 | - | - | - | 23,866,253 |
| South South | - | - | - | - | 24,221,249 | - | - | - | 24,221,249 |
| South West | 299,395,467 | 38,333,109 | 94,420,486 | 9,938,183 | 669,468,533 | 223,781,594 | 1,318,528 | 96,873,210 | 1,433,529,110 |
| Rest of West Africa | - | - | - | - | 3,814,461 | - | - | - | 3,814,461 |
| Europe | - | - | 21,937,406 | 67,672,547 | 13,100,911 | - | - | - | 102,710,864 |
| **Total** | **299,395,467** | **38,333,109** | **116,357,892** | **77,610,730** | **755,488,058** | **223,781,594** | **1,318,528** | **96,873,210** | **1,609,158,588** |

**(b) Industry sectors**

**Group**

***In thousands of naira***

| 31 December 2018 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | - | - | - | 9,828,539 | - | - | - | 9,828,539 |
| Communication | - | - | - | - | 5,594,269 | - | - | - | 5,594,269 |
| Education | - | - | - | - | 1,025,648 | - | - | - | 1,025,648 |
| Finance and insurance | 302,374,354 | - | 4,434,849 | 37,943,747 | 2,102,824 | 6,331,333 | 388,755 | - | 353,575,862 |
| General commerce | - | - | - | - | 122,225,657 | - | - | - | 122,225,657 |
| Government | - | 10,673,463 | 114,594,619 | - | - | 148,373,003 | - | 29,008,864 | 302,649,949 |
| Manufacturing | - | - | - | - | 85,280,062 | - | - | - | 85,280,062 |
| Oil and gas | - | - | - | - | 278,363,585 | - | - | - | 278,363,585 |
| Power | - | - | - | - | 30,217,237 | - | - | - | 30,217,237 |
| Real estate and construction | - | - | - | - | 25,897,832 | - | - | - | 25,897,832 |
| Other | - | - | - | - | 2,494,085 | - | - | - | 2,494,085 |
| Transportation | - | - | - | - | 4,867,220 | - | - | - | 4,867,220 |
| **Total** | **302,374,354** | **10,673,463** | **119,029,468** | **37,943,747** | **567,896,958** | **154,704,336** | **388,755** | **29,008,864** | **1,222,019,945** |

**Bank**

***In thousands of naira***

| 31 December 2018 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | - | - | - | 9,828,539 | - | - | - | 9,828,539 |
| Communication | - | - | - | - | 5,594,269 | - | - | - | 5,594,269 |
| Education | - | - | - | - | 1,025,648 | - | - | - | 1,025,648 |
| Finance and insurance | 302,370,585 | - | 25,328,697 | 82,078,754 | 2,087,257 | 6,331,333 | 388,755 | - | 418,585,381 |
| General commerce | - | - | - | - | 122,225,657 | - | - | - | 122,225,657 |
| Government | - | 10,673,463 | 114,594,618 | - | - | 148,302,964 | - | 28,944,189 | 302,515,234 |
| Manufacturing | - | - | - | - | 85,280,062 | - | - | - | 85,280,062 |
| Oil and gas | - | - | - | - | 278,363,585 | - | - | - | 278,363,585 |
| Power | - | - | - | - | 30,217,237 | - | - | - | 30,217,237 |
| Real estate and construction | - | - | - | - | 25,897,832 | - | - | - | 25,897,832 |
| Other | - | - | - | - | 2,494,085 | - | - | - | 2,494,085 |
| Transportation | - | - | - | - | 4,867,220 | - | - | - | 4,867,220 |
| **Total** | **302,370,585** | **10,673,463** | **139,923,315** | **82,078,754** | **567,881,391** | **154,634,297** | **388,755** | **28,944,189** | **1,286,894,749** |

**Group**

*In thousands of naira*

| 31 December 2017 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | - | - | - | 12,234,594 | - | - | - | 12,234,594 |
| Communication | - | - | - | - | 10,242,215 | - | - | - | 10,242,215 |
| Education | - | - | - | - | 1,354,389 | - | - | - | 1,354,389 |
| Finance and insurance | 299,397,460 | - | 1,067,781 | 35,155,501 | 4,256,153 | 7,781,506 | 1,318,528 | 27,652,176 | 376,629,105 |
| General commerce | - | - | - | - | 105,375,254 | - | - | - | 105,375,254 |
| Government | - | 38,333,109 | 94,420,486 | - | - | 216,240,306 | - | 69,314,675 | 418,308,576 |
| Manufacturing | - | - | - | - | 88,056,506 | - | - | - | 88,056,506 |
| Oil and gas | - | - | - | - | 396,117,391 | - | - | - | 396,117,391 |
| Power | - | - | - | - | 70,437,393 | - | - | - | 70,437,393 |
| Real estate and construction | - | - | - | - | 34,911,170 | - | - | - | 34,911,170 |
| Other | - | - | - | - | 26,847,391 | - | - | - | 26,847,391 |
| Transportation | - | - | - | - | 5,670,706 | - | - | - | 5,670,706 |
| **Total** | **299,397,460** | **38,333,109** | **95,488,267** | **35,155,501** | **755,503,162** | **224,021,812** | **1,318,528** | **96,966,851** | **1,546,184,690** |

**Bank**

*In thousands of naira*

| 31 December 2017 | Cash and balances with Central Bank | Financial assets at FVTPL | Assets pledged as collateral | Loans to Banks | Loans & Advances to Customers | Investment securities | Derivative assets | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture | - | - | - | - | 12,234,594 | - | - | - | 12,234,594 |
| Communication | - | - | - | - | 10,242,215 | - | - | - | 10,242,215 |
| Education | - | - | - | - | 1,354,389 | - | - | - | 1,354,389 |
| Finance and insurance | 299,395,467 | - | 21,937,406 | 77,610,730 | 4,241,049 | 7,781,506 | 1,318,528 | 27,558,535 | 439,843,221 |
| General commerce | - | - | - | - | 105,375,254 | - | - | - | 105,375,254 |
| Government | - | 38,333,109 | 94,420,486 | - | - | 216,000,088 | - | 69,314,675 | 418,068,358 |
| Manufacturing | - | - | - | - | 88,056,506 | - | - | - | 88,056,506 |
| Oil and gas | - | - | - | - | 396,117,391 | - | - | - | 396,117,391 |
| Power | - | - | - | - | 70,437,393 | - | - | - | 70,437,393 |
| Real estate and construction | - | - | - | - | 34,911,170 | - | - | - | 34,911,170 |
| Other | - | - | - | - | 26,847,391 | - | - | - | 26,847,391 |
| Transportation | - | - | - | - | 5,670,706 | - | - | - | 5,670,706 |
| **Total** | **299,395,467** | **38,333,109** | **116,357,892** | **77,610,730** | **755,488,058** | **223,781,594** | **1,318,528** | **96,873,210** | **1,609,158,588** |

### 3.2.3 Collateral held and other credit enhancements, and their financial assets

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 loans and advances to customers.

**Group**
***In thousands of naira***

| | Loans and advances to customers | |
|---|---|---|
| | **December 2018** | **December 2017** |
| Stage 1 | 252,938,781 | 372,312,487 |
| Stage 2 | 38,758,961 | 4,204,487 |
| Stage 3 | 154,818,520 | 281,965,538 |
| **Total** | **446,516,262** | **658,482,512** |

**Group**
***In thousands of naira***

| | Loans and advances to customers | |
|---|---|---|
| | **December 2018** | **December 2017** |
| Stage 1 | | |
| Property | 236,446,375 | 240,515,871 |
| Equity stake in specified assets | - | 60,708,002 |
| Equipment and machinery | 13,895,085 | 28,596,531 |
| Cash | 1,395,446 | 16,712,941 |
| Pledged goods/receivables | 833,217 | 3,444,987 |
| Others | 368,658 | 22,334,155 |
| | **252,938,781** | **372,312,487** |
| Stage 2 | | |
| Property | 38,703,171 | 4,204,487 |
| Equipment and machinery | 42,614 | - |
| Pledged goods/receivables | 13,176 | - |
| | **38,758,961** | **4,204,487** |
| Stage 3 | | |
| Property | 143,480,237 | 77,318,957 |
| Equity stake in specified assets | - | 62,320,174 |
| Equipment and machinery | 5,373,614 | 140,632,502 |
| Pledged goods/receivables | 112,554 | 84,460 |
| Others | 5,852,115 | 1,609,445 |
| | **154,818,520** | **281,965,538** |
| **Total** | **446,516,262** | **658,482,512** |

**Bank**
***In thousands of naira***

| | Loans and advances to customers | |
|---|---|---|
| | **December 2018** | **December 2017** |
| Stage 1 | 252,938,781 | 372,312,487 |
| Stage 2 | 38,758,961 | 4,204,487 |
| Stage 3 | 154,818,520 | 281,965,538 |
| **Total** | **446,516,262** | **658,482,512** |

**Bank**
***In thousands of naira***

| | Loans and advances to customers | |
|---|---|---|
| | **December 2018** | **December 2017** |
| Stage 1 | | |
| Property | 236,446,375 | 240,515,871 |
| Equity stake in specified assets | - | 60,708,002 |
| Equipment and machinery | 13,895,085 | 28,596,531 |
| Cash | 1,395,446 | 16,712,941 |
| Pledged goods/receivables | 833,217 | 3,444,987 |
| Others | 368,658 | 22,334,155 |
| | **252,938,781** | **372,312,487** |
| Stage 2 | | |
| Property | 38,703,171 | 4,204,487 |
| Equipment | 42,614 | - |
| Pledged goods/receivables | 13,176 | - |
| | **38,758,961** | **4,204,487** |
| Stage 3 | | |
| Property | 143,480,237 | 77,318,957 |
| Equity stake in specified assets | - | 62,320,174 |
| Equipment | 5,373,614 | 140,632,502 |
| Pledged goods/receivables | 112,554 | 84,460 |
| Others | 5,852,115 | 1,609,445 |
| | **154,818,520** | **281,965,538** |
| **Total** | **446,516,262** | **658,482,512** |

**Loans and advances to customers**

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

The Group is focused on corporate customers' creditworthiness. However, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement. At 31 December 2018, the gross and net carrying amount of impaired loans and advances to customers, and the value of identifiable collateral held against those loans and advances are shown below:

| *In thousands of Naira* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Gross carrying amount | 269,393,345 | 119,976,134 |
| Net carrying amount | 93,990,774 | 66,044,927 |
| Identifiable collateral | 93,990,774 | 66,044,927 |

**Other types of collateral and credit enhancements**

In addition to the collateral included in the tables above, the Group also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

**Assets obtained by taking possession of collateral**

The Group's policy is to pursue timely realisation of the collateral in an orderly manner and dispose these assets as soon as possible in line with the legal framework surrounding the possession of collaterals. The Group does not generally use the non-cash collateral for its operations.

### 3.2.4 Amount arising from ECL

For imputs, assumptions arising and techniques used for estimating impairment see accounting policy in note 2.8

| Corporate exposures | Retail exposures | All exposures |
|---|---|---|
| – Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes<br>– Data from credit reference agencies, press articles, changes in external credit ratings<br>– Quoted bond and credit default swap (CDS) prices for the borrower where available<br>– Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities | – Internally collected data on customer behaviour – e.g. utilisation of credit card facilities<br>– Affordability metrics<br>– External data from credit reference agencies, including industry-standard credit scores | – Payment record – this includes overdue status as well as a range of variables about payment ratios<br>– Utilisation of the granted limit<br>– Requests for and granting of forbearance<br>– Existing and forecast changes in business, financial and economic conditions |

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

### 3.2.5 Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

### 3.2.6 Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process,the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

### 3.2.7 Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes, except where there is regulatory waiver on specifically identified loans and advances.

### 3.2.8 Incorporating forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

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

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk are: oil prices, USD exchange rate - Inter-bank rate and GDP growth.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

### 3.2.9 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in stage 1 (12-months ECL) is calculated by multiplying the 12-months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

These parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information as described above.

PDis an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The methodology of estimating PD is discussed in note 3.2.5

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD includes the amount drawn,as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type
- credit risk gradings
- collateral type
- Past due information
- date of initial recognition
- remaining term to maturity
- industry
- geographic location of the borrower

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

### 3.2.10 Loss allowance

**Measurement basis under IFRS 9**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

**Group**

| | **31 December 2018** | | | | **31 December 2017** | | |
|---|---|---|---|---|---|---|---|
| ***In thousands of Naira*** | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Loans to banks** | | | | | | | |
| Balance as at 1 January | 116,178 | - | - | 116,178 | - | - | - |
| Net measurement of loss allowances (see note 9) | (112,987) | - | - | (112,987) | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | 3,191 | - | - | 3,191 | - | - | - |
| **Gross amount** | **37,946,938** | **-** | **-** | **37,946,938** | - | - | - |

| | **31 December 2018** | | | | **31 December 2017** | | |
|---|---|---|---|---|---|---|---|
| ***In thousands of Naira*** | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Cash and balances with central banks** | | | | | | | |
| Balance as at 1 January | 1,114 | - | - | 1,114 | - | - | - |
| Net measurement of loss allowances (see note 9) | (763) | - | - | (763) | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **351** | - | - | **351** | - | - | - |
| **Gross amount** | **53,904,751** | **-** | **-** | **53,904,751** | - | - | - |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Assets pledged as collateral at amortised cost** | | | | | | | |
| Balance as at 1 January | 45,662 | - | - | 45,662 | - | - | - |
| Net measurement of loss allowances (see note 9) | 398 | - | - | 398 | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **46,060** | - | - | **46,060** | - | - | - |
| **Gross amount** | **119,075,528** | - | - | **119,075,528** | - | - | - |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Loans and advances to customers at amortised cost** | | | | | | | |
| Balance as at 1 January | 72,543,448 | 10,158,917 | 162,627,758 | 245,330,123 | 41,719,089 | 15,745,862 | 57,464,951 |
| Net measurement of loss allowances (see note 9) | (49,698,098) | 11,498,774 | 57,368,301 | 19,168,977 | 59,469,325 | (2,072,244) | 57,397,081 |
| Write-offs | - | - | (44,593,488) | (44,593,488) | (50,227,540) | - | (50,227,540) |
| Transfer to collective impairment | - | - | - | - | 8,402,937 | (8,402,937) | - |
| Disposal of subsidiary | - | - | - | - | (5,990,017) | (437,988) | (6,428,005) |
| Foreign exchange and other movements | - | - | - | - | 557,413 | 100,433 | 657,846 |
| **Closing balance** | **22,845,350** | **21,657,691** | **175,402,571** | **219,905,612** | **53,931,207** | **4,933,126** | **58,864,333** |
| **Gross amount** | **380,338,283** | **138,070,942** | **269,393,345** | **787,802,570** | **119,976,134** | **694,391,361** | **814,367,495** |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Investment securities at amortised cost** | | | | | | | |
| Balance as at 1 January | 54,113 | - | - | 54,113 | - | - | - |
| Net measurement of loss allowances (see note 9) | 13,191 | - | - | 13,191 | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **67,304** | - | - | **67,304** | - | - | - |
| **Gross amount** | **115,686,479** | - | - | **115,686,479** | - | - | - |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Investment securities at FVOCI** | | | | | | | |
| Balance as at 1 January | 35,024 | - | - | 35,024 | - | - | - |
| Net measurement of loss allowances (see note 9) | (29,709) | - | - | (29,709) | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **5,315** | - | - | **5,315** | - | - | - |
| **Gross amount** | **33,413,625** | - | - | **33,413,625** | - | - | - |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | 31 December 2018 Lifetime ECL not-credit-impaired | 31 December 2018 Lifetime ECL credit-impaired | 31 December 2018 Total | 31 December 2017 Specific allownace | 31 December 2017 Collective allownace | 31 December 2017 Total |
|---|---|---|---|---|---|---|---|
| **Other financial assets** | | | | | | | |
| Balance as at 1 January | 4,513,545 | - | - | 4,513,545 | 2,812,110 | - | 2,812,110 |
| Net measurement of loss allowances (see note 9) | 5,669,798 | - | - | 5,669,798 | 2,415,657 | - | 2,415,657 |
| Write-offs | (3,367,591) | - | - | (3,367,591) | (2,199,018) | - | (2,199,018) |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **6,815,752** | **-** | **-** | **6,815,752** | **3,028,749** | **-** | **3,028,749** |
| **Gross amount** | **27,785,342** | **-** | **-** | **27,785,342** | **91,131,931** | **-** | **91,131,931** |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | 31 December 2018 Lifetime ECL not-credit-impaired | 31 December 2018 Lifetime ECL credit-impaired | 31 December 2018 Total | 31 December 2017 Specific allownace | 31 December 2017 Collective allownace | 31 December 2017 Total |
|---|---|---|---|---|---|---|---|
| **Off-balance sheet exposure** | | | | | | | |
| Balance as at 1 January | 1,910,558 | - | - | 1,910,558 | - | - | - |
| Net measurement of loss allowances (see note 9) | 8,113 | - | - | 8,113 | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **1,918,671** | **-** | **-** | **1,918,671** | **-** | **-** | **-** |
| **Gross amount** | **87,656,165** | **-** | **-** | **87,656,165** | **-** | **-** | **-** |

**Bank**

| *In thousands of Naira* | 31 December 2018 12 - month ECL | 31 December 2018 Lifetime ECL not-credit-impaired | 31 December 2018 Lifetime ECL credit-impaired | 31 December 2018 Total | 31 December 2017 Specific allownace | 31 December 2017 Collective allownace | 31 December 2017 Total |
|---|---|---|---|---|---|---|---|
| **Loans to banks** | | | | | | | |
| Balance as at 1 January | 553,489 | - | - | 553,489 | - | - | - |
| Net measurement of loss allowances (see note 9) | (546,090) | - | - | (546,090) | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **7,399** | **-** | **-** | **7,399** | **-** | **-** | **-** |
| **Gross amount** | **82,086,153** | **-** | **-** | **82,086,153** | **-** | **-** | **-** |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | 31 December 2018 Lifetime ECL not-credit-impaired | 31 December 2018 Lifetime ECL credit-impaired | 31 December 2018 Total | 31 December 2017 Specific allownace | 31 December 2017 Collective allownace | 31 December 2017 Total |
|---|---|---|---|---|---|---|---|
| **Cash and balances with central banks** | | | | | | | |
| Balance as at 1 January | 1,114 | - | - | 1,114 | - | - | - |
| Net measurement of loss allowances (see note 9) | (763) | - | - | (763) | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **351** | **-** | **-** | **351** | **-** | **-** | **-** |
| **Gross amount** | **53,900,982** | **-** | **-** | **53,900,982** | **-** | **-** | **-** |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | Lifetime ECL not-credit-impaired | Lifetime ECL credit-impaired | Total | 31 December 2017 Specific allownace | Collective allownace | Total |
|---|---|---|---|---|---|---|---|
| **Assets pledged as collateral at amortised cost** | | | | | | | |
| Balance as at 1 January | 318,099 | - | - | 318,099 | - | - | - |
| Net measurement of loss allowances (see note 9) | (196,747) | - | - | (196,747) | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **121,352** | - | - | **121,352** | - | - | - |
| **Gross amount** | **140,044,667** | - | - | **140,044,667** | - | - | - |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | Lifetime ECL not-credit-impaired | Lifetime ECL credit-impaired | Total | 31 December 2017 Specific allownace | Collective allownace | Total |
|---|---|---|---|---|---|---|---|
| **Loans and advances to customers at amortised cost** | | | | | | | |
| Balance as at 1 January | 72,542,876 | 10,158,917 | 162,627,758 | 245,329,551 | 36,286,485 | 15,408,310 | 51,694,795 |
| Net measurement of loss allowances (see note 9) | (49,698,195) | 11,498,774 | 57,368,301 | 19,168,880 | 59,469,325 | (2,072,244) | 57,397,081 |
| Write-offs | - | - | (44,593,488) | (44,593,488) | (50,227,540) | - | (50,227,540) |
| Transfer to collective impairment | - | - | - | - | 8,402,937 | (8,402,937) | - |
| **Closing balance** | **22,844,681** | **21,657,691** | **175,402,571** | **219,904,943** | **53,931,207** | **4,933,129** | **58,864,336** |
| **Gross amount** | **380,322,047** | **138,070,942** | **269,393,345** | **787,786,334** | **119,976,134** | **694,376,257** | **814,352,391** |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | Lifetime ECL not-credit-impaired | Lifetime ECL credit-impaired | Total | 31 December 2017 Specific allownace | Collective allownace | Total |
|---|---|---|---|---|---|---|---|
| **Investment securities at amortised cost** | | | | | | | |
| Balance as at 1 January | 54,113 | - | - | 54,113 | - | - | - |
| Net measurement of loss allowances (see note 9) | 13,191 | - | - | 13,191 | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **67,304** | - | - | **67,304** | - | - | - |
| **Gross amount** | **115,616,431** | - | - | **115,616,431** | - | - | - |

| *In thousands of Naira* | 31 December 2018 12 - month ECL | Lifetime ECL not-credit-impaired | Lifetime ECL credit-impaired | Total | 31 December 2017 Specific allownace | Collective allownace | Total |
|---|---|---|---|---|---|---|---|
| **Investment securities at FVOCI** | | | | | | | |
| Balance as at 1 January | 35,024 | - | - | 35,024 | - | - | - |
| Net measurement of loss allowances (see note 9) | (29,709) | - | - | (29,709) | - | - | - |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **5,315** | - | - | **5,315** | - | - | - |
| **Gross amount** | **33,408,310** | - | - | **33,408,310** | - | - | - |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Other financial assets** | | | | | | | |
| Balance as at 1 January | 4,509,975 | - | - | 4,509,975 | 2,778,193 | - | 2,778,193 |
| Net measurement of loss allownaces (see note 9) | 5,670,088 | - | - | 5,670,088 | 2,415,657 | - | 2,415,657 |
| Write-offs | (3,367,591) | - | - | (3,367,591) | (2,167,634) | - | (2,167,634) |
| Foreign exchange and other movements | - | - | - | - | - | - | - |
| **Closing balance** | **6,812,472** | - | - | **6,812,472** | **3,026,216** | - | **3,026,216** |
| **Gross amount** | **27,729,397** | - | - | **27,729,397** | **91,047,606** | - | **91,047,606** |

| *In thousands of Naira* | 31 December 2018 | | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| | **12 - month ECL** | **Lifetime ECL not-credit-impaired** | **Lifetime ECL credit-impaired** | **Total** | **Specific allownace** | **Collective allownace** | **Total** |
| **Off-balance sheet exposure** | | | | | | | |
| Balance as at 1 January | 1,910,558 | - | - | 1,910,558 | - | - | - |
| Net measurement of loss allowances (see note 9) | 8,113 | - | - | 8,113 | - | - | - |
| Write-offs | - | - | - | - | - | - | - |
| **Closing balance** | **1,918,671** | - | - | **1,918,671** | - | - | - |
| **Gross amount** | **87,656,165** | - | - | **87,656,165** | - | - | - |

**Summary of loss allowance by class of financial instruments also showing the ECL coverage ratio**

**Group**

| | Gross Carrying Amount | | | | ECL Provision | | | | ECL Coverage Ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial statements items** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 3** |
| ***In thousands of Naira*** | | | | | | | | | % | % | % | % |
| **On-balance sheet items** | | | | | | | | | | | | |
| Cash and balances with central banks | 53,904,751 | - | - | 53,904,751 | 351 | - | - | 351 | 0.00 | - | - | 0.00 |
| Assets pledged as collateral | 119,075,528 | - | - | 119,075,528 | 46,060 | - | - | 46,060 | 0.04 | - | - | 0.04 |
| Loans to banks | 37,946,938 | - | - | 37,946,938 | 3,191 | - | - | 3,191 | 0.01 | - | - | 0.01 |
| Loans and advances to customers at amortised costs | 380,338,283 | 138,070,942 | 269,393,345 | 787,802,570 | 22,845,350 | 21,657,691 | 175,402,571 | 219,905,612 | 6.01 | 15.69 | 65.11 | 86.81 |
| Debt investment securities at amortised cost | 115,686,479 | - | - | 115,686,479 | 67,304 | - | - | 67,304 | 0.06 | - | - | 0.06 |
| Debt investment securities at FVOCI | 33,413,625 | - | - | 33,413,625 | 5,315 | - | - | 5,315 | 0.02 | - | - | 0.02 |
| Other financial assets measred at amortised cost | 27,785,342 | - | - | 27,785,342 | 6,815,752 | - | - | 6,815,752 | 24.53 | - | - | 24.53 |
| | 714,246,195 | 138,070,942 | 269,393,345 | 1,121,710,482 | 29,782,972 | 21,657,691 | 175,402,571 | 226,843,234 | 30.67 | 15.69 | 65.11 | 111.47 |
| **Off balance sheet items** | | | | | | | | | | | | |
| Loans and other credit related commitments | | | | | | | | | | | | |
| Letters of credit | 35,560,153 | - | - | 35,560,153 | 3,999,416 | - | - | 3,999,416 | 11.25 | - | - | 11.25 |
| Financial guarantee and similar contracts | | | | | | | | | | | | |
| Financial guarantees | 52,096,012 | - | - | 52,096,012 | 87,707 | - | - | 87,707 | 0.17 | - | - | 0.17 |
| | 87,656,165 | - | - | 87,656,165 | 4,087,123 | - | - | 4,087,123 | 11.42 | - | - | 11.42 |
| **Total** | **801,902,360** | **138,070,942** | **269,393,345** | **1,209,366,647** | **33,870,095** | **21,657,691** | **175,402,571** | **230,930,357** | **42.09** | **15.69** | **65.11** | **122.89** |

**Bank**

| | Gross Carrying Amount | | | | ECL Provision | | | | ECL Coverage Ratio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial statements items** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| ***In thousands of Naira*** | | | | | | | | | % | % | % | % |
| **On-balance sheet items** | | | | | | | | | | | | |
| Cash and balances with central banks | 53,900,982 | - | - | 53,900,982 | 351 | - | - | 351 | 0.00 | - | - | 0.00 |
| Assets pledged as collateral | 140,044,667 | - | - | 140,044,667 | 121,352 | - | - | 121,352 | 0.09 | - | - | 0.09 |
| Loans to banks | 82,086,153 | - | - | 82,086,153 | 7,399 | - | - | 7,399 | 0.01 | - | - | 0.01 |
| Loans and advances to customers at amortised costs | 380,322,047 | 138,070,942 | 269,393,345 | 787,786,334 | 22,844,681 | 21,657,691 | 175,402,571 | 219,904,943 | 6.01 | 15.69 | 65.11 | 86.81 |
| Debt investment securities at amortised cost | 115,616,431 | - | - | 115,616,431 | 67,304 | - | - | 67,304 | 0.06 | - | - | 0.06 |
| Debt investment securities at FVOCI | 33,408,310 | - | - | 33,408,310 | 5,315 | - | - | 5,315 | 0.02 | - | - | 0.02 |
| Other financial assets measred at amortised cost | 27,729,397 | - | - | 27,729,397 | 6,812,472 | - | - | 6,812,472 | 24.57 | - | - | 24.57 |
| | 779,207,005 | 138,070,942 | 269,393,345 | 1,186,671,292 | 29,858,523 | 21,657,691 | 175,402,571 | 226,918,785 | 30.76 | 15.69 | 65.11 | 111.56 |
| **Off balance sheet items** | | | | | | | | | | | | |
| Loans and other credit related commitments | | | | | | | | | | | | |
| Letters of credit Usance | 35,560,153 | - | - | 35,560,153 | 3,999,416 | - | - | 3,999,416 | 11.25 | - | - | 11.25 |
| Financial guarantee and similar contracts | | | | | | | | | | | | |
| Financial guarantees | 52,096,012 | - | - | 52,096,012 | 87,707 | - | - | 87,707 | 0.17 | - | - | 0.17 |
| | 87,656,165 | - | - | 87,656,165 | 4,087,123 | - | - | 4,087,123 | 11.42 | - | - | 11.42 |
| **Total** | **866,863,170** | **138,070,942** | **269,393,345** | **1,274,327,457** | **33,945,646** | **21,657,691** | **175,402,571** | **231,005,908** | **42.18** | **15.69** | **65.11** | **122.98** |

## 3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

***Liquidity risk management process***

The Group's liquidity management process is primarily the responsibility of the Assets and Liabilities Commitee (ALCO). Treasury is the executory arm of ALCO and its functions include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with financial control unit); and
- Managing the concentration and profile of debt maturities.

***Funding approach***

Sources of liquidity are regularly reviewed by Treasury to maintain a wide diversification by currency, geography, provider, product and term.

### 3.3.1 Management of liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity risk arises when the cushion provided by liquid assets is not sufficient to meet outstanding obligations. The Bank has liquidity and funding risk management process that ensures that all foreseeable funding commitments can be met when due and that access to wholesale market is coordinated and cost effective. Treasury Group manages liquidity on a daily basis while ALCO tracks and reviews the liquidity situation every 2 weeks.

- Ensure that an adequate liquidity cushion is maintained to meet all maturing obligations on an on-going basis.
- Control the Bank's dependence on high cost of funds by building an effective contingency funding plan.
- Set and comply with liquidity risk limits.
- Monitor the gap profile structure and the funding sources.
- Ensure a sufficient liquidity reserve of unencumbered liquid assets and the efficient usage of it.
- Ensure availability of timely information for liquidity management decisions.
- Ensure compliance with regulatory liquidity management and reporting requirements.

**Liquidity Risk management processes**

The Bank has methodology and procedures for the identification, assessment, measurement, monitoring, controlling and reporting of liquidity risks within the Bank. Diamond Bank adopts both qualitative and quantitative approaches to identify and measure liquidity risk, which include:

Funding and liquidity plan

Diamond bank developed and maintains a comprehensive, up-to-date, liquidity contingency plan. The contingency plan includes early warning indicators of potential funding problems, specific action plans to prepare for and manage funding problems, and appropriate monitoring provisions to ensure that prudent levels of contingent or standby liquidity are available at all times.

Ratio analysis (Indicators)

The bank uses liquidity ratios to indicate its ability to meet short term obligations with liquid assets, reveal mismatches between tenured funding sources and uses, review the ability of the Bank to fund loans through customer deposits and allow management to monitor changes in liquidity.

Liquidity Gap analysis

Liquidity gap analysis is used to monitor the current liquidity position of the Bank. It quantifies the cumulative gap in the Bank's business- as-usual environment. The gap for any given tenor bucket represents the borrowings from or placements to the markets required to replace maturing liabilities or assets. The underlying assumptions are documented and used consistently.

Concentration in sources and application of funds

The Bank monitors concentration in the sources and application of funds to ensure that the funding bases are stable and diversified. A well diversified funding base makes the Bank less vulnerable to adverse changes in the perception of a group of depositors/investors, whose actions or inactions could significantly affect the Bank.

Liquidity Ratios

Liquidity ratios are used to monitor changes in the Bank's liquidity in business environment. The ratios are designed to indicate the Bank’s ability to meet short-term obligations with liquid assets.

Liquidity risk monitoring

Trigger points in the form of targets and limits on liquidity positions are monitored and deviations from "normal" ranges of operation reported to management. Trigger points and early warning indicators are based on industry standards. The Bank's liquidity management policies and procedures highlight and escalate exceptions promptly.

Liquidity Risk Reporting

Liquidity risks are communicated to the applicable business units, senior management and the Board. The Market Risk Group maintains an independent liquidity risk reporting which effectively and consistently communicate liquidity risk information to ALCO for appropriate decision making.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria).

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows;

**Group**

| | **2018** | **2017** |
|---|---|---|
| At the end of the year | 33.75% | 31.27% |
| Average for the year | 36.88% | 41.47% |
| Maximum for the year | 41.98% | 51.27% |
| Minimum for the year | 33.75% | 31.27% |

**Bank**

| | **2018** | **2017** |
|---|---|---|
| At the end of the year | 31.30% | 44.36% |
| Average for the year | 39.22% | 38.64% |
| Maximum for the year | 43.49% | 47.70% |
| Minimum for the year | 31.28% | 30.08% |

### 3.3.2 Maturity analysis

**(a) Contractual maturity of financial assets and liabilities**

The table below summarizes the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities into relevant time bands, groupings based on the remaining period to the contractual maturity as at the reporting date. The table includes both principal and interest cash flows. Contractual maturities do not necessarily reflect actual repayments or cash flow

**Group**

***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 302,374,354 | 302,374,706 | 285,167,772 | 13,754,163 | 1,633,744 | 778,804 | 1,040,223 | - |
| Financial assets FVTPL | 19 | 10,673,463 | 11,386,437 | 1,037,485 | 1,699,592 | 1,092,974 | 7,556,386 | - | - |
| Assets pledged as collateral | 21 | 119,029,468 | 165,880,386 | 12,758,037 | 10,320,248 | 4,711,233 | 15,018,564 | 60,220,963 | 62,851,341 |
| Loans to banks | 22 | 37,943,747 | 38,535,868 | 38,535,868 | - | - | - | - | - |
| Loans and advances to customers | 23 | 567,896,958 | 757,905,260 | 127,020,582 | 54,605,203 | 60,583,505 | 87,602,458 | 177,977,147 | 250,116,365 |
| Investments securities | 24(a) | 154,704,336 | 211,862,204 | 37,765,832 | 27,160,517 | 890,362 | 67,341,177 | 32,953,415 | 45,750,901 |
| Other assets (less prepayments) | 31 | 20,969,590 | 20,969,590 | 20,969,590 | - | - | - | - | - |
| **Total non derivative assets** | | 1,213,591,916 | 1,508,914,451 | 523,255,166 | 107,539,723 | 68,911,818 | 178,297,389 | 272,191,748 | 358,718,607 |
| Derivative assets | 20 | 388,755 | 388,755 | - | - | - | 388,755 | - | - |
| **Total financial assets** | | **1,213,980,671** | **1,509,303,206** | **523,255,166** | **107,539,723** | **68,911,818** | **178,686,144** | **272,191,748** | **358,718,607** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 48,765,050 | 49,076,248 | 32,570,419 | 16,505,829 | - | - | - | - |
| Deposits from customers | 33 | 1,043,976,729 | 1,053,347,714 | 908,826,207 | 87,309,868 | 25,658,428 | 27,396,939 | 4,156,272 | - |
| Borrowings | 36 | 121,876,210 | 124,151,844 | 3,151,273 | 8,410,362 | 80,716,521 | 3,523,626 | 683,873 | 27,666,189 |
| Other liabilities | 35 | 40,440,518 | 40,440,518 | 40,440,518 | - | - | - | - | - |
| Long term debt | 37 | 55,001,552 | 68,059,202 | - | 1,576,163 | 38,152,807 | 3,203,134 | 25,127,098 | - |
| **Total non derivative liabilities** | | 1,310,060,059 | 1,335,075,526 | 984,988,417 | 113,802,222 | 144,527,756 | 34,123,699 | 29,967,243 | 27,666,189 |
| Derivative liabilities | 34 | 6,375 | 6,375 | - | - | - | 6,375 | - | - |
| **Total financial liabilities** | | **1,310,066,434** | **1,335,081,901** | **984,988,417** | **113,802,222** | **144,527,756** | **34,130,074** | **29,967,243** | **27,666,189** |
| **Liquidity gap** | | **(96,085,763)** | **174,221,305** | **(461,733,251)** | **(6,262,499)** | **(75,615,938)** | **144,556,070** | **242,224,505** | **331,052,418** |
| **Cumulative liquidity gap** | | | | **(461,733,251)** | **(467,995,750)** | **(543,611,688)** | **(399,055,618)** | **(156,831,113)** | **174,221,305** |

**Group**
***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 299,397,460 | 299,807,964 | 147,205,120 | 55,392,216 | 8,632,437 | 1,031,903 | 918,694 | 86,627,594 |
| Financial assets at FVTPL | 19 | 38,333,109 | 40,975,080 | 1,744,729 | 14,306,649 | 12,927,025 | 10,740,154 | 1,256,523 | - |
| Assets pledged as collateral | 21 | 95,488,267 | 147,822,495 | 9,982,938 | 15,916,785 | 15,654,200 | 3,967,588 | 49,260,888 | 53,040,096 |
| Loans to banks | 22 | 35,155,501 | 37,013,673 | 35,337,175 | 1,676,498 | - | - | - | - |
| Loans and advances to customers | 23 | 755,503,162 | 1,063,172,132 | 106,061,975 | 90,142,448 | 58,754,153 | 106,083,607 | 348,283,020 | 353,846,929 |
| Investments securities | 24(a) | 224,021,812 | 265,275,976 | 22,663,662 | 26,695,212 | 84,464,604 | 75,052,533 | 24,156,443 | 32,243,522 |
| Other assets (less prepayments) | 31 | 88,103,182 | 88,103,182 | 25,785,908 | 8,787,979 | 53,529,295 | - | - | - |
| **Total non derivative assets** | | 1,536,002,493 | 1,942,170,502 | 348,781,507 | 212,917,787 | 233,961,714 | 196,875,785 | 423,875,568 | 525,758,141 |
| Derivative assets | 20 | 1,318,528 | 1,318,528 | 281,968 | 154,917 | 875,314 | 6,329 | - | - |
| **Total financial assets** | | **1,537,321,021** | **1,943,489,030** | **349,063,475** | **213,072,704** | **234,837,028** | **196,882,114** | **423,875,568** | **525,758,141** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 10,958,909 | 11,929,712 | 11,929,712 | - | - | - | - | - |
| Deposits from customers | 33 | 1,161,594,129 | 1,168,703,305 | 983,994,024 | 148,990,620 | 22,404,979 | 9,878,800 | 3,411,831 | 23,051 |
| Borrowings | 36 | 161,297,212 | 172,138,190 | 1,858,786 | 12,088,133 | 59,144,432 | 3,199,045 | 71,068,311 | 24,779,483 |
| Other liabilities | 35 | 44,460,729 | 44,460,729 | 44,460,729 | - | - | - | - | - |
| Long term debt | 37 | 161,297,212 | 84,754,152 | - | 1,086,113 | 742,433 | 2,876,974 | 80,048,632 | - |
| **Total non derivative liabilities** | | 1,539,608,191 | 1,481,986,088 | 1,042,243,252 | 162,164,866 | 82,291,844 | 15,954,819 | 154,528,774 | 24,802,534 |
| Derivative liabilities | 34 | 740,724 | 740,724 | 254,776 | 153,825 | - | 283,328 | 48,795 | - |
| **Total financial liabilities** | | **1,540,348,915** | **1,482,726,812** | **1,042,498,028** | **162,318,691** | **82,291,844** | **16,238,147** | **154,577,569** | **24,802,534** |
| **Liquidity gap** | | **(3,027,894)** | **460,762,217** | **(693,434,553)** | **50,754,013** | **152,545,184** | **180,643,967** | **269,297,999** | **500,955,607** |
| **Cumulative liquidity gap** | | | | **(693,434,553)** | **(642,680,540)** | **(490,135,356)** | **(309,491,389)** | **(40,193,390)** | **460,762,217** |

**Bank**

***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 302,370,585 | 302,370,937 | 285,164,003 | 13,754,163 | 1,633,744 | 778,804 | 1,040,223 | - |
| Financial assets at FVTPL | 19 | 10,673,463 | 11,386,437 | 1,037,485 | 1,699,592 | 1,092,974 | 7,556,386 | - | - |
| Assets pledged as collateral | 21 | 139,923,315 | 186,774,233 | 33,651,884 | 10,320,248 | 4,711,233 | 15,018,564 | 60,220,963 | 62,851,341 |
| Loans to banks | 22 | 82,078,754 | 82,670,875 | 82,670,875 | - | - | - | - | - |
| Loans and advances to customers | 23 | 567,881,391 | 757,889,694 | 127,005,016 | 54,605,203 | 60,583,505 | 87,602,458 | 177,977,147 | 250,116,365 |
| Investments securities | 24(a) | 154,634,297 | 211,792,165 | 37,695,793 | 27,160,517 | 890,362 | 67,341,177 | 32,953,415 | 45,750,901 |
| Other assets (less prepayments) | 31 | 20,916,925 | 20,916,925 | 20,916,925 | - | - | - | - | - |
| **Total non derivative assets** | | 1,278,478,730 | 1,573,801,266 | 588,141,981 | 107,539,723 | 68,911,818 | 178,297,389 | 272,191,748 | 358,718,607 |
| Derivative assets | 20 | 388,755 | 388,755 | - | - | - | 388,755 | - | - |
| **Total financial assets** | | **1,278,867,485** | **1,574,190,021** | **588,141,981** | **107,539,723** | **68,911,818** | **178,686,144** | **272,191,748** | **358,718,607** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 65,153,150 | 65,464,348 | 48,958,519 | 16,505,829 | - | - | - | - |
| Deposits from customers | 33 | 1,047,764,975 | 1,057,135,960 | 912,614,453 | 87,309,868 | 25,658,428 | 27,396,939 | 4,156,272 | - |
| Borrowings | 36 | 130,780,058 | 133,055,692 | 3,365,765 | 9,001,097 | 86,380,457 | 3,792,780 | 736,110 | 29,779,483 |
| Other liabilities | 35 | 40,433,727 | 40,433,727 | 40,433,727 | - | - | - | - | - |
| Long term debt | 37 | 55,001,552 | 68,059,202 | - | 1,576,163 | 38,152,807 | 3,203,134 | 25,127,098 | - |
| **Total non derivative liabilities** | | 1,339,133,462 | 1,364,148,929 | 1,005,372,464 | 114,392,957 | 150,191,692 | 34,392,853 | 30,019,480 | 29,779,483 |
| Derivative liabilities | 34 | 6,375 | 6,375 | - | - | - | 6,375 | - | - |
| **Total financial liabilities** | | **1,339,139,837** | **1,364,155,304** | **1,005,372,464** | **114,392,957** | **150,191,692** | **34,399,228** | **30,019,480** | **29,779,483** |
| **Liquidity gap** | | **(60,272,352)** | **210,034,717** | **(417,230,483)** | **(6,853,234)** | **(81,279,874)** | **144,286,916** | **242,172,268** | **328,939,124** |
| **Cumulative liquidity gap** | | | | **(417,230,483)** | **(424,083,717)** | **(505,363,591)** | **(361,076,675)** | **(118,904,407)** | **210,034,717** |

**Bank**

***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 299,395,467 | 299,804,288 | 147,343,159 | 59,573,777 | 8,632,437 | 1,031,903 | 918,694 | 82,304,317 |
| Financial assets at FVTPL | 19 | 38,333,109 | 40,975,080 | 1,744,729 | 14,306,649 | 12,927,025 | 10,740,154 | 1,256,523 | - |
| Assets pledged as collateral | 21 | 116,357,892 | 169,638,334 | 25,877,200 | 15,916,785 | 15,654,200 | 3,967,588 | 53,703,951 | 54,518,610 |
| Loans to banks | 22 | 77,610,730 | 79,472,350 | 77,795,852 | 1,676,498 | - | - | - | - |
| Loans and advances to customers | 23 | 755,488,058 | 1,061,524,352 | 106,688,380 | 90,501,964 | 62,104,699 | 108,031,750 | 340,350,630 | 353,846,929 |
| Investments securities | 24(a) | 223,781,594 | 265,035,758 | 22,663,662 | 26,695,212 | 84,224,386 | 75,052,533 | 24,156,443 | 32,243,522 |
| Other assets (less prepayments) | 31 | 88,021,390 | 88,021,390 | 25,704,116 | 8,787,979 | 53,529,295 | - | - | - |
| **Total non derivative assets** | | **1,598,988,240** | **2,004,471,551** | **407,817,098** | **217,458,864** | **237,072,042** | **198,823,928** | **420,386,241** | **522,913,378** |
| Derivative assets | 20 | 1,318,528 | 1,318,528 | 281,968 | 154,917 | 875,314 | 6,329 | - | - |
| **Total financial assets** | | **1,600,306,768** | **2,005,790,079** | **408,099,066** | **217,613,781** | **237,947,356** | **198,830,257** | **420,386,241** | **522,913,378** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 25,861,109 | 27,056,849 | 10,922,324 | 16,134,525 | - | - | - | - |
| Deposits from customers | 33 | 1,164,726,773 | 1,171,835,950 | 987,126,669 | 148,990,620 | 22,404,979 | 9,878,800 | 3,411,831 | 23,051 |
| Borrowings | 36 | 169,680,170 | 182,051,546 | 2,536,225 | 12,658,286 | 62,497,422 | 8,511,819 | 71,068,311 | 24,779,483 |
| Other liabilities | 35 | 44,449,081 | 44,449,081 | 44,449,081 | - | - | - | - | - |
| Long term debt | 37 | 70,515,228 | 84,754,152 | - | 1,086,113 | 742,433 | 2,876,974 | 80,048,632 | - |
| **Total non derivative liabilities** | | 1,475,232,361 | 1,510,147,578 | 1,045,034,299 | 178,869,544 | 85,644,834 | 21,267,593 | 154,528,774 | 24,802,534 |
| Derivative liabilities | 34 | 740,724 | 740,724 | 254,776 | 153,825 | - | 283,328 | 48,795 | - |
| **Total financial liabilities** | | **1,475,973,085** | **1,510,888,302** | **1,045,289,075** | **179,023,369** | **85,644,834** | **21,550,921** | **154,577,569** | **24,802,534** |
| **Liquidity gap** | | **124,333,683** | **494,901,777** | **(637,190,009)** | **38,590,412** | **152,302,522** | **177,279,336** | **265,808,672** | **498,110,844** |
| **Cumulative liquidity gap** | | | | **(637,190,009)** | **(598,599,597)** | **(446,297,075)** | **(269,017,739)** | **(3,209,067)** | **494,901,777** |

**(b) Behavioural maturity of financial assets and liabilities**

The table below summarizes the behavioural maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities into relevant time bands as at the reporting date. In practice, certain liability instruments behave differently from their contractual terms. Typically, short-term deposits often extend to a longer period than their contractual maturity

**Group**

***In thousands of naira***

| **31 December 2018** | **Note** | **Carrying value** | **Gross nominal value** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 302,374,354 | 302,374,706 | 96,221,788 | 38,883,273 | 8,007,168 | 778,804 | 26,992,145 | 131,491,528 |
| Financial assets at FVTPL | 19 | 10,673,463 | 11,386,437 | 1,037,485 | 1,699,592 | 1,092,974 | 7,556,386 | - | - |
| Assets pledged as collateral | 21 | 119,029,468 | 165,880,385 | 12,758,036 | 10,320,248 | 4,711,233 | 15,018,564 | 60,220,963 | 62,851,341 |
| Loans to banks | 22 | 37,943,747 | 38,535,868 | 38,535,868 | - | - | - | - | - |
| Loans and advances to customers | 23 | 567,896,958 | 757,905,262 | 58,713,414 | 64,337,378 | 65,449,581 | 87,602,458 | 182,843,223 | 298,959,208 |
| Investments securities | 24(a) | 154,704,336 | 211,862,204 | 37,765,832 | 27,160,517 | 890,362 | 67,341,177 | 32,953,415 | 45,750,901 |
| Other assets (less prepayments) | 31 | 20,969,590 | 20,969,590 | 20,969,590 | - | - | - | - | - |
| **Total non derivative assets** | | 1,213,591,916 | 1,508,914,452 | 266,002,013 | 142,401,008 | 80,151,318 | 178,297,389 | 303,009,746 | 539,052,978 |
| Derivative assets | 20 | 388,755 | 388,755 | - | - | - | 388,755 | - | - |
| **Total financial assets** | | **1,213,980,671** | **1,509,303,207** | **266,002,013** | **142,401,008** | **80,151,318** | **178,686,144** | **303,009,746** | **539,052,978** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 48,765,050 | 49,076,248 | 32,570,419 | 16,505,829 | - | - | - | - |
| Deposits from customers | 33 | 1,043,976,729 | 1,053,347,716 | 308,195,789 | 167,084,897 | 48,834,516 | 47,006,041 | 4,156,273 | 478,070,200 |
| Borrowings | 36 | 121,876,210 | 124,151,844 | 3,151,273 | 8,410,362 | 80,716,521 | 3,523,626 | 683,873 | 27,666,189 |
| Other liabilities | 35 | 40,440,518 | 40,440,518 | 40,440,518 | - | - | - | - | - |
| Long term debt | 37 | 55,001,552 | 68,059,202 | - | 1,576,163 | 38,152,807 | 3,203,134 | 25,127,098 | - |
| **Total non derivative liabilities** | | 1,310,060,059 | 1,335,075,528 | 384,357,999 | 193,577,251 | 167,703,844 | 53,732,801 | 29,967,244 | 505,736,389 |
| Derivative liabilities | 34 | 6,375 | 6,375 | - | - | - | 6,375 | - | - |
| **Total financial liabilities** | | **1,310,066,434** | **1,335,081,903** | **384,357,999** | **193,577,251** | **167,703,844** | **53,739,176** | **29,967,244** | **505,736,389** |
| **Liquidity gap** | | **(96,085,763)** | **174,221,304** | **(118,355,986)** | **(51,176,243)** | **(87,552,526)** | **124,946,968** | **273,042,502** | **33,316,589** |
| **Cumulative liquidity gap** | | | | **(118,355,986)** | **(169,532,229)** | **(257,084,755)** | **(132,137,787)** | **140,904,715** | **174,221,304** |

**Group**
***In thousands of naira***

| **31 December 2017** | **Note** | **Carrying value** | **Gross nominal value** | **0 - 30 days** | **31 - 90 days** | **91 - 180 days** | **181 - 365 days** | **Over 1 year but less than 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 299,397,460 | 299,807,964 | 147,205,120 | 55,392,216 | 8,632,437 | 1,031,903 | 918,694 | 86,627,594 |
| Financial assets at FVTPL | 19 | 38,333,109 | 40,975,080 | 1,744,729 | 14,306,649 | 12,927,025 | 10,740,154 | 1,256,523 | - |
| Assets pledged as collateral | 21 | 95,488,267 | 147,822,495 | 9,982,938 | 15,916,785 | 15,654,200 | 3,967,588 | 49,260,888 | 53,040,096 |
| Loans to banks | 22 | 35,155,501 | 37,013,673 | 35,337,175 | 1,676,498 | - | - | - | - |
| Loans and advances to customers | 23 | 755,503,162 | 1,063,172,132 | 50,512,766 | 98,078,034 | 62,721,946 | 106,083,607 | 352,250,813 | 393,524,966 |
| Investments securities | 24(a) | 224,021,812 | 265,275,976 | 22,663,662 | 26,695,212 | 84,464,604 | 75,052,533 | 24,156,443 | 32,243,522 |
| Other assets (less prepayments) | 31 | 88,103,182 | 87,087,262 | 24,769,988 | 8,787,979 | 53,529,295 | - | - | - |
| **Total non derivative assets** | | 1,536,002,493 | 1,941,154,582 | 292,216,378 | 220,853,373 | 237,929,507 | 196,875,785 | 427,843,361 | 565,436,178 |
| Derivative assets | 20 | 1,318,528 | 1,318,528 | 281,968 | 154,917 | 875,314 | 6,329 | - | - |
| **Total financial assets** | | **1,537,321,021** | **1,942,473,110** | **292,498,346** | **221,008,290** | **238,804,821** | **196,882,114** | **427,843,361** | **565,436,178** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 10,958,909 | 11,929,712 | 11,929,712 | - | - | - | - | - |
| Deposits from customers | 33 | 1,161,594,129 | 1,168,703,305 | 371,310,369 | 230,101,086 | 42,424,099 | 44,921,208 | 3,411,831 | 476,534,712 |
| Borrowings | 36 | 161,297,212 | 172,138,190 | 1,858,786 | 12,088,133 | 59,144,432 | 3,199,045 | 71,068,311 | 24,779,483 |
| Other liabilities | 35 | 44,460,729 | 43,467,052 | 43,467,052 | - | - | - | - | - |
| Long term debt | 37 | 70,515,228 | 84,754,152 | - | 1,086,113 | 742,433 | 2,876,974 | 80,048,632 | - |
| **Total non derivative liabilities** | | **1,448,826,207** | **1,480,992,411** | **428,565,919** | **243,275,332** | **102,310,964** | **50,997,227** | **154,528,774** | **501,314,195** |
| Derivative liabilities | 34 | 740,724 | 740,724 | 254,776 | 153,825 | - | 283,328 | 48,795 | - |
| **Total financial liabilities** | | **1,449,566,931** | **1,481,733,135** | **428,820,695** | **243,429,157** | **102,310,964** | **51,280,555** | **154,577,569** | **501,314,195** |
| **Liquidity gap** | | **87,754,090** | **460,739,975** | **(136,322,349)** | **(22,420,867)** | **136,493,857** | **145,601,559** | **273,265,792** | **64,121,983** |
| **Cumulative liquidity gap** | | | | **(136,322,349)** | **(158,743,216)** | **(22,249,359)** | **123,352,199** | **396,617,991** | **460,739,974** |

**Bank**

***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 302,370,585 | 302,370,937 | 96,218,019 | 38,883,273 | 8,007,168 | 778,804 | 26,992,145 | 131,491,528 |
| Financial assets at FVTPL | 19 | 10,673,463 | 11,386,437 | 1,037,485 | 1,699,592 | 1,092,974 | 7,556,386 | - | - |
| Assets pledged as collateral | 21 | 139,923,315 | 186,774,233 | 33,651,884 | 10,320,248 | 4,711,233 | 15,018,564 | 60,220,963 | 62,851,341 |
| Loans to banks | 22 | 82,078,754 | 82,670,875 | 82,670,875 | - | - | - | - | - |
| Loans and advances to customers | 23 | 567,881,391 | 757,889,695 | 58,697,847 | 64,337,378 | 65,449,581 | 87,602,458 | 182,843,223 | 298,959,208 |
| Investments securities | 24(a) | 154,634,297 | 211,792,165 | 37,695,793 | 27,160,517 | 890,362 | 67,341,177 | 32,953,415 | 45,750,901 |
| Other assets (less prepayments) | 31 | 20,916,925 | 20,916,925 | 20,916,925 | - | - | - | - | - |
| **Total non derivative assets** | | 1,278,478,730 | 1,573,801,267 | 330,888,828 | 142,401,008 | 80,151,318 | 178,297,389 | 303,009,746 | 539,052,978 |
| Derivative assets | 20 | 388,755 | 388,755 | - | - | - | 388,755 | - | - |
| **Total financial assets** | | **1,278,867,485** | **1,574,190,022** | **330,888,828** | **142,401,008** | **80,151,318** | **178,686,144** | **303,009,746** | **539,052,978** |
| ***Financial liabilities by type*** | | | | | | | | | |
| *Non derivative liabilities* | | | | | | | | | |
| Deposits from banks | 32 | 65,153,150 | 65,464,348 | 48,958,519 | 16,505,829 | - | - | - | - |
| Deposits from customers | 33 | 1,047,764,975 | 1,057,135,961 | 311,984,034 | 167,084,897 | 48,834,516 | 47,006,041 | 4,156,273 | 478,070,200 |
| Borrowings | 36 | 130,780,058 | 133,055,692 | 3,365,765 | 9,001,097 | 86,380,457 | 3,792,780 | 736,110 | 29,779,483 |
| Other liabilities | 35 | 40,433,727 | 40,433,727 | 40,433,727 | - | - | - | - | - |
| Long term debt | 37 | 55,001,552 | 68,059,202 | - | 1,576,163 | 38,152,807 | 3,203,134 | 25,127,098 | - |
| **Total non derivative liabilities** | | 1,339,133,462 | 1,364,148,930 | 404,742,045 | 194,167,986 | 173,367,780 | 54,001,955 | 30,019,481 | 507,849,683 |
| Derivative liabilities | 34 | 6,375 | 6,375 | - | - | - | 6,375 | - | - |
| **Total financial liabilities** | | **1,339,139,837** | **1,364,155,305** | **404,742,045** | **194,167,986** | **173,367,780** | **54,008,330** | **30,019,481** | **507,849,683** |
| **Liquidity gap** | | **(60,272,352)** | **210,034,717** | **(73,853,217)** | **(51,766,978)** | **(93,216,462)** | **124,677,814** | **272,990,265** | **31,203,295** |
| **Cumulative liquidity gap** | | | | **(73,853,217)** | **(125,620,195)** | **(218,836,657)** | **(94,158,843)** | **178,831,422** | **210,034,717** |

**Bank**

***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| ***Financial assets by type*** | | | | | | | | | |
| ***Non derivative assets*** | | | | | | | | | |
| Cash and balances with central banks | 18 | 299,395,467 | 299,804,287 | 147,343,159 | 59,573,777 | 8,632,437 | 1,031,903 | 918,694 | 82,304,317 |
| Financial assets at FVTPL | 19 | 38,333,109 | 40,975,080 | 1,744,729 | 14,306,649 | 12,927,025 | 10,740,154 | 1,256,523 | - |
| Assets pledged as collateral | 21 | 116,357,892 | 169,638,334 | 25,877,200 | 15,916,785 | 15,654,200 | 3,967,588 | 53,703,951 | 54,518,610 |
| Loans to banks | 22 | 77,610,730 | 79,472,350 | 77,795,852 | 1,676,498 | - | - | - | - |
| Loans and advances to customers | 23 | 755,488,058 | 1,061,524,353 | 51,139,171 | 98,437,551 | 66,072,492 | 108,031,750 | 344,318,423 | 393,524,966 |
| Investments securities | 24(a) | 223,781,594 | 265,035,758 | 22,663,662 | 26,695,212 | 84,224,386 | 75,052,533 | 24,156,443 | 32,243,522 |
| Other assets (less prepayments) | 31 | 88,021,390 | 88,021,390 | 25,704,116 | 8,787,979 | 53,529,295 | - | - | - |
| **Total non derivative assets** | | **1,598,988,240** | **2,004,471,552** | **352,267,889** | **225,394,451** | **241,039,835** | **198,823,928** | **424,354,034** | **562,591,415** |
| Derivative assets | 20 | 1,318,528 | 1,318,528 | 281,968 | 154,917 | 875,314 | 6,329 | - | - |
| **Total financial assets** | | **1,600,306,768** | **2,005,790,080** | **352,549,857** | **225,549,368** | **241,915,149** | **198,830,257** | **424,354,034** | **562,591,415** |
| ***Financial liabilities by type*** | | | | | | | | | |
| ***Non derivative liabilities*** | | | | | | | | | |
| Deposits from banks | 32 | 25,861,109 | 27,056,849 | 10,922,324 | 16,134,525 | - | - | - | - |
| Deposits from customers | 33 | 1,164,726,773 | 1,171,835,950 | 372,897,019 | 230,307,219 | 42,424,099 | 44,921,208 | 3,411,831 | 477,874,574 |
| Borrowings | 36 | 169,680,170 | 182,051,546 | 2,536,225 | 12,658,286 | 62,497,422 | 8,511,819 | 71,068,311 | 24,779,483 |
| Other liabilities | 35 | 44,449,081 | 44,449,081 | 44,449,081 | - | - | - | - | - |
| Long term debt | 37 | 70,515,228 | 84,754,152 | - | 1,086,113 | 742,433 | 2,876,974 | 80,048,632 | - |
| **Total non derivative liabilities** | | **1,475,232,361** | **1,510,147,578** | **430,804,649** | **260,186,143** | **105,663,954** | **56,310,001** | **154,528,774** | **502,654,057** |
| Derivative liabilities | 34 | 740,724 | 740,724 | 254,776 | 153,825 | - | 283,328 | 48,795 | - |
| **Total financial liabilities** | | **1,475,973,085** | **1,510,888,302** | **431,059,425** | **260,339,968** | **105,663,954** | **56,593,329** | **154,577,569** | **502,654,057** |
| **Liquidity gap** | | **124,333,683** | **494,901,778** | **(78,509,568)** | **(34,790,600)** | **136,251,195** | **142,236,928** | **269,776,465** | **59,937,358** |
| **Cumulative liquidity gap** | | **-** | **-** | **(78,509,568)** | **(113,300,168)** | **22,951,027** | **165,187,954** | **434,964,419** | **494,901,778** |

The table below shows the behavioural expiry by maturity of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called

**Group**

***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Performance bonds and financial guarantees | 45.2 | 52,096,012 | 52,096,012 | 449,604 | 2,549,077 | 6,696,829 | 19,499,415 | 12,158,877 | 10,742,210 |
| Contingent letters of credit | 45.2 | 35,560,153 | 35,562,153 | 6,774,017 | 16,804,287 | 1,686,127 | 10,297,722 | - | - |
| | | **87,656,165** | **87,658,165** | **7,223,621** | **19,353,364** | **8,382,956** | **29,797,137** | **12,158,877** | **10,742,210** |

**Group**

***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Performance bonds and financial guarantees | 45.2 | 22,038,160 | 22,038,160 | 1,245,154 | 927,280 | 2,571,679 | 1,378,427 | 15,465,620 | 450,000 |
| Contingent letters of credit | 45.2 | 21,219,102 | 21,219,102 | 1,629,001 | 1,152,677 | 3,668,128 | 14,172,122 | 597,174 | - |
| | | **43,257,262** | **43,257,262** | **2,874,155** | **2,079,957** | **6,239,807** | **15,550,549** | **16,062,794** | **450,000** |

**Bank**

***In thousands of naira***

| 31 December 2018 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Performance bonds and financial guarantees | 45.2 | 52,096,012 | 52,096,012 | 449,604 | 2,549,077 | 6,696,829 | 19,499,415 | 12,158,877 | 10,742,210 |
| Contingent letters of credit | 45.2 | 35,560,153 | 35,562,153 | 6,774,017 | 16,804,287 | 1,686,127 | 10,297,722 | - | - |
| | | **87,656,165** | **87,658,165** | **7,223,621** | **19,353,364** | **8,382,956** | **29,797,137** | **12,158,877** | **10,742,210** |

**Bank**

***In thousands of naira***

| 31 December 2017 | Note | Carrying value | Gross nominal value | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Performance bonds and financial guarantees | 45.2 | 22,038,160 | 22,038,160 | 1,245,154 | 927,280 | 2,571,679 | 1,378,427 | 15,465,620 | 450,000 |
| Contingent letters of credit | 45.2 | 21,219,102 | 21,219,102 | 1,629,001 | 1,152,677 | 3,668,128 | 14,172,122 | 597,174 | - |
| | | **43,257,262** | **43,257,262** | **2,874,155** | **2,079,957** | **6,239,807** | **15,550,549** | **16,062,794** | **450,000** |

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments The amounts in the tables above have been compiled as follows:

| **Type of financial instrument** | **Basis on which amounts are compiled** |
|---|---|
| Financial assets and financial liabilities | Undiscounted cash flows, which include estimated interest payments |
| Issued financial guarantee contracts, and unrecognized loan commitments | Earliest possible contract maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called |
| Derivative financial liabilities (Currency swap) | Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled. |
| Derivative financial liabilities (Options) | Fair values at the date of the statement of financial position. This is because contractual maturities are not reflective of the liquiditiy risk exposure arising from these positions. |

The Group's expected cash flows on some financial assets and liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately.

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

## 3.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates, equity prices and commodity

### 3.4.1 Management of market risk

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

The objectives of the Bank's market risk management are to protect the Bank's capital and earnings from fluctuations caused by currency rates and interest rate movements, manage and control market risk exposures in order to optimize return while complying with existing regulatory guidelines.

***Market risk management process***

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

Diamond Bank uses a range of tools for managing market risk which include:

*Sensitivity analysis*

Sensitivity analysis is used to determine the impact of changes in risk factors such as interest rates, foreign exchange rates, equity prices on the earnings or portfolio values. Market risk management compares the potential impact of changes in the risk factors on the Bank's net income and equity against the levels it deems necessary to maintain profitability, remain solvent and comply with banking regulations.

*Value at risk (VaR)*

VaR measures the worst expected loss the Bank can suffer on risk positions at a given confidence level over a given time interval under normal market conditions. Diamond Bank calculates its VaR using market rates and prices with associated volatilities at a 99 percent confidence level and for a one-day holding period time band gives an indication of the Bank's interest rate risk exposure.

*Interest rate gap analysis*

The Bank manages the impact of interest rate changes within self-imposed parameters set after careful consideration of a range of possible rate environments and business scenarios. These parameters in combination define the Bank's market risk tolerance.

Limits are used to control the Bank's interest rate risk exposure within its risk tolerance. Risk limits are set by product and risk types. They are usually approved by ALCO and endorsed by the Board. Limits are sets for position taken, value at risk, stop loss and profit take as well as counter party risks. The overall risk appetite of the Bank, size, complexity and capital adequacy of the Bank, profitability of business/product areas, complexity of products, liquidity of specific markets and volatility of markets are considered while setting the limits.

The market risk is managed by the market risk management function under the Risk management directorate. The monitoring includes establishment and monitoring of treasury limit, rendering market intelligent reports and mark to market valuation of the Bank's trading position.

*Duration Gap analysis*

Duration Gap Analysis compares the price sensitivity of the Bank's total assets with the price sensitivity of its total liabilities to assess whether the market value of assets or liabilities changes more when rates change. Diamond Bank uses duration gap (DGAP) for managing its value of equity, recognizing the timing of all cash flows for every security on the statement of financial

*Economic Value of Equity (EVE) sensitivity analysis*

Economic Value of Equity sensitivity analysis indicates how much the Bank's economic value of equity will change in different rates environments. The Bank's exposure to changes in net economic value of equity is evaluated for six alternative interest rate shock scenarios and monitored.

***Monitoring exposure limits and triggers***

The Bank manages the impact of changes in market factors – equity prices, interest rates and currency rates within self-imposed limits and triggers set after careful consideration of a range of possible rate environments and business scenarios. These limits are used to control the Bank's market risk exposures within its risk tolerance.

***Risk Reporting***

Market Risk Management Group ensures that the Bank maintains an accurate risk reporting framework that effectively and consistently communicate market risk information across the Bank. Market Risk Management use independently sourced data to generate reports, which provides the Board and Senior management with clear, concise and timely recommendations and supporting information needed to make decisions.

### 3.4.2 Exposure to market risk between trading and non-trading portfolios

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

| | | Group | | | Bank | | |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | **Market risk measure** | | | **Market risk measure** | | |
| *In thousands of naira* | **Note** | **Carrying amount** | **Trading portfolios** | **Non-trading portfolios** | **Carrying amount** | **Trading portfolios** | **Non-trading portfolios** |
| **Assets subject to market risk** | | | | | | | |
| Cash and balances with central banks | 18 | 302,374,354 | - | 302,374,354 | 302,370,585 | - | 302,370,585 |
| Financial assets at FVTPL | 19 | 10,673,463 | 10,673,463 | - | 10,673,463 | 10,673,463 | - |
| Derivative assets | 20 | 388,755 | - | 388,755 | 388,755 | - | 388,755 |
| Assets pledged as collateral | 21 | 119,029,468 | - | 119,029,468 | 139,923,315 | - | 139,923,315 |
| Loans to banks | 22 | 37,943,747 | - | 37,943,747 | 82,078,754 | - | 82,078,754 |
| Loans and advances to customers | 23 | 567,896,958 | - | 567,896,958 | 567,881,391 | - | 567,881,391 |
| Investments securities | 24 | 154,704,336 | - | 154,704,336 | 154,634,297 | - | 154,634,297 |
| Other assets | 31 | 20,969,590 | - | 20,969,590 | 20,916,925 | - | 20,916,925 |
| | | **1,213,980,671** | **10,673,463** | **1,203,307,208** | **1,278,867,485** | **10,673,463** | **1,268,194,022** |
| **Liabilities subject to market risk** | | | | | | | |
| Deposits from banks | 32 | 48,765,050 | - | 48,765,050 | 65,153,150 | - | 65,153,150 |
| Deposits from customers | 33 | 1,043,976,729 | - | 1,043,976,729 | 1,047,764,975 | - | 1,047,764,975 |
| Derivative liability | 34 | 6,375 | - | 6,375 | 6,375 | - | 6,375 |
| Other liabilities | 35 | 40,440,518 | - | 40,440,518 | 40,433,727 | - | 40,433,727 |
| Borrowings | 36 | 121,876,210 | - | 121,876,210 | 130,780,058 | - | 130,780,058 |
| Long term debt | 37 | 55,001,552 | - | 55,001,552 | 55,001,552 | - | 55,001,552 |
| | | **1,310,066,434** | - | **1,310,066,434** | **1,339,139,837** | - | 1,339,139,837 |
| **31 December 2017** | | | | | | | |
| **Assets subject to market risk** | | | | | | | |
| Cash and balances with central banks | 18 | 299,397,460 | - | 299,397,460 | 299,395,467 | - | 299,395,467 |
| Financial assets at FVTPL | 19 | 38,333,109 | 38,333,109 | - | 38,333,109 | 38,333,109 | - |
| Derivative assets | 20 | 1,318,528 | - | 1,318,528 | 1,318,528 | - | 1,318,528 |
| Assets pledged as collateral | 21 | 95,488,267 | - | 95,488,267 | 116,357,892 | - | 116,357,892 |
| Loans to banks | 22 | 35,155,501 | - | 35,155,501 | 77,610,730 | - | 77,610,730 |
| Loans and advances to customers | 23 | 755,503,162 | - | 755,503,162 | 755,488,058 | - | 755,488,058 |
| Investments securities | 24 | 224,021,812 | - | 224,021,812 | 223,781,594 | - | 223,781,594 |
| Other assets | 31 | 88,103,182 | - | 88,103,182 | 88,021,390 | - | 88,021,390 |
| | | **1,537,321,021** | **38,333,109** | **1,498,987,912** | **1,600,306,768** | **38,333,109** | **1,561,973,659** |
| **Liabilities subject to market risk** | | | | | | | |
| Deposits from banks | 32 | 10,958,909 | - | 10,958,909 | 25,861,109 | - | 25,861,109 |
| Deposits from customers | 33 | 1,161,594,129 | - | 1,161,594,129 | 1,164,726,773 | - | 1,164,726,773 |
| Derivative liability | 34 | 740,724 | - | 740,724 | 740,724 | - | 740,724 |
| Other liabilities | 35 | 44,460,729 | - | 44,460,729 | 44,449,081 | - | 44,449,081 |
| Borrowings | 36 | 161,297,212 | - | 161,297,212 | 169,680,170 | - | 169,680,170 |
| Long term debt | 37 | 161,297,212 | - | 161,297,212 | 70,515,228 | - | 70,515,228 |
| | | **1,540,348,915** | **-** | **1,540,348,915** | **1,475,973,085** | **-** | **1,475,973,085** |

### 3.4.3 Measurement of market risk

The Group's major measurement technique used to measure and control market risk is outlined below.

**Value at risk (VaR)**

One of the major tools used by the Group to monitor and limit market risk exposure is Value at Risk. Value at Risk estimates the potential maximum decline in the value of a position or portfolio, under normal market conditions, over a one-day holding period, at 99% confidence level. The Diamond Bank Value-at-Risk method incorporates the factor sensitivities of the trading portfolio, the volatilities and correlations of the market risk factors. The group uses the variance covariance method which derives likely future changes in market value from historical market volatility. Value at risk is estimated on the basis of exposures outstanding at the close of business and therefore might not factor in the intra-day exposures. However, the Bank does not only base its risk estimates on Value at Risk, it uses sensitivity and what-if analysis to further complement it.

The Value at Risk of the trading book is as stated below:

**Trading**

The Group trades on bonds, treasury bills and foreign exchange. Market risk in trading portfolios is monitored and controlled using tools such as position limits, value at risk and present value of an assumed basis points change in yields or exchange rates coupled with concentration limits.

**1 Day VAR summary**

| **Group** | December 2018 | | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **At reporting date** |
| *In thousands of naira* | | | | |
| Foreign exchange risk | 29,415 | 77,933 | 2,235 | 74,287 |
| Interest rate risk | 128,641 | 229,530 | 51,694 | 65,830 |
| **Total VaR exposure** | **158,056** | **247,474** | **88,570** | **140,117** |

| **Bank** | December 2018 | | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **At reporting date** |
| *In thousands of naira* | | | | |
| Foreign exchange risk | 29,415 | 77,933 | 2,235 | 74,287 |
| Interest rate risk | 128,641 | 229,530 | 51,694 | 65,830 |
| **Total VaR exposure** | **158,056** | **247,474** | **88,570** | **140,117** |

| **Group** | December 2017 | | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **At reporting date** |
| *In thousands of naira* | | | | |
| Foreign exchange risk | 36,963 | 187,315 | 2,900 | 4,738 |
| Interest rate risk | 97,399 | 314,628 | 34,174 | 206,431 |
| **Total VaR exposure** | **134,362** | **363,142** | **59,261** | **211,169** |

| **Bank** | December 2017 | | | |
|---|---|---|---|---|
| | **Average** | **High** | **Low** | **At reporting date** |
| *In thousands of naira* | | | | |
| Foreign exchange risk | 36,963 | 187,315 | 2,900 | 4,738 |
| Interest rate risk | 97,399 | 314,628 | 34,174 | 206,431 |
| **Total VaR exposure** | **134,362** | **363,142** | **59,261** | **211,169** |

Highest and Lowest VaR for each risk factor are independent and usually occur on different days.

**Non-trading book: Other sensitivity analysis**

Market risk in the non-trading book emanates mainly from adverse movement in future net interest income, resulting from changes in interest rates. Analysis of this risk involves the breaking down of demand and saving deposits as well as overdraft into different maturity time bands based on past observed trends with the use of a constructive model. Interest rate risk in non- trading portfolios is measured with maturity/repricing gap analysis, interest rate sensitivity and ratios analysis. The sensitivity of earnings to specified upward and downward instantaneous parallel 100 basis point shift in the yield curve, over one-year horizons under business-as-usual conditions assuming static portfolio indicates the potential risk.

### 3.4.4 Foreign exchange (FX) risk

Structural FX exposures arise because of balance sheet mismatches between foreign currency assets and foreign currency liabilities. These are mainly foreign currency loans and deposits, balances with foreign banks, customers' FX transactions, and borrowings in foreign currencies. FX trading exposures are discretionary (intentional) and typically short term FX exposures resulting from treasury trades to profit from currency movements. They contribute to the Bank's overall trading risk and are managed under the trading risk management framework.

The Group structural foreign currency exposure is managed by the Group ALCO. The primary objectives of the Bank's foreign exchange risk management are to protect the Bank's capital base and earnings from fluctuations caused by currency rates movements in excess of approved limits, and to ensure that our open position limit is managed within existing regulatory guidelines. The Central Bank of Nigeria assign NOP limits to banks as a percentage of their shareholders' funds. These limits change from time to time based on how the regulator wants to affect the market. However, the Bank has an internal policy to further constraint the CBN assigned NOP limit by allowing traders an aggregate open position of 90% of the CBN limit.

The Group trades and closes each day with either long or short positions within the approved internal limit. If for any reason the Group anticipates that the net open limit might be breached, an anticipatory approval must be sought and obtained from the Deputy Managing Director/Chief Risk Officer and Executive Director/Chief Financial Officer with appropriate justification. Under no circumstance, however, shall the CBN limit be breached.

For the purpose of financial reporting, the Group adopts NAFEX rates in translating its foreign currency denominated assets and liabilities as that is the most probable rate at which the assets and liabilities are expected to be realized and settled respectively.

The following shows the Group and the Bank's structural foreign currency exposures for the year.

**Group**

| | **31 December 2018** | | | | | |
|---|---|---|---|---|---|---|
| ***In thousands of Naira*** | **Naira** | **USD** | **GBP** | **Euro** | **Others** | **Total** |
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 289,122,353 | 9,837,981 | 2,271,546 | 1,141,807 | 667 | 302,374,354 |
| Financial assets at FVTPL | 10,673,463 | - | - | - | - | 10,673,463 |
| Assets pledged as collateral | 117,781,516 | 1,247,952 | - | - | - | 119,029,468 |
| Derivative assets | - | 388,755 | - | - | - | 388,755 |
| Loans to banks | - | 33,698,072 | 1,828,901 | 1,767,094 | 649,680 | 37,943,747 |
| Loans and advances to customers | 347,268,816 | 217,699,640 | 191,637 | 2,736,865 | - | 567,896,958 |
| Investments securities | 154,704,336 | - | - | - | - | 154,704,336 |
| Other assets | 16,639,575 | 4,103,060 | 33,495 | 193,460 | - | 20,969,590 |
| **Total** | **936,190,059** | **266,975,460** | **4,325,579** | **5,839,226** | **650,347** | **1,213,980,671** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 48,614,472 | 116,055 | 34,523 | - | - | 48,765,050 |
| Deposits from customers | 851,844,728 | 177,650,382 | 6,886,095 | 7,595,475 | 49 | 1,043,976,729 |
| Derivative liability | - | 6,375 | - | - | - | 6,375 |
| Borrowings | 31,588,623 | 89,450,892 | 191,585 | 645,110 | - | 121,876,210 |
| Other liabilities | 14,481,684 | 23,967,163 | 936,317 | 571,341 | 484,013 | 40,440,518 |
| Long term debt | - | 55,001,552 | - | - | - | 55,001,552 |
| **Total** | **946,529,507** | **346,192,419** | **8,048,520** | **8,811,926** | **484,062** | **1,310,066,434** |
| | | | | | | |
| **Net Open Position** | **(10,339,448)** | **(79,216,959)** | **(3,722,941)** | **(2,972,700)** | **166,285** | **(96,085,763)** |

**Group**

| *In thousands of Naira* | 31 December 2017 Naira | USD | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 290,543,864 | 4,421,400 | 3,171,517 | 1,260,051 | 629 | 299,397,460 |
| Financial assets at FVTPL | 38,333,109 | - | - | - | - | 38,333,109 |
| Assets pledged as collateral | 94,420,486 | 1,067,781 | - | - | - | 95,488,267 |
| Derivative assets | - | 1,318,528 | - | - | - | 1,318,528 |
| Loans to banks | 8,281,233 | 25,447,155 | 288,618 | 989,074 | 149,421 | 35,155,501 |
| Loans and advances to customers | 411,510,021 | 340,098,167 | 55 | 3,894,919 | - | 755,503,162 |
| Investments securities | 224,021,812 | - | - | - | - | 224,021,812 |
| Other assets | 19,973,311 | 66,277,192 | 1,191,891 | 840,768 | - | 88,103,182 |
| **Total** | **1,087,083,836** | **438,630,223** | **4,652,081** | **6,984,812** | **150,050** | **1,537,321,021** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 10,365,923 | 558,463 | 34,523 | - | - | 10,958,909 |
| Deposits from customers | 940,627,729 | 209,814,635 | 5,445,479 | 5,706,239 | 47 | 1,161,594,129 |
| Derivative liability | - | 740,724 | - | - | - | 740,724 |
| Borrowings | 25,867,160 | 133,986,696 | - | 1,443,356 | - | 161,297,212 |
| Other liabilities | 14,650,594 | 28,676,189 | 261,419 | 828,299 | 44,228 | 44,460,729 |
| Long term debt | - | 70,515,228 | - | - | - | 70,515,228 |
| **Total** | **991,511,406** | **444,291,935** | **5,741,421** | **7,977,894** | **44,275** | **1,449,566,931** |
| | | | | | | |
| **Net Open Position** | **95,572,430** | **(5,661,712)** | **(1,089,340)** | **(993,082)** | **105,775** | **87,754,091** |

**Bank**

| *In thousands of Naira* | 31 December 2018 Naira | USD | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 289,118,583 | 9,837,981 | 2,271,546 | 1,141,807 | 668 | 302,370,585 |
| Financial assets at FVTPL | 10,673,463 | - | - | - | - | 10,673,463 |
| Assets pledged as collateral | 117,781,516 | 22,141,799 | - | - | - | 139,923,315 |
| Derivative assets | - | 388,755 | - | - | - | 388,755 |
| Loans to banks | - | 77,840,478 | 1,828,901 | 1,767,094 | 649,680 | 82,078,754 |
| Loans and advances to customers | 347,253,249 | 217,699,640 | 191,637 | 2,736,865 | - | 567,881,391 |
| Investments securities | 154,634,297 | - | - | - | - | 154,634,297 |
| Other assets | 16,586,910 | 4,103,060 | 33,495 | 193,460 | - | 20,916,925 |
| **Total** | **936,048,018** | **332,011,713** | **4,325,579** | **5,839,226** | **650,348** | **1,278,867,485** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 48,614,473 | 16,533,363 | 5,314 | - | - | 65,153,150 |
| Deposits from customers | 855,632,974 | 177,650,382 | 6,886,095 | 7,595,475 | 49 | 1,047,764,975 |
| Derivative liability | - | 6,375 | - | - | - | 6,375 |
| Borrowings | 31,588,623 | 98,354,740 | 191,585 | 645,110 | - | 130,780,058 |
| Other liabilities | 14,474,893 | 23,967,163 | 936,317 | 571,341 | 484,013 | 40,433,727 |
| Long term debt | - | 55,001,552 | - | - | - | 55,001,552 |
| **Total** | **950,310,963** | **371,513,575** | **8,019,311** | **8,811,926** | **484,062** | **1,339,139,837** |
| | | | | | | |
| **Net Open Position** | **(14,262,945)** | **(39,501,862)** | **(3,693,732)** | **(2,972,700)** | **166,286** | **(60,272,352)** |

**Bank**

| *In thousands of Naira* | 31 December 2017 Naira | USD | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 290,541,870 | 4,421,400 | 3,171,517 | 1,260,051 | 629 | 299,395,467 |
| Financial assets at FVTPL | 38,333,109 | - | - | - | - | 38,333,109 |
| Assets pledged as collateral | 94,420,486 | 21,937,406 | - | - | - | 116,357,892 |
| Derivative assets | - | 1,318,528 | - | - | - | 1,318,528 |
| Loans to banks | 8,281,233 | 67,902,384 | 288,618 | 989,074 | 149,421 | 77,610,730 |
| Loans and advances to customers | 411,494,917 | 340,098,167 | 55 | 3,894,919 | - | 755,488,058 |
| Investments securities | 223,781,594 | - | - | - | - | 223,781,594 |
| Other assets | 18,695,619 | 66,277,192 | 1,191,891 | 840,768 | - | 88,021,390 |
| **Total** | **1,085,548,828** | **501,955,077** | **4,652,081** | **6,984,812** | **150,050** | **1,600,306,768** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 10,365,923 | 15,460,663 | 34,523 | - | - | 25,861,109 |
| Deposits from customers | 943,760,373 | 209,814,635 | 5,445,479 | 5,706,239 | 47 | 1,164,726,773 |
| Derivative liability | - | 740,724 | - | - | - | 740,724 |
| Borrowings | 25,867,160 | 142,369,654 | - | 1,443,356 | - | 169,680,170 |
| Other liabilities | 14,638,946 | 28,676,189 | 261,419 | 828,299 | 44,228 | 44,449,081 |
| Long term debt | - | 70,515,228 | - | - | - | 70,515,228 |
| **Total** | **994,632,402** | **467,577,093** | **5,741,421** | **7,977,894** | **44,275** | **1,475,973,085** |
| | | | | | | |
| **Net Open Position** | **90,916,426** | **34,377,984** | **(1,089,339)** | **(993,082)** | **105,775** | **124,333,683** |

### 3.4.5 Foreign exchange risk sensitivity analysis

Due to the the Group and the Bank's structural foreign currency exposures, the Group and the Bank may be exposed to further losses in the event of a significant decline in the value of the Group's local currency (Nigerian Naira). This may occur in the event of a devaluation of the exchange rate of the Naira to the US Dollars in the official exchange market by the Central Bank of Nigeria (CBN). This will have a direct impact on the Nigerian Inter-bank Foreign exchange market (NAFEX), the market where the Bank obtains its translation rates for the US Dollar (see Note 2.5(a))

The losses which are likely to occur in the event of devaluation of the Naira will affect the reported equity in the following ways:

- Retained earnings - increase or decrease in the carrying amount of assets or liabilities held by Bank from changes in the value of the Naira (excluding financial assets measured at fair value through other comprehensive income (FVOCI)) reported in the profit or loss
- Fair value reserves - increase or decrease in the carrying amount of financial assets measured at FVOCI from changes in the value of the Naira reported directly in equity.
- Foreign currency translation reserves - increase or decrease in the carrying amount of assets and liabilities of foreign subsidiaries from changes in the value of the Naira reported directly in equity.

The table below sets out the impact on the Bank's net open position as at 31 December 2018 in USDollars, Pounds Sterling, Euros and other currencies in the event of a 10% and 20% devaluation of the Naira in relation to other currencies.

**Group**
**Foreign exchange risk sensitive analysis - 31 December 2018**
**Impact of percentage changes in foreign currency rates**

| | Net Open Position | | Net Gain/(Loss) on decline of the value of Naira | |
|---|---|---|---|---|
| **Currency** | **In Naira** | **In USD** | **10% decrease in the value of Naira** | **20% decrease in the value of Naira** |
| *In thousands* | | **$1= N364.18** | **$1= N401** | **$1= N437** |
| US Dollars | (79,216,959) | (217,521) | (7,921,696) | (15,843,392) |
| Pounds Sterling | (3,722,941) | (10,223) | (372,294) | (744,588) |
| Euros | (2,972,700) | (8,163) | (297,270) | (594,540) |
| Other Currencies | 166,285 | 457 | 16,629 | 33,257 |
| | **(85,746,315)** | **(235,450)** | **(8,574,631)** | **(17,149,263)** |

**Bank**
**Foreign exchange risk sensitive analysis - 31 December 2018**
**Impact of percentage changes in foreign currency rates**

| | Net Open Position | | Net Gain/(Loss) on decline of the value of Naira | |
|---|---|---|---|---|
| **Currency** | **In Naira** | **In USD** | **10% decrease in the value of Naira** | **20% decrease in the value of Naira** |
| *In thousands* | | **$1= N364.18** | **$1= N401** | **$1= N437** |
| US Dollars | (39,501,862) | (108,468) | (3,950,186) | (7,900,372) |
| Pounds Sterling | (3,693,732) | (10,143) | (369,373) | (738,746) |
| Euros | (2,972,700) | (8,163) | (297,270) | (594,540) |
| Other Currencies | 166,286 | 457 | 16,629 | 33,257 |
| | **(46,002,008)** | **(126,317)** | **(4,600,200)** | **(9,200,401)** |

**Group**
**Foreign exchange risk sensitive analysis -31 December 2017**
**Impact of percentage changes in foreign currency rates**
The table below sets out the impact on the Bank's net open position as at 31 December 2017 in USDollars, Pounds Sterling, Euros and other currencies in the event of a 10% and 20% devaluation of the Naira in relation to other currencies.

| | Net Open Position | | Net Gain/(Loss) on decline of the value of Naira | |
|---|---|---|---|---|
| **Currency** | **In Naira** | **In USD** | **10% decrease in the value of Naira** | **20% decrease in the value of Naira** |
| *In thousands* | | **$1= N331.16** | **$1= N364** | **$1= N397** |
| US Dollars | (5,661,713) | (17,097) | (566,171) | (1,132,343) |
| Pounds Sterling | (1,089,339) | (3,289) | (108,934) | (217,868) |
| Euros | (993,081) | (2,999) | (99,308) | (198,616) |
| Other Currencies | 105,775 | 319 | 10,578 | 21,155 |
| | **(7,638,357)** | **(23,065)** | **(763,836)** | **(1,527,672)** |

**Bank**
**Foreign exchange risk sensitive analysis - 31 December 2017**
**Impact of percentage changes in foreign currency rates**

| | Net Open Position | | Net Gain/(Loss) on decline of the value of Naira | |
|---|---|---|---|---|
| **Currency** | **In Naira** | **In USD** | **10% decrease in the value of Naira** | **20% decrease in the value of Naira** |
| *In thousands* | | **$1= N331.16** | **$1= N364** | **$1= N397** |
| US Dollars | 34,377,984 | 103,811 | 3,437,798 | 6,875,597 |
| Pounds Sterling | (1,089,340) | (3,289) | (108,934) | (217,868) |
| Euros | (993,082) | (2,999) | (99,308) | (198,616) |
| Other Currencies | 105,775 | 319 | 10,578 | 21,155 |
| | **32,401,339** | **97,842** | **3,240,134** | **6,480,268** |

### 3.4.6 Interest rate risk

The following is a summary of the Group's interest rate gap position on non-trading portfolio

**Group**

| 31 December 2018 | Interest Bearing | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **Over 5 years** | **Non- Interest bearing** | **Total** |
| ***In thousands of Naira*** | | | | | | | |
| **Financial assets** | | | | | | | |
| ***Non derivative assets*** | | | | | | | |
| Cash and balances with central banks | - | - | - | - | - | 302,374,354 | 302,374,354 |
| Financial assets at FVTPL | 1,038,158 | 1,671,198 | 7,964,107 | - | - | - | 10,673,463 |
| Assets pledged as collateral | 29,960,951 | 9,696,609 | 31,909,880 | 13,781,468 | 30,400,560 | 3,280,000 | 119,029,468 |
| Loans to banks | - | - | - | - | - | 37,943,747 | 37,943,747 |
| Loans and advances to customers | 57,511,589 | 81,070,538 | 118,607,351 | 100,123,756 | 210,583,724 | - | 567,896,958 |
| Investments securities | 37,309,724 | 25,405,084 | 46,113,469 | 20,299,072 | 19,900,126 | 5,676,861 | 154,704,336 |
| Other assets | - | - | - | - | - | 20,969,590 | 20,969,590 |
| **Total non derivative assets** | **125,820,422** | **117,843,429** | **204,594,807** | **134,204,296** | **260,884,410** | **370,244,552** | **1,213,591,916** |
| Derivative assets | - | - | - | - | - | 388,755 | 388,755 |
| **Total financial assets** | **125,820,422** | **117,843,429** | **204,594,807** | **134,204,296** | **260,884,410** | **370,633,307** | **1,213,980,671** |
| **Financial liabilities** | | | | | | | |
| ***Non derivative liabilities*** | | | | | | | |
| Deposits from banks | 42,322,466 | 47,536 | - | - | - | 6,395,048 | 48,765,050 |
| Deposits from customers | 170,084,546 | 132,887,038 | 75,816,705 | 3,618,823 | 278,113,062 | 383,456,555 | 1,043,976,729 |
| Borrowings | 3,716,113 | 8,026,889 | 80,087,603 | 5,443,386 | 24,602,219 | - | 121,876,210 |
| Other liabilities | - | - | - | - | - | 40,440,518 | 40,440,518 |
| Long term debt | - | - | 36,452,651 | 18,548,901 | - | - | 55,001,552 |
| **Total non derivative liabilities** | **216,123,125** | **140,961,463** | **192,356,959** | **27,611,110** | **302,715,281** | **430,292,121** | **1,310,060,059** |
| Derivative liabilities | - | - | - | - | - | 6,375 | 6,375 |
| **Total financial liabilities** | **216,123,125** | **140,961,463** | **192,356,959** | **27,611,110** | **302,715,281** | **430,298,496** | **1,310,066,434** |
| **Total interest rate gap** | **(90,302,703)** | **(23,118,034)** | **12,237,848** | **106,593,186** | **(41,830,871)** | **(59,665,189)** | **(96,085,763)** |

**Group**

| 31 December 2017 | Interest Bearing | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- Interest bearing | Total |
| ***In thousands of Naira*** | | | | | | | |
| **Financial assets** | | | | | | | |
| ***Non derivative assets*** | | | | | | | |
| Cash and balances with central banks | 7,505,548 | - | - | - | - | 291,891,912 | 299,397,460 |
| Financial assets at FVTPL | 1,737,465 | 14,009,786 | 21,967,364 | 101,480 | 517,014 | - | 38,333,109 |
| Assets pledged as collateral | 10,839,753 | 13,826,463 | 13,788,240 | 35,896,899 | 21,136,912 | - | 95,488,267 |
| Loans to banks | 8,985,279 | 1,656,950 | - | - | - | 24,513,272 | 35,155,501 |
| Loans and advances to customers | 69,657,633 | 76,960,548 | 85,024,763 | 217,274,540 | 306,585,678 | - | 755,503,162 |
| Investments securities | 22,569,849 | 25,964,977 | 143,684,976 | 12,162,767 | 13,814,099 | 5,825,144 | 224,021,812 |
| Other assets | - | - | - | - | - | 88,103,182 | 88,103,182 |
| **Total non derivative assets** | **121,295,527** | **132,418,724** | **264,465,343** | **265,435,686** | **342,053,703** | **410,333,510** | **1,536,002,493** |
| Derivative assets | - | - | - | - | - | 1,318,528 | 1,318,528 |
| **Total financial assets** | **121,295,527** | **132,418,724** | **264,465,343** | **265,435,686** | **342,053,703** | **411,652,038** | **1,537,321,021** |
| **Financial liabilities** | | | | | | | |
| ***Non derivative liabilities*** | | | | | | | |
| Deposits from banks | 36,585 | - | - | - | - | 10,922,324 | 10,958,909 |
| Deposits from customers | 183,510,815 | 185,355,051 | 51,010,990 | 3,021,108 | 240,240,718 | 498,455,447 | 1,161,594,129 |
| Borrowings | 2,883,957 | 66,589,661 | 1,601,907 | 67,535,545 | 22,686,142 | - | 161,297,212 |
| Other liabilities | - | - | - | - | - | 44,460,729 | 44,460,729 |
| Long term debt | - | 329,625 | 81,481 | 70,104,122 | - | - | 70,515,228 |
| **Total non derivative liabilities** | **186,431,357** | **252,274,337** | **52,694,378** | **140,660,775** | **262,926,860** | **553,838,500** | **1,448,826,207** |
| Derivative liabilities | - | - | - | - | - | 740,724 | 740,724 |
| **Total financial liabilities** | **186,431,357** | **252,274,337** | **52,694,378** | **140,660,775** | **262,926,860** | **554,579,224** | **1,449,566,931** |
| **Total interest rate gap** | **(65,135,830)** | **(119,855,613)** | **211,770,965** | **124,774,911** | **79,126,843** | **(142,927,186)** | **87,754,090** |

**Bank**

| 31 December 2018 | Interest Bearing | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- Interest bearing | Total |
| ***In thousands of Naira*** | | | | | | | |
| **Financial assets** | | | | | | | |
| ***Non derivative assets*** | | | | | | | |
| Cash and balances with central banks | - | - | - | - | - | 302,370,585 | 302,370,585 |
| Financial assets at FVTPL | 1,038,158 | 1,671,198 | 7,964,107 | - | - | - | 10,673,463 |
| Assets pledged as collateral | 29,960,951 | 9,696,609 | 35,330,152 | 31,255,043 | 30,400,560 | 3,280,000 | 139,923,315 |
| Loans to banks | 42,851,201 | - | - | - | - | 39,227,553 | 82,078,754 |
| Loans and advances to customers | 57,511,589 | 81,070,538 | 118,607,351 | 100,123,756 | 210,568,157 | - | 567,881,391 |
| Investments securities | 37,309,724 | 25,405,084 | 46,113,469 | 20,299,072 | 19,830,087 | 5,676,861 | 154,634,297 |
| Other assets | - | - | - | - | - | 20,916,925 | 20,916,925 |
| **Total non derivative assets** | **168,671,623** | **117,843,429** | **208,015,079** | **151,677,871** | **260,798,804** | **371,471,924** | **1,278,478,730** |
| Derivative assets | - | - | - | - | - | 388,755 | 388,755 |
| **Total financial assets** | **168,671,623** | **117,843,429** | **208,015,079** | **151,677,871** | **260,798,804** | **371,860,679** | **1,278,867,485** |
| **Financial liabilities** | | | | | | | |
| ***Non derivative liabilities*** | | | | | | | |
| Deposits from banks | 42,322,466 | 16,435,636 | - | - | - | 6,395,048 | 65,153,150 |
| Deposits from customers | 173,872,792 | 132,887,038 | 75,816,705 | 3,618,823 | 278,113,062 | 383,456,555 | 1,047,764,975 |
| Borrowings | 4,557,542 | 8,985,262 | 87,191,649 | 5,443,386 | 24,602,219 | - | 130,780,058 |
| Other liabilities | - | - | - | - | - | 40,433,727 | 40,433,727 |
| Long term debt | - | - | 36,452,651 | 18,548,901 | - | - | 55,001,552 |
| **Total non derivative liabilities** | **220,752,800** | **158,307,936** | **199,461,005** | **27,611,110** | **302,715,281** | **430,285,330** | **1,339,133,462** |
| Derivative liabilities | - | - | - | - | - | 6,375 | 6,375 |
| **Total financial liabilities** | **220,752,800** | **158,307,936** | **199,461,005** | **27,611,110** | **302,715,281** | **430,291,705** | **1,339,139,837** |
| **Total interest rate gap** | **(52,081,177)** | **(40,464,507)** | **8,554,074** | **124,066,761** | **(41,916,477)** | **(58,431,026)** | **(60,272,352)** |

**Bank**

| 31 December 2017 | Interest Bearing | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- Interest bearing | Total |
| ***In thousands of Naira*** | | | | | | | |
| **Financial assets** | | | | | | | |
| ***Non derivative assets*** | | | | | | | |
| Cash and balances with central banks | 7,505,548 | - | - | - | - | 291,889,919 | 299,395,467 |
| Financial assets at FVTPL | 1,737,465 | 14,009,786 | 21,967,364 | 101,480 | 517,014 | - | 38,333,109 |
| Assets pledged as collateral | 9,771,972 | 13,826,463 | 13,788,240 | 45,637,105 | 33,334,112 | - | 116,357,892 |
| Loans to banks | 47,009,279 | 1,656,950 | - | - | - | 28,944,501 | 77,610,730 |
| Loans and advances to customers | 70,338,378 | 77,317,321 | 91,918,877 | 209,278,633 | 306,634,849 | - | 755,488,058 |
| Investments securities | 22,569,849 | 25,964,977 | 143,444,758 | 12,162,767 | 13,814,099 | 5,825,144 | 223,781,594 |
| Other assets | - | - | - | - | - | 88,021,390 | 88,021,390 |
| **Total non derivative assets** | **158,932,491** | **132,775,497** | **271,119,239** | **267,179,985** | **354,300,074** | **414,680,954** | **1,598,988,240** |
| Derivative assets | - | - | - | - | - | 1,318,528 | 1,318,528 |
| **Total financial assets** | **158,932,491** | **132,775,497** | **271,119,239** | **267,179,985** | **354,300,074** | **415,999,482** | 1,600,306,768 |
| **Financial liabilities** | | | | | | | |
| ***Non derivative liabilities*** | | | | | | | |
| Deposits from banks | 14,938,785 | - | - | - | - | 10,922,324 | 25,861,109 |
| Deposits from customers | 184,582,134 | 185,355,051 | 51,010,990 | 3,021,108 | 240,240,718 | 500,516,772 | 1,164,726,773 |
| Borrowings | 2,578,803 | 66,612,010 | 10,267,670 | 67,535,545 | 22,686,142 | - | 169,680,170 |
| Other liabilities | - | - | - | - | - | 44,449,081 | 44,449,081 |
| Long term debt | - | 329,625 | 81,481 | 70,104,122 | - | - | 70,515,228 |
| **Total non derivative liabilities** | **202,099,722** | **252,296,686** | **61,360,141** | **140,660,775** | **262,926,860** | **555,888,177** | **1,475,232,361** |
| Derivative liabilities | - | - | - | - | - | 740,724 | 740,724 |
| **Total financial liabilities** | **202,099,722** | **252,296,686** | **61,360,141** | **140,660,775** | **262,926,860** | **556,628,901** | **1,475,973,085** |
| **Total interest rate gap** | **(43,167,231)** | **(119,521,189)** | **209,759,098** | **126,519,210** | **91,373,214** | **(140,629,419)** | **124,333,683** |

### 3.4.7 Interest rate sensitivity analysis

The table below sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel falls in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Bank to mitigate interest rate risk. In practice, ALCO seeks proactively to change the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges, and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

**Group**

**Interest sensitivity analysis - 31 December 2018**
**Impact of 100 basis points changes in rates over a one year period (N'000) on profit or loss and equity**

| Time Band | Size of Gap | 100 basis points decline in rates | 100 basis points increase in rates |
|---|---|---|---|
| <1 month | (90,302,703) | 865,401 | (865,401) |
| 1-3 months | (23,118,034) | 192,650 | (192,650) |
| 3-12 months | 12,237,848 | (45,892) | 45,892 |
| | **(101,182,889)** | **1,012,159** | **(1,012,159)** |

**Interest sensitivity analysis - 31 December 2017**
**Impact of 100 basis points changes in rates over a one year period (N'000) on profit or loss and equity**

| Time Band | Size of Gap | 100 basis points decline in rates | 100 basis points increase in rates |
|---|---|---|---|
| <1 month | (65,135,830) | 624,218 | (624,218) |
| 1-3 months | (119,855,613) | 998,797 | (998,797) |
| 3-12 months | 211,770,965 | (794,141) | 794,141 |
| | **26,779,522** | **828,874** | **(828,874)** |

**Bank**

**Interest sensitivity analysis - 31 December 20187**
**Impact of 100 basis points changes in rates over a one year period (N'000) on profit or loss and equity**

| Time Band | Size of Gap | 100 basis points decline in rates | 100 basis points increase in rates |
|---|---|---|---|
| <1 month | (52,081,177) | 499,111 | (499,111) |
| 1-3 months | (40,464,507) | 337,204 | (337,204) |
| 3-12 months | 8,554,074 | (32,078) | 32,078 |
| | **(83,991,610)** | **804,237** | **(804,237)** |

**Interest sensitivity analysis -31 December 2017**
**Impact of 100 basis points changes in rates over a one year period (N'000) on profit or loss and equity**

| Time Band | Size of Gap | 100 basis points decline in rates | 100 basis points increase in rates |
|---|---|---|---|
| <1 month | (43,167,231) | 413,687 | (413,687) |
| 1-3 months | (119,521,189) | 996,010 | (996,010) |
| 3-12 months | 209,759,098 | (786,597) | 786,597 |
| | **47,070,678** | **623,100** | **(623,100)** |

Interest rate movements affect reported equity in the following ways:

- Retained earnings - increases or decreases in net interest income and fair values of derivatives reported in profit or loss
- Fair value reserves - incease or decreases in fair values of FVOCI financial instruments reported directly in equity.

The table below sets out information on the exposure to fixed and variable interest instruments.

**Group**
**Exposure to fixed and variable interest rate risk**
**31 December 2018**

| **Assets** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| *In thousands of naira* | | | |
| Cash and balances with central banks | - | - | - |
| Financial assets at FVTPL | 10,673,463 | - | 10,673,463 |
| Assets pledged as collateral | 115,749,468 | - | 115,749,468 |
| Loans to banks | - | - | - |
| Loans and advances to customers | 486,023,517 | 81,873,441 | 567,896,958 |
| Investments securities | 149,027,475 | - | 149,027,475 |
| | **761,473,923** | **81,873,441** | **843,347,364** |

| **Liabilities** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| Deposits from banks | 42,370,002 | - | 42,370,002 |
| Deposits from customers | 660,520,174 | - | 660,520,174 |
| Borrowings | 121,876,210 | - | 121,876,210 |
| Long term debt | 18,548,901 | 36,452,651 | 55,001,552 |
| | **843,315,287** | **36,452,651** | **879,767,938** |

**31 December 2017**

| **Assets** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| *In thousands of naira* | | | |
| Cash and balances with central banks | 7,505,548 | - | 7,505,548 |
| Financial assets at FVTPL | 38,333,109 | - | 38,333,109 |
| Assets pledged as collateral | 95,488,267 | - | 38,333,109 |
| Loans to banks | 10,642,229 | - | 10,642,229 |
| Loans and advances to customers | 650,999,498 | 104,503,664 | 755,503,162 |
| Investments securities | 218,196,668 | - | 218,196,668 |
| | **1,021,165,319** | **104,503,664** | **1,068,513,825** |

| **Liabilities** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| Deposits from banks | 36,585 | - | 36,585 |
| Deposits from customers | 663,138,682 | - | 663,138,682 |
| Borrowings | 98,487,933 | 62,809,279 | 161,297,212 |
| Long term debt | 16,867,083 | 53,648,145 | 70,515,228 |
| | **778,530,283** | **116,457,424** | **894,987,707** |

**Bank**
**Exposure to fixed and variable interest rate risk**
**31 December 2018**

| **Assets** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| *In thousands of naira* | | | |
| Cash and balances with central banks | - | - | - |
| Financial assets at FVTPL | 10,673,463 | - | 10,673,463 |
| Assets pledged as collateral | 136,643,315 | - | 136,643,315 |
| Loans to banks | 42,851,201 | - | 42,851,201 |
| Loans and advances to customers | 486,007,950 | 81,873,441 | 567,881,391 |
| Investments securities | 148,957,436 | - | 148,957,436 |
| | **825,133,365** | **81,873,441** | **907,006,806** |

| **Liabilities** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| Deposits from banks | 58,758,102 | - | 58,758,102 |
| Deposits from customers | 664,308,420 | - | 664,308,420 |
| Borrowings | 130,780,058 | - | 130,780,058 |
| Long term debt | 18,548,901 | 36,452,651 | 55,001,552 |
| | **872,395,481** | **36,452,651** | **908,848,132** |

**31 December 2017**

| **Assets** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| *In thousands of naira* | | | |
| Cash and balances with central banks | 7,505,548 | - | 7,505,548 |
| Financial assets at FVTPL | 38,333,109 | - | 38,333,109 |
| Assets pledged as collateral | 116,357,892 | - | 116,357,892 |
| Loans to banks | 48,666,229 | - | 48,666,229 |
| Loans and advances to customers | 650,984,394 | 104,503,664 | 755,488,058 |
| Investments securities | 217,956,450 | - | 217,956,450 |
| | **1,079,803,622** | **104,503,664** | **1,184,307,286** |

| **Liabilities** | **Fixed** | **Floating** | **Total** |
|---|---|---|---|
| Deposits from banks | 14,938,785 | - | 14,938,785 |
| Deposits from customers | 664,210,001 | - | 664,210,001 |
| Borrowings | 106,870,891 | 62,809,279 | 169,680,170 |
| Long term debt | 16,867,083 | 53,648,145 | 70,515,228 |
| | **802,886,760** | **116,457,424** | **919,344,184** |

### 3.4.8 Price sensitivity analysis on bonds and treasury bills

The table below shows the impact of likely movement in yields on the value of bonds and treasury bills. This relates to the positions of financial instruments measured at FVPTL and FVOCI. Since an increase in yields would lead to decline in market values of bonds and treasury bills, the analysis was carried out to show the likely impact of 100 basis points increase/(decrease) in market yields. The impact of financial instruments measured at FVTPL is on the income statement while the impact of financial instruments measured at FVOCI is on the statement of other comprehensive income.

**GROUP**

| **31 December 2018** | **Carrying Value** | **Impact of 100 basis points decrease in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| Financial assets at FVTPL | 10,673,463 | 52,066 | (52,147) |
| Financial assets at FVOCI | 33,408,310 | 101,440 | (101,440) |
| **Total** | **44,081,773** | **153,506** | **(153,587)** |

| **31 December 2017** | **Carrying Value** | **Impact of 100 basis points decrease in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| ***In thousands of naira*** | | | |
| Financial assets at FVTPL | 38,333,109 | 172,275 | (170,438) |
| Financial assets at FVOCI | 142,454,228 | 897,150 | (924,392) |
| **Total** | **180,787,337** | **1,069,425** | **(1,094,830)** |

**BANK**

| **31 December 2018** | **Carrying Value** | **Impact of 100 basis points decrease in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| ***In thousands of naira*** | | | |
| Financial assets at FVTPL | 10,673,463 | 52,066 | (52,147) |
| Financial assets at FVOCI | 33,408,310 | 101,440 | (101,440) |
| **Total** | **44,081,773** | **153,506** | **(153,587)** |

| **31 December 2017** | **Carrying Value** | **Impact of 100 basis points decrease in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| ***In thousands of naira*** | | | |
| Financial assets at FVTPL | 38,333,109 | 172,275 | (170,438) |
| Financial assets at FVOCI | 142,214,010 | 896,556 | (924,392) |
| **Total** | **180,547,119** | **1,068,831** | **(1,094,830)** |

## 3.5 Fair value of financial assets and liabilities

### (a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect 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. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs), This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

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

**Group**

***In thousands of naira***

| **31 December 2018** | **Note** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Derivative assets | 20 | - | 388,755 | - | 388,755 |
| Financial assets at FVTPL | 19 | | | | |
| - Debt securities | | 10,673,463 | - | - | 10,673,463 |
| Financial assets at FVOCI | 24 | | | | |
| - Investment securities - debt | | 33,408,310 | - | - | 33,408,310 |
| - Investment securities - unlisted equities | | - | - | 5,483,528 | 5,483,528 |
| **Total assets** | | **44,081,773** | **388,755** | **5,483,528** | **49,954,056** |
| **Financial Liabilities** | | | | | |
| Derivative liability | 34 | - | 6,375 | - | 6,375 |
| **Total liabilities** | | **-** | **6,375** | **-** | **6,375** |

**31 December 2017**
***In thousands of naira***

| | **Note** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Derivative assets | 20 | - | 1,318,528 | - | 1,318,528 |
| Financial assets at FVTPL | 19 | | | | |
| - Debt securities | | 38,333,109 | - | - | 38,333,109 |
| Financial assets at FVOCI | 24 | | | | |
| - Investment securities - debt | | 142,454,228 | - | - | 142,454,228 |
| - Investment securities - unlisted equities | | - | - | 5,675,283 | 5,675,283 |
| | | **180,787,337** | **1,318,528** | **5,675,283** | **187,781,148** |
| **Financial liabilities** | | | | | |
| Derivative liability | 34 | - | 740,724 | - | 740,724 |
| **Total liabilities** | | **-** | **740,724** | **-** | **740,724** |

**Bank**

*In thousands of naira*

| 31 December 2018 | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Derivative assets | 20 | - | 388,755 | - | 388,755 |
| Financial assets FVTPL | 19 | | | | |
| - Debt securities | | 10,673,463 | - | - | 10,673,463 |
| Financial assets FVOCI | 24 | | | | |
| - Investment securities - debt | | 33,408,310 | - | - | 33,408,310 |
| - Investment securities - unlisted equities | | - | - | 5,483,528 | 5,483,528 |
| **Total assets** | | **44,081,773** | **388,755** | **5,483,528** | **49,954,056** |
| **Financial Liabilities** | | | | | |
| Derivative liability | 34 | - | 6,375 | - | 6,375 |
| **Total liabilities** | | **-** | **6,375** | **-** | **6,375** |

**31 December 2017**
*In thousands of naira*

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Derivative assets | 20 | - | 1,318,528 | - | 1,318,528 |
| Financial assets FVTPL | 19 | | | | |
| - Debt securities | | 38,333,109 | - | - | 38,333,109 |
| Financial assets FVOCI | 24 | | | | |
| - Investment securities - debt | | 142,214,010 | - | - | 142,214,010 |
| - Investment securities - unlisted equities | | - | - | 5,675,283 | 5,675,283 |
| | | **180,547,119** | **1,318,528** | **5,675,283** | **187,540,930** |
| **Financial liabilities** | | | | | |
| Derivative liability | 34 | - | 740,724 | - | 740,724 |
| **Total liabilities** | | - | 740,724 | - | 740,724 |

**Reconciliation of items in level 3**

| *In thousands of Naira* | Group | | Bank | |
|---|---|---|---|---|
| | **31 Dec 2018** | **31 Dec 2017** | **31 Dec 2018** | **31 Dec 2017** |
| Opening balance | 5,675,283 | 5,659,342 | 5,675,283 | 5,659,342 |
| Fair value gain in OCI | (191,755) | 15,941 | (191,755) | 15,941 |
| Closing balance | **5,483,528** | **5,675,283** | **5,483,528** | **5,675,283** |

**(b) Fair valuation methods and assumptions**

| | Methodology | Key assumptions |
|---|---|---|
| **Trading securities**<br>Treasury bills and Government Bonds | For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. This includes quoted debt instruments on major exchanges (for example NSE) and broker quotes from the Nigerian Financial Markets Dealer Association. These are classified as Level 1 of the fair value hierachy. | The prices quoted on the major exchanges are representative of an active market and represent actual and regularly occurring market transactions on an arm's length basis. |
| **Investment securities** | Investment securities measured at fair value through other comprehensive income (FVOCI) are measured at fair value using the following methods: | |
| Treasury bills and Government Bonds | For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. This includes quoted debt instruments on major exchanges (for example NSE) and broker quotes from the Nigerian Financial Markets Dealer Association. These are classified as Level 1 of the fair value hierachy. | |
| Unquoted Equities - FVOCI | For equity investments in funds, the fair value is based on the Bank's share of the Fund's fair value, as advised by the Fund manager. | |
| **Derivative liability**<br>OTC futures contracts | For the CBN OTC futures contracts, the fair value is estimated from the strike price and the estimated foreign exchange rate as at maturity date. | The strike price were obtained from the contract. The Group performed linear interpolation of the NAFEX rate to obtain the estimated foreign exchange rate at maturity |
| Option (Equity) | The Group estimated forward interest rate curves from a zero rate curve obtained by linear interpolation of zero rates.<br><br>The Group estimated all coupons using forecasted forward interest rates and discounted all cash flows using credit-adjusted discount factors curve to obtain the value of the loan | The stock price is assumed to follow a random walk i.e. in each step it is assumed there is a constant probability of moving up by a fixed percentage and a constant probability of moving down by a fixed percentage |
| **Derivative liability (cont'd)**<br>Option (Equity) (contd.) | The convertible value was estimated using an adapted methodology from Bardhan, Bergier, Derman, Dosembet and Kani (1994) in which the discounting rate is a function of variable conversion probability<br><br>The Group modeled the evolution of the stock price using a binomial stock price tree<br><br>The Group estimated stock price volatility by analyzing historical stock price volatility with one year rolling volatility and six month rolling volatility and applied expert judgement to determine an appropriate forward looking volatility estimate to adopt for the valuation date. Expert judgement was required because of the lack of options market (ETO or OTC) and therefore the inability to back-solve implied volatilities for the respective maturities and money-ness | Interest rates are modelled using deterministic models from observable market data<br><br>The option value is found by working through the binomial tree. At nodes with conversion option, the option value is the maximum of the conversion value and probability-weighted discounted option value |

Other unlisted equity investments relate to Tinapa Resorts Limited and ATM consortium which have nil carrying amounts. These investments have been measured at cost less impairment because there is no available financial and operational information hence their fair values cannot be reliably measured. The instruments were fully impaired based on the evidence that there is no estimated future cash flow from these instruments and also because the cost of the investment in the equity instrument may not be recovered.

**(c) Financial instruments not measured at fair value**

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

***Group***

| *In thousands of Naira* | 31 December 2018 | | | | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Carrying value** | **Level 1** | **Level 2** | **Level 3** | **Fair value** | **Carrying value** | **Level 1** | **Level 2** | **Level 3** | **Fair value** |
| **Financial assets** | | | | | | | | | | |
| Cash and balances with central banks | 302,374,354 | - | 302,374,354 | - | 302,374,354 | 299,397,460 | - | 299,397,460 | - | 299,397,460 |
| - Cash in hand | 43,909,243 | - | 43,909,243 | - | 43,909,243 | 41,600,417 | - | 41,600,417 | - | 41,600,417 |
| - Balances with central banks other than mandatory reserve deposits | 9,995,156 | - | 9,995,156 | - | 9,995,156 | 31,749,188 | - | 31,749,188 | - | 31,749,188 |
| - Mandatory reserve deposits with central banks | 248,469,955 | - | 248,469,955 | - | 248,469,955 | 226,047,855 | - | 226,047,855 | - | 226,047,855 |
| Loans to banks | 75,890,685 | - | 75,890,685 | - | 75,890,685 | 59,668,773 | - | 59,668,773 | - | 59,668,773 |
| - Current balances with banks within Nigeria | 37,946,938 | - | 37,946,938 | - | 37,946,938 | 24,513,272 | - | 24,513,272 | - | 24,513,272 |
| - Currrent balances with banks outside Nigeria | 37,943,747 | - | 37,943,747 | - | 37,943,747 | 24,513,272 | - | 24,513,272 | - | 24,513,272 |
| - Placements with banks and discount houses | - | - | - | - | - | 10,642,229 | - | 10,642,229 | - | 10,642,229 |
| Loans and advances to customers | 567,896,958 | - | 567,896,958 | - | 567,896,958 | 755,503,162 | 80,639,896 | 755,503,162 | - | 755,503,162 |
| - Overdrafts | 95,577,865 | - | 95,577,865 | - | 95,577,865 | 74,340,760 | - | 74,340,760 | - | 74,340,760 |
| - Term loans | 464,746,808 | - | 464,746,808 | - | 464,746,808 | 673,149,929 | - | 673,149,929 | - | 673,149,929 |
| - Staff loans | 4,607,313 | - | 4,607,313 | - | 4,607,313 | 4,862,905 | - | 4,862,905 | - | 4,862,905 |
| - Advances under finance lease | 2,964,972 | - | 2,964,972 | - | 2,964,972 | 3,149,568 | - | 3,149,568 | - | 3,149,568 |
| Asset pledged as collateral | 119,029,468 | 109,658,904 | 4,527,952 | - | 114,186,856 | 95,488,267 | 90,113,032 | 1,067,781 | - | 91,180,813 |
| Other assets | 20,969,590 | - | 20,969,590 | - | 20,969,590 | 88,103,182 | - | 88,103,182 | - | 88,103,182 |
| Investment securities | 115,812,498 | 110,263,038 | - | 193,332 | 110,456,370 | 75,892,301 | 74,939,937 | - | 149,861 | 75,089,798 |
| - Measured at amortised cost | 115,619,166 | 110,263,038 | - | - | 110,263,038 | 75,742,440 | 74,939,937 | - | - | 74,939,937 |
| - Measured at FVOCI | | | | | | | | | | |
| -unlisted equities | 193,332 | - | - | 193,332 | 193,332 | 149,861 | - | - | 149,861 | 149,861 |
| **Total financial assets** | 1,201,973,553 | 219,921,942 | 971,659,539 | 193,332 | 1,191,774,813 | 1,374,053,145 | 245,692,865 | 1,203,740,358 | 149,861 | 1,368,943,188 |
| **Financial liabilities** | | | | | | | | | | |
| Deposits from banks | 48,765,050 | - | 48,765,050 | - | 48,765,050 | 10,958,909 | - | 10,958,909 | - | 10,958,909 |
| - Items in the course of collection | 6,395,048 | - | 6,395,048 | - | 6,395,048 | 10,922,324 | - | 10,922,324 | - | 10,922,324 |
| - Interbank takings | 42,370,002 | - | 42,370,002 | - | 42,370,002 | 36,585 | - | 36,585 | - | 36,585 |
| Deposits from customers | 1,043,976,729 | - | 1,043,976,729 | - | 1,043,976,729 | 1,161,594,129 | - | 1,161,594,129 | - | 1,161,594,129 |
| - Current | 383,394,670 | - | 383,394,670 | - | 383,394,670 | 498,455,447 | - | 498,455,447 | - | 498,455,447 |
| - Savings | 463,521,770 | - | 463,521,770 | - | 463,521,770 | 400,382,385 | - | 400,382,385 | - | 400,382,385 |
| - Term | 197,060,289 | - | 197,060,289 | - | 197,060,289 | 262,756,297 | - | 262,756,297 | - | 262,756,297 |
| Other liabilities | 40,440,518 | - | 40,440,518 | - | 40,440,518 | 44,460,729 | - | 40,440,518 | - | 40,440,518 |
| Long term debt | 55,001,552 | - | 55,001,552 | - | 55,001,552 | 70,515,228 | - | 70,515,228 | - | 70,515,228 |
| Borrowings | 121,876,210 | - | 121,876,210 | - | 121,876,210 | 161,297,212 | - | 161,297,212 | - | 161,297,212 |
| **Total financial liabilities** | 1,310,060,059 | - | 1,310,060,059 | - | 1,310,060,059 | 1,444,805,996 | 44,460,729 | 1,444,805,996 | - | 1,404,365,478 |
| **Off-balance sheet financial instruments** | 87,656,165 | - | 87,656,165 | - | 87,656,165 | 43,257,262 | - | 43,257,262 | - | 43,257,262 |
| Performance bonds and guarantees | 52,096,012 | - | 52,096,012 | - | 52,096,012 | 22,038,160 | - | 22,038,160 | - | 22,038,160 |
| Unconfirmed and unfunded Letters of Credit | 35,560,153 | - | 35,560,153 | - | 35,560,153 | 21,219,102 | - | 21,219,102 | - | 21,219,102 |

***Bank***
***In thousands of Naira***

| | 31 December 2018 | | | | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Carrying value** | **Level 1** | **Level 2** | **Level 3** | **Fair value** | **Carrying value** | **Level 1** | **Level 2** | **Level 3** | **Fair value** |
| **Financial assets** | | | | | | | | | | |
| Cash and balances with central banks | 302,370,585 | - | 302,370,585 | - | 302,370,585 | 299,395,467 | - | 299,395,467 | - | 299,395,467 |
| - Cash in hand | 43,905,474 | - | 43,905,474 | - | 43,905,474 | 41,598,424 | - | 41,598,424 | - | 41,598,424 |
| - Balances with central banks other than mandatory reserve deposits | 9,995,156 | - | 9,995,156 | - | 9,995,156 | 31,749,188 | - | 31,749,188 | - | 31,749,188 |
| - Mandatory reserve deposits with central banks | 248,469,955 | - | 248,469,955 | - | 248,469,955 | 226,047,855 | - | 226,047,855 | - | 226,047,855 |
| Loans to banks | 121,306,307 | - | 121,306,307 | - | 121,306,307 | 106,555,231 | - | 106,555,231 | - | 106,555,231 |
| - Current balances with banks within Nigeria | 39,227,553 | - | 39,227,553 | - | 39,227,553 | 28,944,501 | - | 28,944,501 | - | 28,944,501 |
| - Currrent balances with banks outside Nigeria | 39,224,218 | - | 39,224,218 | - | 39,224,218 | 28,944,501 | - | 28,944,501 | - | 28,944,501 |
| - Placements with banks and discount houses | 42,854,536 | - | 42,854,536 | - | 42,854,536 | 48,666,229 | - | 48,666,229 | - | 48,666,229 |
| Loans and advances to customers | 567,881,391 | - | 567,881,391 | - | 567,881,391 | 755,488,058 | - | 755,488,058 | - | 755,488,058 |
| - Overdrafts | 95,577,865 | - | 95,577,865 | - | 95,577,865 | 74,340,760 | - | 74,340,760 | - | 74,340,760 |
| - Term loans | 464,746,808 | - | 464,746,808 | - | 464,746,808 | 673,149,929 | - | 673,149,929 | - | 673,149,929 |
| - Staff loans | 4,591,746 | - | 4,591,746 | - | 4,591,746 | 4,847,801 | - | 4,847,801 | - | 4,847,801 |
| - Advances under finance lease | 2,964,972 | - | 2,964,972 | - | 2,964,972 | 3,149,568 | - | 3,149,568 | - | 3,149,568 |
| Asset pledged as collateral | 139,923,315 | 109,658,904 | 25,421,799 | - | 135,080,703 | 116,357,892 | 90,113,032 | 21,937,406 | - | 112,050,438 |
| Other assets | 20,916,925 | - | 20,916,925 | - | 20,916,925 | 88,021,390 | - | 88,021,390 | - | 88,021,390 |
| Investment securities | 115,742,459 | 110,192,999 | - | 193,332 | 110,386,331 | 75,892,301 | 74,939,937 | 149,861 | - | 75,089,798 |
| - Measured at amortised cost | 115,549,127 | 110,192,999 | - | - | 110,192,999 | 75,742,440 | 74,939,937 | - | - | 74,939,937 |
| - Measured at FVOCI | | | | | | | | | | |
| -unlisted equities | 193,332 | - | - | 193,332 | 193,332 | 149,861 | - | 149,861 | - | 149,861 |
| **Total financial assets** | **1,268,140,982** | **219,851,903** | **1,037,897,007** | **193,332** | **1,257,942,242** | **1,441,710,339** | **165,052,969** | **1,271,547,413** | **-** | **1,436,600,382** |
| **Financial liabilities** | | | | | | | | | | |
| Deposits from banks | 65,153,150 | - | 65,153,150 | - | 65,153,150 | 25,861,109 | - | 25,861,109 | - | 25,861,109 |
| - Items in the course of collection | 6,395,048 | - | 6,395,048 | - | 6,395,048 | 10,922,324 | - | 10,922,324 | - | 10,922,324 |
| - Interbank takings | 58,758,102 | - | 58,758,102 | - | 58,758,102 | 14,938,785 | - | 14,938,785 | - | 14,938,785 |
| Deposits from customers | 1,047,764,975 | - | 1,047,764,975 | - | 1,047,764,975 | 1,164,726,773 | - | 1,164,726,773 | - | 1,164,726,773 |
| - Current | 383,456,556 | - | 383,456,556 | - | 383,456,556 | 500,516,772 | - | 500,516,772 | - | 500,516,772 |
| - Savings | 463,521,770 | - | 463,521,770 | - | 463,521,770 | 400,382,385 | - | 400,382,385 | - | 400,382,385 |
| - Term | 200,786,649 | - | 200,786,649 | - | 200,786,649 | 263,827,616 | - | 263,827,616 | - | 263,827,616 |
| Other liabilities | 40,433,727 | - | 40,433,727 | - | 40,433,727 | 44,449,077 | - | 44,449,077 | - | 44,449,077 |
| Long term debt | 55,001,552 | - | 55,001,552 | - | 55,001,552 | 70,515,228 | - | 70,515,228 | - | 70,515,228 |
| Borrowings | 130,780,058 | - | 130,780,058 | - | 130,780,058 | 169,680,170 | - | 169,680,170 | - | 169,680,170 |
| **Total financial liabilities** | **1,339,133,462** | **-** | **1,339,133,462** | **-** | **1,339,133,462** | **1,475,232,357** | **-** | **1,475,232,357** | **-** | **1,475,232,357** |
| **Off-balance sheet financial instruments** | **87,656,165** | **-** | **87,656,165** | **-** | **87,656,165** | **43,257,262** | **-** | **43,257,262** | **-** | **43,257,262** |
| Performance bonds and guarantees | 52,096,012 | - | 52,096,012 | - | 52,096,012 | 22,038,160 | - | 22,038,160 | - | 22,038,160 |
| Unconfirmed and unfunded Letters of Credit | 35,560,153 | - | 35,560,153 | - | 35,560,153 | 21,219,102 | - | 21,219,102 | - | 21,219,102 |

**3.5 Fair value of financial assets and liabilities (cont'd)**

(i) Cash and balances with central banks include cash and restricted and non - restricted deposits with Central Bank of Nigeria.The carrying amount of balances with other banks is a reasonable approximation of fair value which is the amount receivable on demand.

(ii) Loans to banks includes balances with other banks within and outside Nigeria and short term placements.
- The carrying amount of balances with other banks is a reasonable approximation of fair value which is the amount receivable on demand.
- The estimated fair value of fixed interest bearing placement is based on discounted cash flows using prevailing money-market interest rates for the debts. The carrying amount represents the fair value which is receivable on maturity.

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

(iv) Deposits from banks and customers
- The estimated fair value of deposits, with no stated maturity, is the amount repayable on demand.
- The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Carrying amounts of all other financial assets and liabilities are reasonable approximation of their fair values which are payable on demand.

(vi) Off-balance sheet financial instruments
The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

### 3.6 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(a) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;

(b) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and;

(c) To maintain a strong capital base to support the development of its business.

Diamond Bank maintains capital as a cushion towards the risk of loss in value of exposure, businesses, etc., to protect the interest of stake holders, more particularly, depositors. The Bank has a comprehensive system in place for assessing capital requirements based on current and future business activities and monitoring same on an ongoing basis. Beyond supervisory concern and disclosure issues, the Bank considers that capital availability is the central theme in the whole process, thus its computation is applied to policy, strategy and business level composition. The adoption of IFRS 9 with effect from January 2018 impacted the capital adequacy ratio (CAR) due to the resultant additional impairment charge. The impact is however moderated with the introduction of a relieve-based Transitional Arrangements for treatment of expected credit loss by the Central Bank. This is meant to spread the IFRS 9 Impact over a four (4) years period ending 31 December 2020. However, the impact resulted in the reduction of the CAR below the Regulatory limit of 15%.

In line with Central Bank of Nigeria guidelines, the bank has adopted the following approaches for implementation of Basel II Capital Adequacy Framework:

1. The Bank has adopted Standardized Approach for credit risk. Under this approach, the Bank applies the risk weights issued by the CBN for the various categories of exposures.
2. The market risk capital charge arises from interest rate risk in the trading book and foreign exchange risk. The Bank has adopted the standardized approach for the computation of Market Risk capital charge.
3. The Bank adopted the Basic Indicator Approach for determining capital charge for operational risk. This was estimated as 15% of average gross annual income for the previous three financial years.

The Bank undertakes the Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis in line with the extant guidelines of CBN. The ICAAP details the capital planning process and carries out an assessment covering risk measurement, monitoring, controls, reporting and stress testing of balance sheet for all risks.

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N50 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 15%. In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Nigeria are directly regulated and supervised by their local banking supervisor, which may differ from country to country.

The Group's regulatory capital as managed by its Financial Control and Treasury units is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and deferred tax is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: preference shares, qualifying debt stock, fair value reserves, fixed assets revaluation reserves, foreign currency revaluation reserves, hybrid instruments, convertible bonds and subordinated debts with original tenor of 5 years and above.

Investments in unconsolidated subsidiaries are split equally and deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

**Credit risk exposures**

Credit risk expsoure comprises on-balance sheet, off balance sheet and regulatory risk exposures and is calculated by applying the required regulatory risk weighting adjustment on the on-balance sheet and off-balance sheet exposures. The regulatory risk reserve is deducted from the sum of the risk-adjusted on-balance sheet and off-balance sheet exposures to arrive at the total on balance sheet and off balance sheet exposures for the purpose of capital adequacy computation.

**Operational risk exposure**

The Group determines its operational risk exposure using the basic indicator approach. The basic indicator approach for operational risk entails holding capital for operational risk equal to a 3-year average of a fixed percentage of gross annual operating income. The Group adopts a fixed percentage of 15 in calculating its operational risk exposure.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2018 and 31 December 2017. During those years, the Bank complied with the externally imposed capital requirements.

**Basel II Basis**

| *In thousands of naira* | | 31 December 2018 | Adjusted impact of IFRS 9 transition on 31 December 2018 | 31 December 2017 |
|---|---|---|---|---|
| **Tier 1 capital** | | | | |
| Share capital | 38 | 11,580,195 | 11,580,195 | 11,580,195 |
| Share premium | 39 | 134,532,974 | 134,532,974 | 134,532,974 |
| Statutory reserves | 39 | 24,526,456 | 24,526,456 | 23,423,258 |
| SMEIS reserve | 39 | 3,966,628 | 3,966,628 | 3,966,628 |
| Retained earnings | 39 | (148,332,792) | (148,332,792) | 5,139,548 |
| IFRS 9 transition adjustment | | - | 95,834,277 | - |
| **Total qualifying Tier 1 Capital** | | 26,273,461 | 122,107,738 | 178,642,603 |
| Less: Deferred tax, intangible assets and goodwill | 30,29 | (8,064,758) | (8,064,758) | (8,820,765) |
| Less: Investment in subsidiaries | | (1,000,000) | (1,000,000) | (1,000,000) |
| Less: Unsecured Lending to Subsidiary | | - | - | - |
| **Total qualifying Tier 1 capital** | | **17,208,703** | **113,042,980** | **168,821,838** |
| **Tier 2 capital** | | | | |
| Fair value reserve | 39 | 2,126,087 | 2,126,087 | 3,858,800 |
| Foreign currency translation reserve | 39 | | | |
| Subordinated debt | | 7,283,600 | 7,283,600 | 22,139,551 |
| Less: Investment in subsidiaries | | (1,000,000) | (1,000,000) | (1,000,000) |
| Less: Unsecured Lending to Subsidiary | | - | - | - |
| **Less: Unsecured Lending to Subsidiary** | | | | |
| **Total qualifying Tier 2 capital** | | **8,409,687** | **8,409,687** | **24,998,351** |
| **Total regulatory capital** | | **25,618,390** | **121,452,667** | **193,820,189** |
| Risk-weighted assets: | | | | |
| Credit Risk | | | | |
| On-balance sheet | | 690,995,213 | 690,995,213 | 876,982,889 |
| Off-balance sheet | | 45,198,908 | 45,198,908 | 24,254,986 |
| Regulatory risk reserves | | - | - | (31,062,558) |
| **Total on balance sheet assets and off balance sheet exposures** | | **736,194,121** | **736,194,121** | **870,175,317** |
| Operational risk exposures | | 258,827,202 | 258,827,202 | 273,002,992 |
| Market risk exposures | | 24,545,055 | 24,545,055 | 14,304,221 |
| **Total risk-weighted assets** | | **1,019,566,378** | **1,019,566,378** | **1,157,482,530** |
| **Risk-weighted Capital Adequacy Ratio (CAR)** | | 2.51% | 11.91% | 16.74% |

**Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk arise from the execution of an organization's business functions.

Operational risk is the risk that occurs as a result of doing business and includes: technology failures, breaches in internal controls, frauds, unforeseen catastrophes, or other operational problems which may result in unexpected losses.

Operational risks exist in all products and business activities.

Business units and support functions in the Bank have primary responsibility and accountability for the management of operational risks in their units. The various units and functions are supported by an Operational Risk Management Unit which reports to the Group Risk Management Committee through the Head of Risk Management and Control, while Corporate Audit Group performs an independent assessment of the implementation of the Bank's operational risk management framework.

**Strategy Risk**

Strategy risk is the risk of current or prospective impact on the Group’s earnings, capital, reputation or standing arising from the changes in the operating environment and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic or technological changes. It is a function of the compatibility of the Group’s strategic goals, strategies developed to achieve these goals, the resources deployed to meet these goals, and the quality of the implementation of the strategic plan.

The Group strategic risk management focus is to proactively identify, understand, promptly analyse and appropriately manage strategic risks that could affect the achievement of the Group’s strategic intent. In the process the Group:

(a) Ensures that exposures reflect strategic goals that are not overly aggressive and are also compatible with developed business strategies.

(b) Avoids products, markets and business for which it cannot objectively measure and manage their associated risk; and

(c) Strives to maintain a balance between risk/opportunities and revenue consideration within the Group’s risk appetite. Thus, risk- related issues are considered in all business decisions.

The Board of directors has the ultimate responsibility for establishing and approving the Group’s strategy in an integrated manner that aligns strategies, goals, tactics and resources. The Board members participate in the Bank’s Annual Strategy Session towards the review of the Strategic Plan. When approved, such plans are cascaded to the various business units/subsidiaries for creating business unit/subsidiary plans and budgets. It is the responsibilities of the Executive Management Committee to assist the Board in developing and formulating strategies to meet the Group's strategic goals and objectives, and ensuring adequate implementation of the Group’s strategic plan as approved by the Board.

The Group Risk Management Committee is responsible for establishing a suitable reporting system which will ensure timely monitoring of strategic risk exposures, and undertaking measures for the elimination of any possible problems pertaining to internal and external factors. The strategic planning group has the primary responsibility for supporting the Board and Senior Management in managing the Group’s strategic risk and facilitating change in corporate strategic plan that contribute to the Group’s organizational development and continuous improvement.

## 4 Critical accounting judgements in applying the Group's accounting policies

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively

### (a) Impairment losses on loans and advances

### (i) Determination of default prior to the measurement of expected credit loss

The Group considers an objective evidence of default for the purpose of determining its stage classification of impairment. It considers all default event terms no matter if it is obligatory or facultative to constitute objective evidence of impairment in accordance to IFRS 9.

All financial assets with objective evidence of impairment will be further referred to as defaulted (or in default status). Exposure is considered defaulted, if the obligatory payments on the exposure have been passed due for at least 90 days.

An exposure is considered to be individually significant if the total amount exceeds a significance threshold expressed in percentage as of reporting date. Significance thresholds are established and reviewed at regular intervals. Significant threshold can be determined separately for each risk portfolio or for groups of porfolios. However exposures considered by the Group as having specific risk, are deemed as individually significant exposures and have to be assessed individually.

An exposure is comprised of the following components as at the reporting date:

i) Overdue principal receivable

ii) Undue principal receivable

iii) Overdue contract interest receivable

iv) Undue accrued interest

v) Other outstanding exposure

vi) Unconditional and conditional off-balance sheet exposure, in particular available limit

vii) Unamortized discount or premium.

### (ii) Measurement of the expected credit loss allowance for financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.4 to 3.2.10.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Determining the credit risk grades;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.2.4 to 3.2.10.

### (b) Fair value of financial instruments

Fair values are subject to a control framework that aims to ensure that they are either determined, or validated, by a function independent of the risk taker.To this end, ultimate responsibility for the determination of fair values lies within the Market Risk function, which reports functionally to the Chief Risk Officer. Financial Control establishes the accounting policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards. Fair value activities/processes are carried out by Market Risk Management. The revaluation process are carried out independent of Treasury or other risk-takers in the front office. The pricing factors used for revaluation are also obtained from a source which is independently verifiable. Market Risk Management revalue all exposures categorized under the trading and available for sale portfolio. The revaluation gain or loss are communicated to management at every ALCO meeting.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

**(c) Depreciation and carrying value of property & equipment**

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

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

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

**(e) Income taxes**

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

**(f) Determination of control over investees**

Management applies its judgement to determine whether the control indicators set out in Note 2.4(a) indicate that the Group controls a special purpose entity.

Certain special purpose entities sponsored by the Group for the purpose of facilitating foreign borrowing arrangements are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and by issuing financial guarantees. Outside the day-to-day servicing of the receivables, key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns. As a result, the Group has concluded that it controls some of these vehicles. (for more information on consolidated vehicles, see Note 26)

For further disclosure in respect of unconsolidated strucutured entities in which the Group has an interest or for which it is a sponsor, see Note 41.

**(g) Determination of significant influence over investees**

Management applies its judgement to determine whether the Group has significant influence over an investee company as set out in Note 2.4(g).

The Group has determined that it exercises significant influence over certain investee companies due to its representation on the Board of such companies and its significant participation in the Companies' operating and financial policies.

**(h) Recognition of deferred tax assets**

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

Where there are deductible temporary differences for which the Group has determined that future taxable profits will not be available against which they can be utilized, the deferred tax asset is not recognized, but is disclosed as unrecognized deferred tax asset in the notes to the financial statements.

**(i) Recognition and measurement of provisions and contingencies**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

## 5 Operating segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Executive Committee (the chief operating decision maker), who is responsible for allocating resources to the operating segments and assesses its performance.

The Group has four main reportable segments on a worldwide basis. The Group’s business is organized along the following business segments:

1. **Treasury -** The treasury department of the Group is responsible for the profitable management of the group's liquidity ensuring a balance between liquidty and profitability. In addition, Financial Institutions are also reported under Treasury for the purpose of performance measurement.
2. **Business Banking -** These are all banking activities relating to medium scale enterprises with monthly business turnover of more than N40 million and up to N1 billion. It covers banking activities relating to the following entities: Tertiary Institutions, government accounts and large local companies. It includes companies that are not multinationals, and are not audited by any of the top six international audit firms.
3. **Retail banking** - This covers all banking activities relating to individuals (consumer banking) and MSME banking. Small businesses with monthly turnover of not more than N40 million (or N480 million per annum) are also reported as Retail Banking.
4. **Corporate banking** - incorporating all banking activities relating to Multinationals; other large/well-structured companies in Oil & Gas, Power & Infrastructures, Maritime & Transportation, Telecommunications/General Services, Manufacturing/Trade and Construction, having monthly business turnover of greater than N1.2 billion; and subsidiary activities.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessement. Segment performance is assessed based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed at individual company basis and are not allocated to operating segments.

- Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group’s cost of capital. There are no other material items of income or expense between the business segments.
- Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Revenue sharing agreements are used to allocate external customer revenues to business segments on a reasonable basis.
- No revenue from transaction with a single external customer or a group of connected economic entities or counterparty amounted to 10% or more of the group's total revenue during the year ended 31 December 2018.

The Bank's management reporting is based on an internal reporting framework which differs from IFRS in treatment and in presentation. In addition, the balance sheet of the operating segments is usually limited to only segments' interest earning assets and interest bearing liabilities. Therefore, these differences between the Group's IFRS financial statements and the results of operating segments are as a result of the Bank's conversion to IFRS from Nigerian Generally Accepted Accounting Principles (NGAAP) and unallocated income and expenses held in head office.

Discontinuing Operations - Diamond Bank WAMU and Diamond Bank UK made up the discontinued operations balances for the comparative period 31 December 2017 while the balances of Diamond Bank UK makes up the discontinued operations balances for the period ended 31 December 2018. Diamond Bank WAMU balance sheet balances has been deducted from December 2017 leaving only Diamond Bank UK for ease of comparison to December 2018 balances.

### Basis of Preparation

Operating segments report included in these financial statements are prepared under the historical cost convention and in line with the Group's internal reporting framework. The key accounting policies applied are discussed below.

### (a) Recognition of income

Interest income is recognized on an accrual basis, except for interest overdue by more than 90 days, which is suspended and recognized only to the extent of cash received. Fees and commission, where material are amortized over the life of the related service. Lease finance income is recognized on a basis that provides a constant yield on the outstanding principal over the lease term.

Income from bonds or guarantee and letters of credit (clean line) are recognized as earned on issuance of the bond or guarantee, or at the time the service or transaction is effected.

### (b) Loan Loss provision/Impairment Charges

Provision is made in accordance with prudential guidelines for licensed banks issued by the Central Bank of Nigeria (CBN) for each account that is not performing in line with the agreed terms of the related facility as follows:

| | |
|---|---|
| Substandard | 10% |
| Doubtful | 50% |
| Lost | 100% |

The Group also makes provision of at least 2% for performing risk assets to recognize risk inherent in any credit portfolio.

### (c) Transfer pricing

The Group operates an inter-segment transfer pricing practice that is used to remunerate segments that lend to, or borrow from each other. The Group uses a centralized pool system to recognize the side of the balance sheet where each segment plays. Segments assets and liabilities included in the operating segment report (except those belonging to the subsidiaries) are restricted to interest earning assets and interest bearing liabilities. Other components on the group balance sheet have been reported as unallocated assets or liabilities.

Segments that have net contribution to the pool are remunerated at a pool rate benchmarked on the highest deposit rate in operation while segments that have net borrowing from the pool are charged at the pool rate plus 3%. The result of this compsentation practice are reported as interest revenue derived from other segments, and interest expense paid to other segments in the operating segment reports above.

**Operating segments (Continued)**
Information about operating segments
**PROFIT OR LOSS**

**Group**

**31 December 2018**
*In thousands of Naira*

| | Treasury | Business Banking | Retail Banking | Corporate Banking | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|
| Interest income derived from external customers | 60,408,644 | 16,307,828 | 7,243,032 | 53,414,252 | 137,373,756 | 4,423,423 | 141,797,179 |
| Interest income derived from other segments | 14,181,142 | 13,508,546 | 86,691,353 | 17,745,593 | 132,126,634 | - | 132,126,634 |
| **Total interest income** | **74,589,786** | **29,816,374** | **93,934,385** | **71,159,845** | **269,500,390** | **4,423,423** | **273,923,813** |
| Interest paid to external customers | 26,190,316) | (3,817,762) | (19,878,128) | (7,299,306) | (57,185,512) | (2,914,898) | (60,100,410) |
| Interest paid to other segments | (22,474,788) | (13,009,650) | (21,718,960) | 66,980,737) | (124,184,135) | - | (124,184,135) |
| **Total interest expenses** | **(48,665,104)** | **(16,827,412)** | **(41,597,088)** | **(74,280,043)** | **(181,369,647)** | **(2,914,898)** | **(184,284,545)** |
| Other Income | 2,420,231 | 4,396,585 | 30,616,793 | 4,082,873 | 41,516,482 | 164,469 | 41,680,951 |
| **Operating income** | **28,344,913** | **17,385,547** | **82,954,090** | **962,675** | **129,647,225** | **1,672,994** | **131,320,219** |
| Impairment charges for credit losses | - | 1,158,161 | (3,374,026) | (15,139,445) | 17,355,310) | (256,554) | (17,611,864) |
| Operating expenses | (2,681,179) | (7,282,882) | (47,452,769) | (47,958,072) | 05,374,902) | (3,188,123) | (108,563,025) |
| **Operating profit before tax** | **25,663,734** | **11,260,826** | **32,127,295** | **(62,134,842)** | **6,917,013** | **(1,771,683)** | **5,145,330** |

**31 December 2017**

| | Treasury | Business Banking | Retail Banking | Corporate Banking | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|
| | | | | | - | | |
| Interest income derived from external customers | 56,329,621 | 19,605,894 | 6,686,543 | 65,815,325 | 48,437,383 | 27,242,436 | 175,679,819 |
| Interest income derived from other segments | 11,005,273 | 13,918,281 | 86,130,991 | 8,050,061 | 19,104,606 | - | 119,104,606 |
| **Total interest income** | **67,334,894** | **33,524,175** | **92,817,534** | **73,865,386** | **267,541,989** | **27,242,436** | **294,784,425** |
| Interest paid to external customers | 22,030,380) | (3,486,237) | (15,551,763) | (3,459,878) | 44,528,258) | (12,452,095) | (56,980,353) |
| Interest paid to other segments | 22,626,902) | 15,181,655) | (16,142,923) | 52,120,727) | 06,072,207) | - | (106,072,207) |
| **Total interest expenses** | **(44,657,282)** | **(18,667,892)** | **(31,694,686)** | **(55,580,605)** | **(150,600,465)** | **(12,452,095)** | **(163,052,560)** |
| Other Income | (121,806) | 5,592,145 | 27,936,641 | 4,991,926 | 38,398,906 | 7,222,133 | 45,621,039 |
| **Operating income** | **22,555,806** | **20,448,428** | **89,059,489** | **23,276,707** | **155,340,430** | **22,012,474** | **177,352,904** |
| Impairment charges for credit losses | - | (6,255,508) | (14,203,791) | (20,052,069) | 40,511,368) | (2,485,313) | (42,996,681) |
| Operating expenses | (1,910,175) | (7,708,146) | (52,341,723) | (5,050,501) | 67,010,545) | (17,381,145) | (84,391,690) |
| **Operating profit before tax** | **20,645,631** | **6,484,774** | **22,513,975** | **(1,825,863)** | **47,818,517** | **2,146,016** | **49,964,533** |

## Reconciliation of segment results of operations to consolidated results of operations

| **Group** | **31 December 2018** | | | **31 December 2017** | | |
|---|---|---|---|---|---|---|
| | **Total continuing operations** | **Discontinued operations** | **Total** | **Total continuing operations** | **Discontinued operations** | **Total** |
| *In thousands of naira* | | | | | | |
| Interest income earned by the reporting segments (See note below) | 269,500,390 | 4,423,423 | 273,923,813 | 267,541,989 | 27,242,436 | 294,784,425 |
| Interest expense (See (b) below) | (181,369,647) | (2,914,898) | (184,284,545) | (150,600,465) | (12,452,095) | (163,052,560) |
| Impairment charge for credit losses (See (c) below) | (17,355,310) | (256,554) | (17,611,864) | (40,511,368) | (2,485,313) | (42,996,681) |
| Other operating income (See (d) below) | 41,516,482 | 164,469 | 41,680,951 | 38,398,906 | 7,222,133 | 45,621,039 |
| Operating expenses (See (e) below) | (105,374,902) | (3,188,123) | (108,563,025) | (67,010,545) | (17,381,145) | (84,391,690) |
| **Operating profit** | **6,917,013** | **(1,771,683)** | **5,145,330** | **47,818,517** | **2,146,016** | **49,964,533** |

**Reconciliation of segment results of operations to consolidated results of operations**

| **31 December 2018**<br>*In thousands of naira* | **Total management reporting** | **Differences** | **Total consolidated** |
|---|---|---|---|
| Interest income from external customers | 273,923,813 | (134,119,305) | 139,804,508 |
| Interest expense | (184,284,545) | 128,712,701 | (55,571,844) |
| Impairment charge for credit losses | (17,611,864) | (2,941,960) | 20,553,824 |
| Other operating income | 41,680,951 | (11,117,875) | 30,563,076 |
| Net trading income | - | 7,260,597 | 7,260,597 |
| Net gain from other financial instruments through profit or loss | - | (301,053) | (301,053) |
| Operating expenses | (105,374,902) | 7,711,870 | (97,663,032) |
| **Operating profit/(loss)** | **8,333,453** | **(4,795,025)** | **3,538,428** |
| **Taxation** | - | **1,087,601** | **1,087,601** |

| **31 December 2017**<br>*In thousands of naira* | **Total management reporting** | **Differences** | **Total consolidated** |
|---|---|---|---|
| Interest income from external customers | 294,784,425 | (149,461,821) | 145,322,604 |
| Interest expense | (163,052,560) | 116,014,146 | (47,038,414) |
| Impairment charge for credit losses | (42,996,681) | (13,833,730) | (56,830,411) |
| Other operating income | 45,621,039 | (14,453,544) | 31,167,495 |
| Net trading income | - | 3,900,434 | 3,900,434 |
| Net gain from other financial instruments through profit or loss | - | 778,412 | 778,412 |
| Operating expenses | (84,391,690) | (4,455,382) | (88,847,072) |
| **Operating profit** | **49,964,533** | **(61,511,485)** | **(11,546,952)** |
| **Taxation** | - | **(1,349,575)** | **(1,349,575)** |

**(a) Interest income**

Under operating segment reporting, interest on loans is recognized using the contractual rate on the outstanding balance of the loan. When a loan is classified as impaired, interest is usually accrued, but suspended. Under IFRS, interest is calculated on the amortized cost of the loans using effective interest method. Effective interest rate is the rate that exactly discounts the expected future cash flows of a loan to its carrying amount. When a loan is impaired, the carrying amount is reduced to the recoverable amount which is the future cash flow discounted at the original effective interest rate of the instrument. Interest is recognized on the loan by unwinding the discount. Interest on impaired loans is recognized using the original effective interest rate.

**Reconciliation of interest income**

| *In thousands of naira* | **Note** | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| Total interest income earned by reportable segment | | 273,923,813 | 294,784,425 |
| **Consolidation and adjustments** | | | |
| - Due to differences in accounting policies | | (1,992,671) | (30,357,215) |
| - Due to elimination of inter-segment revenue | | (132,126,634) | (119,104,606) |
| Total consolidated interest income | 7 | 139,804,508 | 145,322,604 |

**(b) Interest expense**

Under operating segment reporting, on-lending fees relating to borrowings from foreign financial institutions are usually paid in advance, warehoused in a receivable account and amortized to operating expenses on a straightline basis over the tenor of the borrowing. Under IFRS, the amortized position of the upfront fees have been reclassified to interest expense since the liabilities are measured at amortized cost and the upfront fees have been considered in calculating the effective interest rate.

| **Reconciliation of interest expense** | Note | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| *In thousand of naira* | | | |
| Total interest expense incurred by reportable segments | | 184,284,545 | 163,052,560 |
| **Consolidated and adjustments** | | | |
| - Due to differences in accounting policies | | (4,528,566) | (9,941,939) |
| - Due to elimination of inter-segment costs | | (124,184,135) | (106,072,207) |
| Total consolidated interest expense | 8 | 55,571,844 | 47,038,414 |

**(c) Impairment charge for credit losses**

Under operating segment reporting, impairment on loans and advances is determined using the Central Bank of Nigeria’s Prudential Guidelines based on each customer’s account and the number of days’ interest/principal outstanding. International Financial Reporting Standards requires the use of an incurred loss model where the loss event must have an effect on the estimated future cash flows of the financial asset.

| **Reconciliation of impairment charges** | Note | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| *In thousand of naira* | | | |
| Total impairment charges reported by reportable segments | | 17,611,864 | 42,996,681 |
| **Consolidated and adjustments** | | | |
| - Due to differences in accounting policies | | 14,161,535 | 25,053,305 |
| - Due to unallocated impairment charges | | (11,219,575) | (11,219,575) |
| Total consolidated impairment charges | 9 | 20,553,824 | 56,830,411 |

**(d) Other operating income**

**(i) Fees and commision income**

Under operating segment reporting, credit related fee income should be deferred and amortized over the life of the related credit facility in proportion to the outstanding credit risk. IFRS requires that credit related fees form part of the effective interest rate calculation of the related credit facility.

**(ii) Net gains/(losses) from financial assets measured at fair value through profit or loss (FVTPL)**

Financial assets designated as FVTPL is not a financial instrument category under the operating segments report and there is no authoritative guidance available. Under IFRS, a financial asset is measured at fair value through profit of loss (FVTPL) if acquired principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A portion of the income reported as trading income or profit on sale of investments relate to financial instruments measured at FVTPL, which have been reclassified under IFRS as net gains/(losses) from financial assets measured at FVTPL.

**(e) Operating expenses**

Under operating segment reporting, staff loans are usually granted at a concessionary rate, without recognizing the embeded staff benefit and amortizing it over the tenor of the loan. Under IFRS, such benefits are determined and amortized to staff expense over the life of the loan. In some cases where impairment charges for unrecoverable portion of "other assets" have been included in provision for losses, these were reclassified to operating expenses in IFRS.

| **Reconciliation of operating expenses** | Note | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| *In thousand of naira* | | | |
| Total operating expenses incurred by reportable segments | | 105,374,902 | 84,391,690 |
| **Consolidated and adjustments** | | | |
| - Due to differences in accounting policies | | (37,517,687) | (25,350,435) |
| - Due to unallocated expenses | | 29,805,817 | 29,805,817 |
| Total consolidated operating expenses | 15 | 97,663,032 | 88,847,072 |

# BALANCE SHEET
## Group

**31 December 2018**

*In thousands of Naira*

| | Treasury | Business Banking | Retail Business | Corporate banking | Total Continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|
| **Segment assets** | | | | | | | |
| Loans to customers | - | 86,561,806 | 60,593,288 | 593,657,097 | 740,812,191 | 34,573,066 | 775,385,257 |
| Loans to banks/Investments in treasury bills and bonds | 250,460,730 | - | - | 209,390,275 | 459,851,005 | 58,397,623 | 518,248,628 |
| **Total assets** | **250,460,730** | **86,561,806** | **60,593,288** | **803,047,372** | **1,200,663,196** | **92,970,689** | **1,293,633,885** |
| **Segment liabilities** | | | | | | | |
| Deposit from customers | 51,637,655 | 115,293,330 | 820,933,553 | 70,810,827 | 1,058,675,365 | - | 1,058,675,365 |
| Takings and treasury bills sold - others | 113,315,100 | - | - | 112,762,906 | 226,078,006 | - | 226,078,006 |
| **Total liabilities** | **164,952,755** | **115,293,330** | **820,933,553** | **183,573,733** | **1,284,753,371** | **-** | **1,284,753,371** |

**31 December 2017**

*In thousands of Naira*

| | Treasury | Business Banking | Retail Business | Corporate banking | Total Continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|
| **Segment assets** | | | | | | | |
| Loans to customers | - | 82,349,214 | 52,348,232 | 533,520,394 | 668,217,840 | 250,664,108 | 918,881,948 |
| Loans to banks/Investments in treasury bills and bonds | 393,337,118 | - | - | 92,535,235 | 485,872,353 | 383,648,505 | 869,520,858 |
| **Total assets** | **393,337,118** | **82,349,214** | **52,348,232** | **626,055,629** | **1,154,090,193** | **634,312,613** | **1,788,402,806** |
| **Segment liabilities** | | | | | | | |
| Deposit from customers | 1 | 176,115,915 | 758,327,283 | 85,135,413 | 1,019,578,612 | 320,207,255 | 1,339,785,867 |
| Takings and treasury bills sold - others | 10,958,909 | - | - | 113,379,986 | 124,338,895 | 276,400,666 | 400,739,561 |
| **Total liabilities** | **10,958,910** | **176,115,915** | **758,327,283** | **198,515,399** | **1,143,917,507** | **596,607,921** | **1,740,525,428** |

**Reconciliation of segment assets and liabilities to consolidated statement of financial position**

**Group**

| *In thossands of naira* | **31 December 2018** | | | **31 December 2017** | | |
|---|---|---|---|---|---|---|
| | **Total continuing operations** | **Discontinued operations** | **Total** | **Total continuing operations** | **Discontinued operations** | **Total** |
| Segment assets | 1,200,663,196 | 92,970,689 | 1,293,633,885 | 1,154,090,193 | 634,312,613 | 1,788,402,806 |
| Total consolidated assets | 1,299,763,712 | 71,445,024 | 1,371,208,736 | 1,622,879,081 | 91,928,185 | 1,714,807,266 |
| **Total assets** | **99,100,516** | **(21,525,665)** | **77,574,851** | **468,788,888** | **(542,384,428)** | **(73,595,540)** |
| Segment liabilities | 1,284,753,371 | - | 1,284,753,371 | 1,143,917,507 | 596,607,921 | 1,740,525,428 |
| Total consolidated liabilities | 1,316,999,570 | 17,135,474 | 1,334,135,044 | 1,455,630,104 | 35,864,205 | 1,491,494,309 |
| **Total liabilities** | **32,246,199** | **17,135,474** | **49,381,673** | **311,712,597** | **(560,743,716)** | **(249,031,119)** |

**Assets**
Short-term investments are measured at lower of cost and market value and long-term at cost or at a revalued amount under Segment report. Under IFRS, all financial instruments are measured initially at fair value. Subsequently, all financial instruments remain measured at fair value except for financial instruments measured at amortised cost and unquoted equity instruments whose fair values cannot be measured reliably. The application of fair value measurement and changes in accounting policy relating to impairment of loans account for the difference between segment assets and the consolidated statement of financial position.

**Liabilities**
Under IFRS, financial liabilities at amortized cost (deposits from customers, deposit from banks and borrowings) have been restated to meet the definition of amortized cost, by adjusting the carrying amounts to include unamortized upfront fees and transaction costs. In addition, accrued interest payable has been reclassified to the underlying financial liability. The deferred tax liability in these IFRS financial statements is calculated using the IFRS carrying amounts of assets and liabilities. The segment liabilities does not include borrowings, long term debts and other liabilities.

**Major customer**
No single customer of the Group represented 10% of the Group's total revenue

**Segment result of operations by geography**

The Group's business segments operate in Nigeria which is the home country of the parent bank, and which is also the main operating company. The areas of operation include all the primary business segments. Revenue from external customers is based on the country in which the customer is located. Assets are also shown by the geographical location of the assets.

**31 December 2018**

| *In thousands of Naira* | Nigeria | Rest of West Africa | Europe | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|
| Interest revenue derived from external customers | 137,373,756 | - | - | 137,373,756 | 4,423,423 | 141,797,179 |
| Interest revenue derived from other segments | 132,126,634 | - | - | 132,126,634 | - | 132,126,634 |
| **Total interest revenue** | **269,500,390** | **-** | **-** | **269,500,390** | **4,423,423** | **273,923,813** |
| Interest paid to external customers | (57,185,512) | - | - | (57,185,512) | (2,914,898) | (60,100,410) |
| Interest paid to other segments | (124,184,135) | - | - | (124,184,135) | - | (124,184,135) |
| **Total interest expense** | **(181,369,647)** | **-** | **-** | **(181,369,647)** | **(2,914,898)** | **(184,284,545)** |
| Other income | 41,516,482 | - | - | 41,516,482 | 164,469 | 41,680,951 |
| | **129,647,225** | **-** | **-** | **129,647,225** | **1,672,994** | **131,320,219** |
| Impairment charges for credit losses | (17,355,310) | - | - | (17,355,310) | (256,554) | (17,611,864) |
| Operating expenses | (105,374,902) | - | - | (105,374,902) | (3,188,123) | (108,563,025) |
| Operating profit before tax | **6,917,013** | **-** | **-** | **6,917,013** | **(1,771,683)** | **5,145,330** |

| | Nigeria | Rest of West Africa | Europe | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|
| Segment assets | 1,200,663,196 | - | - | 1,200,663,196 | - | 1,200,663,196 |
| Other unallocated assets | - | - | - | - | - | - |
| **Total asset** | **1,200,663,196** | **-** | **-** | **1,200,663,196** | **-** | **1,200,663,196** |
| Segment liabilities | 1,284,753,371 | - | - | 1,284,753,371 | - | 1,284,753,371 |
| Other unallocated liabilities | - | - | - | - | - | - |
| **Total liabilities** | **1,284,753,371** | **-** | **-** | **1,284,753,371** | **-** | **1,284,753,371** |

| **31 December 2017**<br>*In thousands of Naira* | Nigeria | Rest of West Africa | Europe | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|
| Interest revenue derived from external customers | 148,437,383 | - | - | 148,437,383 | 27,242,436 | 175,679,819 |
| Interest revenue derived from other segments | 119,104,606 | - | - | 119,104,606 | - | 119,104,606 |
| **Total interest revenue** | **267,541,989** | **-** | **-** | **267,541,989** | **27,242,436** | **294,784,425** |
| Interest paid to external customers | (44,528,258) | - | - | (44,528,258) | (12,452,095) | (56,980,353) |
| Interest paid to other segments | (106,072,207) | - | - | (106,072,207) | - | (106,072,207) |
| **Total interest expense** | **(150,600,465)** | **-** | **-** | **(150,600,465)** | **(12,452,095)** | **(163,052,560)** |
| Other income | 38,398,906 | - | - | 38,398,906 | 7,222,133 | 45,621,039 |
| | **155,340,430** | **-** | **-** | **155,340,430** | **22,012,474** | **177,352,904** |
| Impairment charges for credit losses | (40,511,368) | - | - | (40,511,368) | (2,485,313) | (42,996,681) |
| Operating expenses | (67,010,545) | - | - | (67,010,545) | (17,381,145) | (84,391,690) |
| Operating profit before tax | **47,818,516** | **-** | **-** | **47,818,516** | **2,146,016** | **49,964,532** |

| | Nigeria | Rest of West Africa | Europe | Total continuing operations | Discontinued operations | Total |
|---|---|---|---|---|---|---|
| Segment assets | 1,229,880,551 | - | - | 1,229,880,551 | - | 1,229,880,551 |
| Other unallocated assets | - | - | - | - | - | - |
| **Total asset** | **1,229,880,551** | **-** | **-** | **1,229,880,551** | **-** | **1,229,880,551** |
| Segment liabilities | 1,047,748,714 | - | - | 1,047,748,714 | - | 1,047,748,714 |
| Other unallocated liabilities | - | - | - | - | - | - |
| **Total liabilities** | **1,047,748,714** | **-** | **-** | **1,047,748,714** | **-** | **1,047,748,714** |

**Seasonality of operations**

The Group's main business segments are not subject to seasonal fluctuations. The results of the Group are relatively stable and accrue fairly evenly throughout the period except for unusual items which may adversely or positively impact on the earnings of the Group. During the period under review, there was no unusual transaction that impacted the earning capacity of the Group.

**6 Classification of financial assets and financial liabilities**

See accounting policies in Note 2.6(c)

The table below provides a reconciliation between line items in the statement of financial position and categories of financial instrument

**Group**

***In thousands of Naira***

| | | Financial assets | | | Financial liabilities | | |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | **Note** | **Fair value through profit or loss** | **Fair value through other comprehensive income** | **Amortised cost** | **Fair value through profit or loss** | **Amortised cost** | **Total Carrying amount** |
| **Financial assets** | | | | | | | |
| Cash and balances with central banks | 18 | - | - | 302,374,354 | - | - | 302,374,354 |
| Financial assets at FVTPL | 19 | 10,673,463 | - | - | - | - | 10,673,463 |
| Derivative assets | 20 | 388,755 | - | - | - | - | 388,755 |
| Assets pledged as collateral | 21 | - | - | 119,075,528 | - | - | 119,075,528 |
| Loans to banks | 22 | - | - | 37,943,747 | - | - | 37,943,747 |
| Loand and advances to customers | 23 | - | - | 567,896,958 | - | - | 567,896,958 |
| Investment securities | 24(a) | - | 39,085,170 | 115,619,166 | - | - | 154,704,336 |
| Other assets | 31 | - | - | 20,969,590 | - | - | 20,969,590 |
| | | **11,062,218** | **39,085,170** | **1,163,879,343** | **-** | **-** | **1,214,026,731** |
| **Financial liabilities** | | | | | | | |
| Deposits from banks | 32 | - | - | - | - | 48,765,050 | 48,765,050 |
| Deposit from customers | 33 | - | - | - | - | 1,043,976,729 | 1,043,976,729 |
| Derivative liability | 34 | - | - | - | 6,375 | - | 6,375 |
| Other liabilities | 35 | - | - | - | - | 42,359,190 | 42,359,190 |
| Borrowings | 36 | - | - | - | - | 121,876,210 | 121,876,210 |
| Long term debt | 37 | - | - | - | - | 55,001,552 | 55,001,552 |
| | | - | - | - | **6,375** | **1,311,978,731** | **1,311,985,106** |

**Group**

***In thousands of Naira***

| 31 December 2017 | Note | Financial assets: Fair value through profit or loss | Financial assets: Fair value through other comprehensive income | Financial assets: Amortised cost | Financial liabilities: Fair value through profit or loss | Financial liabilities: Amortised cost | Total Carrying amount |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash and balances with central banks | 18 | - | - | 299,397,460 | - | - | 299,397,460 |
| Financial assets at FVTPL | 19 | 38,333,109 | - | - | - | - | 38,333,109 |
| Derivative assets | 20 | 1,318,528 | - | - | - | - | 1,318,528 |
| Assets pledged as collateral | 21 | - | - | 95,488,267 | - | - | 95,488,267 |
| Loans to banks | 22 | - | - | 35,155,501 | - | - | 35,155,501 |
| Loand and advances to customers | 23 | - | - | 755,503,162 | - | - | 755,503,162 |
| Investment securities | 24(a) | - | 148,279,372 | 75,742,440 | - | - | 224,021,812 |
| Other assets | 31 | - | - | 88,103,182 | - | - | 88,103,182 |
| | | **39,651,637** | **148,279,372** | **1,349,390,012** | **-** | **-** | **1,537,321,021** |
| **Financial liabilities** | | | | | | | |
| Deposits from banks | 32 | - | - | - | - | 10,958,909 | 10,958,909 |
| Deposit from customers | 33 | - | - | - | - | 1,161,594,129 | 1,161,594,129 |
| Derivative liability | 34 | - | - | - | 740,724 | - | 740,724 |
| Other liabilities | 35 | - | - | - | - | 44,460,729 | 44,460,729 |
| Borrowings | 36 | - | - | - | - | 161,297,212 | 161,297,212 |
| Long term debt | 37 | - | - | - | - | 70,515,228 | 70,515,228 |
| | | **-** | **-** | **-** | **740,724** | **1,448,826,207** | **1,449,566,931** |

**Bank**

***In thousands of Naira***

| | | Financial assets | | | Financial liabilities | | |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | **Note** | **Fair value through profit or loss** | **Fair value through other comprehensive income** | **Amortised cost** | **Fair value through profit or loss** | **Amortised cost** | **Total Carrying amount** |
| **Financial assets** | | | | | | | |
| Cash and balances with central banks | 18 | - | - | 302,370,585 | - | - | 302,370,585 |
| Financial assets at FVTPL | 19 | 10,673,463 | - | - | - | - | 10,673,463 |
| Derivative assets | 20 | 388,755 | - | - | - | - | 388,755 |
| Assets pledged as collateral | 21 | - | - | 140,044,667 | - | - | 140,044,667 |
| Loans to banks | 22 | - | - | 82,078,754 | - | - | 82,078,754 |
| Loand and advances to customers | 23 | - | - | 567,881,391 | - | - | 567,881,391 |
| Investment securities | 24(a) | - | 39,085,170 | 115,549,127 | - | - | 154,634,297 |
| Other assets | 31 | - | - | 20,916,925 | - | - | 20,916,925 |
| | | **11,062,218** | **39,085,170** | **1,228,841,449** | **-** | **-** | **1,278,988,837** |
| **Financial liabilities** | | | | | | | |
| Deposits from banks | 32 | - | - | - | - | 65,153,150 | 65,153,150 |
| Deposit from customers | 33 | - | - | - | - | 1,047,764,975 | 1,047,764,975 |
| Derivative liability | 34 | - | - | - | 6,375 | - | 6,375 |
| Other liabilities | 35 | - | - | - | - | 42,352,399 | 42,352,399 |
| Borrowings | 36 | - | - | - | - | 130,780,058 | 130,780,058 |
| Long term debt | 37 | - | - | - | - | 55,001,552 | 55,001,552 |
| | | **-** | **-** | **-** | **6,375** | **1,341,052,134** | **1,341,058,509** |

**Bank**
***In thousands of Naira***

| 31 December 2017 | Note | Financial assets: Fair value through profit or loss | Financial assets: Fair value through other comprehensive income | Financial assets: Amortised cost | Financial liabiliites: Fair value through profit or loss | Financial liabiliites: Amortised cost | Total Carrying amount |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash and balances with central banks | 18 | - | - | 299,395,467 | - | - | 299,395,467 |
| Financial assets at FVTPL | 19 | 38,333,109 | - | - | - | - | 38,333,109 |
| Derivative assets | 20 | 1,318,528 | - | - | - | - | 1,318,528 |
| Assets pledged as collateral | 21 | - | - | 116,357,892 | - | - | 116,357,892 |
| Loans to banks | 22 | - | - | 77,610,730 | - | - | 77,610,730 |
| Loand and advances to customers | 23 | - | - | 755,488,058 | - | - | 755,488,058 |
| Investment securities | 24(a) | - | 148,039,154 | 75,742,440 | - | - | 223,781,594 |
| Other assets | 31 | - | - | 88,021,390 | - | - | 88,021,390 |
| | | **39,651,637** | **148,039,154** | **1,412,615,977** | **-** | **-** | **1,600,306,768** |
| **Financial liabilities** | | | | | | | |
| Deposits from banks | 32 | - | - | - | - | 25,861,109 | 25,861,109 |
| Deposit from customers | 33 | - | - | - | - | 1,164,726,773 | 1,164,726,773 |
| Derivative liability | 34 | - | - | - | 740,724 | - | 740,724 |
| Other liabilities | 35 | - | - | - | - | 44,449,077 | 44,449,077 |
| Borrowings | 36 | - | - | - | - | 169,680,170 | 169,680,170 |
| Long term debt | 37 | - | - | - | - | 70,515,228 | 70,515,228 |
| | | **-** | **-** | **-** | **740,724** | **1,475,232,357** | **1,475,973,081** |

## 7. Interest income

| ***For the year ended 31 December*** ***In thousands of Naira*** | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| **Interest income** | | | | |
| Loans and advances to customers | 90,973,997 | 96,935,618 | 90,973,630 | 97,098,310 |
| Loans to banks | 874,864 | 2,489,165 | 3,406,137 | 4,465,366 |
| Investments securities | | | | |
| • Asset pledged as collateral | 20,025,993 | 12,207,210 | 20,025,993 | 12,207,210 |
| • At amortised cost | 20,228,039 | 10,348,469 | 20,187,822 | 9,792,407 |
| • At FVOCI | 5,836,833 | 18,386,223 | 5,836,833 | 18,386,223 |
| • At FVTPL | 1,864,782 | 4,955,919 | 1,864,782 | 4,955,919 |
| Total interest income | 139,804,508 | 145,322,604 | 142,295,197 | 146,905,435 |

Interest income for the year ended 31 December 2018 includes N1.71 billion (31 December 2017: 1.40 billion accrued on impaired loans and advances to customers.

## 8. Interest expense

| ***For the year ended 31 December*** ***In thousands of Naira*** | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| Deposit from customers | 36,086,360 | 29,340,782 | 36,521,882 | 29,353,176 |
| Deposit from banks | 893,784 | 6,163 | 893,784 | 237,300 |
| Borrowings | 7,928,912 | 9,704,021 | 7,928,912 | 9,704,021 |
| Long-term debt | 10,662,788 | 7,987,448 | 10,662,788 | 7,987,448 |
| Total interest expense | 55,571,844 | 47,038,414 | 56,007,366 | 47,281,945 |

Total interest expense reported above relate to financial liabilities not carried at fair value through profit or loss and are calculated using effective interest method.

## 9 Impairment loss/write back on financial and non-financial instruments

| ***For the year ended 31 December*** ***In thousands of Naira*** | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| **Impairment charge on financial assets** | | | | |
| Total impairment charge on loans and advances | 19,168,977 | 57,397,081 | 19,168,880 | 57,397,081 |
| Cash and balances with central banks | (763) | - | (763) | - |
| Loans to banks | 112,987) | - | 546,090) | - |
| Investment securities | (36,022) | (15,612) | (35,993) | (15,612) |
| Invetsment in associates (See Note 26) | (96,661) | - | (96,661) | - |
| Assets pledged as collateral | 398 | - | 196,747) | - |
| Other financial assets | 5,669,798 | 2,415,657 | 5,670,088 | 2,415,657 |
| Recoveries on loans previously written off | (4,570,786) | (4,093,899) | (4,570,786) | (4,093,899) |
| Loans written off as uncollectible | 523,757 | 1,127,184 | 523,757 | 1,127,184 |
| Total impairment charge on financial instruments | 20,545,711 | 56,830,411 | 19,915,685 | 56,830,411 |
| **Impairment charge on non-financial assets** | | | | |
| Off balance sheet impairment | 8,113 | - | 8,113 | - |
| | 20,553,824 | 56,830,411 | 19,923,798 | 56,830,411 |

## 10. Net fee and commission income

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Service fee and charges | 8,552,058 | 6,953,619 | 8,098,196 | 6,541,807 |
| Card fees and charges | 5,485,876 | 4,937,517 | 5,485,876 | 4,937,517 |
| DBA product fees and charges | 7,635,173 | 7,779,927 | 7,635,173 | 7,779,927 |
| Account maintenance fee | 3,650,426 | 3,957,648 | 3,650,426 | 3,957,648 |
| Letters of credit commission | 1,425,964 | 1,439,801 | 1,425,964 | 1,439,801 |
| Advisory fees | 17,768 | 52,482 | 17,768 | 52,482 |
| Funds transfer commissions | 6,127,902 | 5,604,577 | 6,127,902 | 5,604,577 |
| Short term loan processing fee | 5,604,947 | 4,692,082 | 5,604,947 | 4,692,082 |
| Other fees and commissions | 1,222,447 | 1,650,769 | 1,199,966 | 1,630,295 |
| **Total fee and commission income** | 39,722,561 | 37,068,422 | 39,246,218 | 36,636,136 |
| Fee and commission expense (see (a) below) | (9,714,601) | (8,453,192) | (9,830,100) | (8,672,485) |
| **Net fee and commission income** | **30,007,960** | **28,615,230** | **29,416,118** | **27,963,651** |

The net fee and commission income above does not include any amounts included in determining the effective interest rate on financial assets and financial liabilities that are not at fair value through profit or loss

The net fee and commission income include N492,877,000 (2017: N464,209,000) arising from trust and fiduciary activities that result in the holding of assets on behalf of individuals, retirement benefits plans and other institutions.

### (a) Fee and commission expense

| | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Visa expense | 5,529,842 | 5,275,381 | 5,529,842 | 5,275,381 |
| ATM fees | 1,841,728 | 1,738,485 | 1,841,728 | 1,738,485 |
| Bank charges | 1,275,208 | 942,938 | 1,275,208 | 942,938 |
| Fees on borrowings | 613,903 | 340,959 | 613,903 | 340,959 |
| Other fee expenses | 453,920 | 155,429 | 569,419 | 374,722 |
| Total fee and commission expense | 9,714,601 | 8,453,192 | 9,830,100 | 8,672,485 |

## 11. Net trading income

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Foreign exchange income | 4,467,063 | 3,161,331 | 4,467,063 | 3,161,331 |
| Financial assets FVTPL | 2,793,534 | 739,103 | 2,793,534 | 739,103 |
| **Net trading income** | 7,260,597 | 3,900,434 | 7,260,597 | 3,900,434 |

Net trading income on foreign exchange and financial assets held for trading includes the gains and losses arising both on the purchase and sale of trading instruments and from changes in fair value

## 12. Other operating income

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Net gain on sale of FVOCI equity transactions | - | - | - | - |
| Dividends on FVOCI equity securities | 69,978 | 47,209 | 69,978 | 47,209 |
| Gain/(loss) on disposal of property and equipment | 108,942 | (161,351) | 108,705 | (161,351) |
| Fair value gain/(loss) on investment properties held for sale | 87,083 | 75,023 | 87,083 | 70,023 |
| Gain on disposal of subsidiary (See note 47(c)) | - | 2,264,367 | - | 14,845,667 |
| Other income | 289,113 | 327,017 | 289,113 | 327,018 |
| | **555,116** | **2,552,265** | **554,879** | **15,128,566** |

## 13. Net(loss)/ gain from other financial instruments through profit or loss

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Fair value loss on currency swap | - | (1,005,468) | - | (1,005,468) |
| Fair value gain on non-derivative forwards | (301,053) | 626,598 | (301,053) | 626,598 |
| Fair value gain on FX forward with Afrexim (See Note 20) | - | 1,157,282 | - | 1,157,282 |
| | **(301,053)** | **778,412** | **(301,053)** | **778,412** |

## 14. Personnel expenses

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Wages and salaries | 21,615,585 | 22,731,041 | 21,483,326 | 22,602,646 |
| Contributions to defined contribution plans (see (a) below) | 661,089 | 701,447 | 657,780 | 698,136 |
| Other personnel benefits (see (b) below) | 580,358 | 355,021 | 557,813 | 321,893 |
| | **22,857,032** | **23,787,509** | **22,698,919** | **23,622,675** |

(a) Contributions to defined contribution plans include the Group's contribution of 12% of each employee's basic salary, rent and transport allowances to the employee's defined contribution plans during the year in line with the Pension Reforms Act 2014. As at the reporting date, the Group had settled all liabilities from employees' defined contribution scheme

(b) Other personnel expenses relate to one-off discretionary payments and other benefits paid to staff of the Group.

## 15. Other operating expenses

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| General administrative expenses | 7,762,121 | 6,771,696 | 7,685,273 | 6,687,630 |
| Advertising and promotion expenses | 3,651,463 | 2,999,511 | 3,642,018 | 2,994,557 |
| Cash-in-transit expense | 1,095,997 | 950,297 | 1,095,997 | 950,297 |
| Channels Service Expenses | 1,808,468 | 1,655,926 | 1,808,468 | 1,655,926 |
| Contributions and Donations | 274,020 | 518,986 | 274,020 | 518,986 |
| I.T.F levy | 231,080 | 294,600 | 226,989 | 292,901 |
| Medical Expenses | 922,594 | 628,583 | 922,594 | 628,583 |
| Office Stationery and Supplies | 640,377 | 755,608 | 634,960 | 749,680 |
| Customer Address Verification Exercise | 437,690 | 305,109 | 437,690 | 305,109 |
| Insurance Expense | 455,168 | 606,583 | 450,260 | 603,561 |
| Leased Circuits and Hosting Fees | 1,044,169 | 1,101,750 | 1,044,168 | 1,101,750 |
| Motor Vehicle Running Expenses | 599,857 | 684,342 | 598,877 | 683,801 |
| NDIC premium | 5,861,808 | 5,570,351 | 5,861,808 | 5,570,351 |
| Service staff salaries | 6,760,035 | 6,792,811 | 6,723,232 | 6,749,093 |
| Security and power | 8,775,992 | 5,464,585 | 8,759,298 | 5,448,016 |
| AMCON resolution fund | 9,666,820 | 8,312,544 | 9,666,820 | 8,312,544 |
| Repairs and maintenance | 8,619,046 | 7,606,598 | 8,605,873 | 7,590,389 |
| Professional fees | 5,828,912 | 3,691,684 | 5,804,247 | 3,657,845 |
| Business travels | 794,046 | 707,143 | 786,637 | 701,345 |
| Directors and emoluments | 257,461 | 271,290 | 203,130 | 224,379 |
| Auditors remuneration | 216,378 | 220,000 | 210,000 | 214,000 |
| | **65,703,502** | **55,909,997** | **65,442,359** | **55,640,743** |

## (b) Operating lease expenses

| *For the year ended 31 December* *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Operating lease expense | **1,044,832** | **1,022,071** | **1,034,712** | **1,012,564** |

## 16. Taxation

| ***For the year ended 31 December*** ***In thousands of Naira*** | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| **Mimimum tax** (see note (a) below) | (1,299,774) | 1,310,230 | (1,299,774) | 1,299,774 |
| **Income tax expense** | | | | |
| Corporate income tax | 130,012 | 9,918 | - | - |
| Tertiary education tax | 9,888 | 1,910 | - | - |
| NITDA levy | 72,273 | 27,517 | 60,549 | 21,692 |
| | 212,173 | 39,345 | 60,549 | 21,692 |
| **Deferred tax expense** | | | | |
| Deferred tax charge | - | - | - | - |
| Total income expense | 212,173 | 39,345 | 60,549 | 21,692 |
| **Total tax expense** | (1,087,601) | 1,349,575 | (1,239,225) | 1,321,466 |

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

| | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| Balance, beginning of year | 1,620,950 | 2,027,948 | 1,592,413 | 1,598,861 |
| Tax paid | (60,481) | (1,756,573) | (25,663) | (1,327,914) |
| Tax expense | (1,087,601) | 1,349,575 | (1,239,225) | 1,321,466 |
| Exchange difference | - | - | - | - |
| Balance, end of year | 472,868 | 1,620,950 | 327,525 | 1,592,413 |

### Reconciliation of effective tax rate

| ***For the year ended 31 December*** ***In thousands of Naira*** | | **Group 2018** | | **Group 2017** |
|---|---|---|---|---|
| Profit before income tax | | 3,538,428 | | (11,546,952) |
| Income tax using the domestic corporation tax rate | 30% | 1,061,528 | 30% | (3,464,087) |
| Effect of tax rates in foreign jurisdictions | -% | - | 0% | (182) |
| Non-deductible expenses | 47% | 1,661,674 | -10% | 1,175,405 |
| NITDA levy | 1% | 45,892 | 0% | 19,217 |
| Minimum tax | -37% | (1,299,774) | -11% | 1,310,230 |
| Tax exempt income | -448% | (15,862,568) | 133% | (15,348,866) |
| Tertiary Education Fund | -% | 9,888 | -% | - |
| Impact of transition adjustment | -655% | (23,179,963) | -% | - |
| Unrecognized deferred taxation | 1,031% | 36,475,722 | -153% | 17,657,858 |
| | -31% | (1,087,601) | -13% | 1,349,575 |

### Reconciliation of effective tax rate

| ***For the year ended 31 December*** ***In thousands of Naira*** | | **Bank 2018** | | **Bank 2017** |
|---|---|---|---|---|
| Profit before income tax | | 6,115,428 | | 2,190,907 |
| Income tax using the domestic corporation tax rate | 30% | 1,834,628 | 30% | 657,272 |
| NITDA levy | 1% | 42,384 | 1% | 15,185 |
| Non-deductible expenses | 27% | 1,660,199 | 54% | 1,175,405 |
| Tax exempt income | -274% | (16,772,421) | -889% | (19,484,028) |
| Minimum tax | -21% | (1,299,774) | 59% | 1,299,774 |
| Impact of transition adjustment | -379% | (23,179,963) | -% | - |
| Unrecognized deferred taxation | 596% | 36,475,722 | 806% | 17,657,858 |
| | -20% | (1,239,225) | 61% | 1,321,466 |

(a) During the year, the Federal Inland Revenue Service granted the Bank an exemption from tax for the 2017 financial year. This was in line with section 33 of the Companies Income Tax Act (CITA), LFN 2004, which stipulates that Companies with at least 25% of imported equity capital would be exempted from minimum tax. Sequel to the exemption, the Bank had reversed the prior year provision for minimum tax of N1.30 billion. Also, the Bank had not recognized any provision for income/minimum tax in the current year since it had no taxable profit, and the exemption status on minimum tax still applies.

## 17. Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares. The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

| | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Profit/(loss) attributable to equity holders of the Bank (Basic) from continuting operations | 4,626,029 | (12,896,527) | 7,354,653 | 869,441 |
| Profit/(loss) attributable to equity holders of the Bank (Basic) from discontinued operations | 671,275 | 3,885,313 | - | - |
| Profit/(loss) attributable to equity holders of the Bank (Basic) from total operations | 5,297,304 | (9,011,214) | 7,354,653 | 869,441 |
| Weighted average number of ordinary shares in issue (in thousand) | 23,160,389 | 23,160,389 | 23,160,389 | 23,160,389 |
| Basic earnings/(loss) per share (expressed in Kobo per share) from continuing operations | 20 | (56) | 32 | 4 |
| Basic earnings/(loss) per share (expressed in Kobo per share) from discontinued operations | 3 | 17 | - | - |
| Basic earnings/(loss) per share (expressed in Kobo per share) from total operations | 23 | (39) | 32 | 4 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

| | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Profit/(loss) attributable to equity holders of the Bank (Basic) from continuting operations | 4,626,029 | (12,896,527) | 7,354,653 | 869,441 |
| Profit/(loss) attributable to equity holders of the Bank (Basic) from discontinued operations | 671,275 | 3,885,313 | - | - |
| Profit/(loss) attributable to equity holders of the Bank (Basic) from total operations | 5,297,304 | (9,011,214) | 7,354,653 | 869,441 |
| Effect of conversion of potential ordinary shares | - | 3,323,089 | - | 3,323,089 |
| Profit/(loss) attributable to equity holders of the Bank (diluted) from continuting operations | 4,626,029 | (9,573,438) | 7,354,653 | 4,192,530 |
| Profit/(loss) attributable to equity holders of the Bank (diluted) from discontinued operations | 671,275 | 7,208,402 | - | - |
| Profit/(loss) attributable to equity holders of the Bank (diluted) from total operations | 5,297,304 | (5,688,125) | 7,354,653 | 4,192,530 |
| Weighted average number of ordinary shares in issue (in thousand) | 23,160,389 | 23,160,389 | 23,160,389 | 23,160,389 |
| Additional number of ordinary shares assuming conversion of dilutive potential ordinary shares (in thousands) | - | 5,405,283 | - | 5,405,283 |
| | 23,160,389 | 28,565,672 | 23,160,389 | 28,565,672 |
| Diluted earnings/(loss) per share (expressed in Kobo per share) from continuing operations | 20 | (56) | 32 | 4 |
| Diluted earnings/(loss) per share (expressed in Kobo per share) from discontinued operations | 3 | 17 | - | - |
| Diluted earnings/(loss) per share (expressed in Kobo per share) from total operations | 23 | (39) | 32 | 4 |

The basic earnings per share and diluted earnings per share are equal. This is because the potential ordinary shares have anti dilutive effect.

## 18 Cash and balances with central banks

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Cash on hand | 43,909,243 | 41,600,417 | 43,905,474 | 41,598,424 |
| Balances with central banks other than mandatory deposits | 9,995,508 | 31,749,188 | 9,995,508 | 31,749,188 |
| Impairment allowance | (352) | - | (352) | - |
| Total balance for cash flow statements (Note 43) | 53,904,399 | 73,349,605 | 53,900,630 | 73,347,612 |
| Mandatory reserve deposits with central banks (See note (a) below) | 208,522,015 | 186,099,896 | 208,522,015 | 186,099,896 |
| Special intervention reserve deposits with central bank (See note (b) below | 39,947,940 | 39,947,959 | 39,947,940 | 39,947,959 |
| | 302,374,354 | 299,397,460 | 302,370,585 | 299,395,467 |

(a) Mandatory reserve deposits with central banks represents a percentage of customers' deposits (prescribed from time to time by the central bank) which are not available for daily use.

(b) The Special Intervention Reserve deposit represents the Bank's contribution to the CBN's Real Sector Support Facility (RSSF) programme.

For the purpose of the statement of cashflow, these balances are excluded from cash and cash equivalents.

## 19. Financial assets at FVTPL

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Treasury bills | 10,631,133 | 37,688,365 | 10,631,133 | 37,688,365 |
| Government bonds | 42,330 | 644,744 | 42,330 | 644,744 |
| | 10,673,463 | 38,333,109 | 10,673,463 | 38,333,109 |
| Current | 10,673,463 | 38,333,109 | 10,673,463 | 38,333,109 |
| Non-current | - | - | - | - |
| | 10,673,463 | 38,333,109 | 10,673,463 | 38,333,109 |

## 20. Derivative assets

**Group**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| *In thousands of Naira* | Assets | Liabilities | Assets | Liabilities |
| Foreign exchange contracts (see (a) below) | - | - | 1,157,282 | - |
| OTC Futures contracts (see (b) below) | 9,500 | - | 161,246 | - |
| Cross currency swap | 379,255 | - | - | - |
| | 388,755 | - | 1,318,528 | - |

**Bank**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| *In thousands of Naira* | Assets | Liabilities | Assets | Liabilities |
| Foreign exchange contracts (see (a) below) | - | - | 1,157,282 | - |
| OTC Futures contracts (see (b) below) | 9,500 | - | 161,246 | - |
| Cross currency swap | 379,255 | - | - | - |
| | 388,755 | - | 1,318,528 | - |

**Notional Contract Amount**

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| FX forwards | - | 64,302,000 | - | 64,302,000 |
| OTC Futures contracts | 4,489,000 | 39,963,000 | 4,489,000 | 39,963,000 |
| Cross currency swap | 16,555,729 | - | 16,555,729 | - |
| | 21,044,729 | 104,265,000 | 21,044,729 | 104,265,000 |

**(a)** The Group uses FX forward transactions to hedge foreign currency risk.

**(b)** The derivatives arose from futures contracts entered into on behalf of customers, which were still open at the reporting date. The Bank entered into futures contracts to buy fixed amounts of foreign currencies at fixed exchange rates at future dates. These futures contracts are customized contracts that were transacted in the over-the-counter market. The futures contracts resulted in both derivative assets and liabilities positions at the reporting date.

The notional amount recorded gross is the amount that is used to calculate the fair value of the derivative assets or liabilities in response to the movement in the underlying derivative contracts which is the NAFEX foreign exchange rates.

At their inception, these derivatives involve only a mutual exchange of promises with no transfer of consideration. All the derivatives are current.

## 21. Assets pledged as collateral

Treasury bills and bonds are pledged to the Bank of Industry (BOI), ValuCard, Interswitch, Central Bank of Nigeria (CBN), African Export-Import Bank (AFREXIM), Nigerian Inter Bank Settlement System Company (NIBSS) and Federal Inland Revenue Service (FIRS) in respect of the Bank's ongoing participation in the Nigerian settlement system and as an agent in respect of tax collection for FIRS respectively. Treasury bills and bonds are also pledged as collateral to other financial institutions on amounts borrowed. These assets are measured at amortized cost.

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

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| \ | | | | |
| Government bonds | 66,878,125 | 59,145,969 | 66,878,125 | 59,145,969 |
| Treasury bills | 47,744,743 | 35,274,517 | 47,744,743 | 35,274,517 |
| Placements with other banks | 4,452,660 | 1,067,781 | 25,421,799 | 21,937,406 |
| Assets pledged impairment allowance | (46,060) | - | (121,352) | - |
| | 119,029,468 | 95,488,267 | 139,923,315 | 116,357,892 |

Assets pledged as collateral include N116.9 billion pledged as collateral for borrowings from financial institutions (2017: 84.1 billion).

As at 31 December 2018, the Bank held no collateral which it was permitted to sell or repledge in the absence of default by the owner of the collateral (2017 nil).

| | | | | |
|---|---|---|---|---|
| Current | 52,197,403 | 36,342,298 | 73,166,542 | 57,211,923 |
| Non-current | 66,878,125 | 59,145,969 | 66,878,125 | 59,145,969 |
| | 119,075,528 | 95,488,267 | 140,044,667 | 116,357,892 |

## 22. Loans to banks

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Current balances with banks outside Nigeria | 37,946,938 | 24,513,272 | 39,227,553 | 28,944,501 |
| Placements with banks and discount houses | - | 10,642,229 | 42,858,600 | 48,666,229 |
| Impairment allowance | (3,191) | - | (7,399) | - |
| | 37,943,747 | 35,155,501 | 82,078,754 | 77,610,730 |
| Current | 37,943,747 | 35,155,501 | 82,078,754 | 77,610,730 |
| Non-current | - | - | - | - |
| | 37,943,747 | 35,155,501 | 82,078,754 | 77,610,730 |

## 23. Loans and advances to customers

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Overdrafts | 97,321,515 | 79,355,859 | 97,321,515 | 79,355,859 |
| Term loans | 681,950,653 | 726,944,823 | 681,950,653 | 726,944,823 |
| Staff loans | 5,118,134 | 4,862,905 | 5,101,898 | 4,847,801 |
| Advances under finance lease | 3,412,268 | 3,203,908 | 3,412,268 | 3,203,908 |
| Gross loans and advances to customers | 787,802,570 | 814,367,495 | 787,786,334 | 814,352,391 |
| Less: Allowance for impairment | (219,905,612) | (58,864,333) | (219,904,943) | (58,864,333) |
| | 567,896,958 | 755,503,162 | 567,881,391 | 755,488,058 |
| Current | 230,808,959 | 282,204,859 | 230,793,392 | 282,189,755 |
| Non-current | 337,087,999 | 473,298,303 | 337,087,999 | 473,298,303 |
| | 567,896,958 | 755,503,162 | 567,881,391 | 755,488,058 |

(a) **Loans and advances to customers**

**Group**

| *In thousands of Naira* | 31 December 2018 Gross amount | ECL allowance | Carrying amount | 31 December 2017 Gross amount | Impairment allowance | Carrying amount |
|---|---|---|---|---|---|---|
| Overdrafts | 196,029,631 | (100,451,766) | 95,577,865 | 79,355,859 | (5,015,099) | 74,340,760 |
| Term loans | 583,119,157 | (118,372,349) | 464,746,808 | 726,944,823 | (53,794,894) | 673,149,929 |
| Staff loans | 5,117,058 | (509,745) | 4,607,313 | 4,862,905 | - | 4,862,905 |
| | 784,265,846 | (219,333,860) | 564,931,986 | 811,163,587 | (58,809,993) | 752,353,594 |
| Advances under finance lease (Note 23.2) | 3,536,724 | (571,752) | 2,964,972 | 3,203,908 | (54,340) | 3,149,568 |
| | 787,802,570 | (219,905,612) | 567,896,958 | 814,367,495 | (58,864,333) | 755,503,162 |

**Bank**

| *In thousands of Naira* | 31 December 2018 Gross amount | ECL allowance | Carrying amount | 31 December 2017 Gross amount | Impairment allowance | Carrying amount |
|---|---|---|---|---|---|---|
| Overdrafts | 196,029,631 | (100,451,766) | 95,577,865 | 79,355,859 | (5,015,099) | 74,340,760 |
| Term loans | 583,119,157 | (118,372,349) | 464,746,808 | 726,944,823 | (53,794,894) | 673,149,929 |
| Staff loans | 5,100,822 | (509,076) | 4,591,746 | 4,847,801 | - | 4,847,801 |
| | 784,249,610 | (219,333,191) | 564,916,419 | 811,148,483 | (58,809,993) | 752,338,490 |
| Advances under finance lease (Note 23.2) | 3,536,724 | (571,752) | 2,964,972 | 3,203,908 | (54,340) | 3,149,568 |
| | 787,786,334 | (219,904,943) | 567,881,391 | 814,352,391 | (58,864,333) | 755,488,058 |

**23.1** Reconciliation of impairment allowance on loans and advances to customers:

**Group**

| *In thousands of Naira* | 31 December 2018 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total | 31 December 2017 Specific impairment | Collective Impairment | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January | 72,543,448 | 10,158,917 | 162,627,758 | 245,330,123 | 41,719,089 | 15,745,862 | 57,464,951 |
| Net remeasurement of loss allowances (see note 9) | (49,698,098) | 11,498,774 | 57,368,301 | 19,168,977 | 59,469,325 | (2,072,244) | 57,397,081 |
| Financial assets that have been derecognised write-off | - | - | (44,593,488) | (44,593,488) | (50,227,540) | - | (50,227,540) |
| Transfer to collective impairment | - | - | - | - | 8,402,937 | (8,402,937) | - |
| Disposal of subsidiary | - | - | - | - | (5,990,017) | (437,988) | (6,428,005) |
| Foreign exchange and other movements | - | - | - | - | 557,413 | 100,433 | 657,846 |
| | 22,845,350 | 21,657,691 | 175,402,571 | 219,905,612 | 53,931,207 | 4,933,126 | 58,864,333 |

**Bank**

| *In thousands of Naira* | 31 December 2018 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total | 31 December 2017 Specific impairment | Collective Impairment | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January | 72,542,876 | 10,158,917 | 162,627,758 | 245,329,551 | 36,286,485 | 15,408,310 | 51,694,795 |
| Net remeasurement of loss allowances (see note 9) | (49,698,195) | 11,498,774 | 57,368,301 | 19,168,880 | 59,469,325 | (2,072,244) | 57,397,081 |
| Financial assets that have been derecognised write-off | - | - | (44,593,488) | (44,593,488) | (50,227,540) | - | (50,227,540) |
| Transfer to collective impairment | - | - | - | - | 8,402,937 | (8,402,937) | - |
| | 22,844,681 | 21,657,691 | 175,402,571 | 219,904,943 | 53,931,207 | 4,933,129 | 58,864,336 |

**23.2 Advances under finance lease may be analysed as follows:**

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| **Gross investment** | | | | |
| - No later than 1 year | 826,152 | 1,234,068 | 826,152 | 1,234,068 |
| - Later than 1 year and no later than 5 years | 2,710,573 | 1,969,840 | 2,710,573 | 1,969,840 |
| - More than 5 years | - | - | - | - |
| | 3,536,725 | 3,203,908 | 3,536,725 | 3,203,908 |
| Allowance for advances under finance lease | (571,752) | (54,340) | (571,752) | (54,340) |
| Balance, end of year | 2,964,973 | 3,149,568 | 2,964,973 | 3,149,568 |

**23.3 The net investment may be analyzed as follows:**

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| - No later than 1 year | 654,325 | 1,211,064 | 654,325 | 1,211,064 |
| - Later than 1 year and no later than 5 years | 2,310,648 | 1,938,504 | 2,310,648 | 1,938,504 |
| | 2,964,973 | 3,149,568 | 2,964,973 | 3,149,568 |

(b) Other loans and receivables

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Other loans and receivables | 7,535,232 | 7,535,232 | 7,535,232 | 7,535,232 |
| Impairment allowance (see Note b(i) below) | (7,535,232) | (7,535,232) | (7,535,232) | (7,535,232) |
| | - | - | - | - |

(b)(i) The reconciliation of impairment allowance for other loans and advances is as follows:

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| Balance, beginning of year | 7,535,232 | 7,535,232 | 7,535,232 | 7,535,232 |
| Impairment charge for the year | - | - | - | - |
| Balance, end of year | 7,535,232 | 7,535,232 | 7,535,232 | 7,535,232 |

**24. Investment securities**

| *In thousands of Naira* | Group 2018 | Group 2017 | Bank 2018 | Bank 2017 |
|---|---|---|---|---|
| **(a)** Investment securities at FVOCI | | | | |
| *Debt securities* | | | | |
| Treasury bills | 33,413,625 | 140,968,940 | 33,413,625 | 140,728,722 |
| Government bonds | - | 1,485,288 | - | 1,485,288 |
| Other bonds | - | - | - | - |
| | 33,413,625 | 142,454,228 | 33,413,625 | 142,214,010 |
| Impairment allowance | (5,315) | - | (5,315) | - |
| Net debt securities at FVOCI | 33,408,310 | 142,454,228 | 33,408,310 | 142,214,010 |
| *Equity securities - at fair value* | | | | |
| - Listed | - | - | - | - |
| - Unlisted | 5,483,528 | 5,675,283 | 5,483,528 | 5,675,283 |
| *Equity securities - at cost* | | | | |
| -Unlisted | 193,332 | 149,861 | 193,332 | 149,861 |
| Equity securities | 5,676,860 | 5,825,144 | 5,676,860 | 5,825,144 |
| | 39,085,170 | 148,279,372 | 39,085,170 | 148,039,154 |

| | | | | |
|---|---|---|---|---|
| **(b)** Investment securities at amortised cost | | | | |
| Treasury bills | 70,827,713 | 48,142,679 | 70,757,665 | 48,142,679 |
| Government bonds | 44,204,293 | 25,643,399 | 44,204,293 | 25,643,399 |
| Other bonds | 654,473 | 1,956,362 | 654,473 | 1,956,362 |
| | 115,686,479 | 75,742,440 | 115,616,431 | 75,742,440 |
| Impairment allowance | (67,313) | - | (67,304) | - |
| | 115,619,166 | 75,742,440 | 115,549,127 | 75,742,440 |
| **Total investment securities** | 154,704,336 | 224,021,812 | 154,634,297 | 223,781,594 |
| Current | 104,241,338 | 189,111,619 | 104,171,290 | 188,871,401 |
| Non-current | 50,462,998 | 34,910,193 | 50,463,007 | 34,910,193 |
| | 154,704,336 | 224,021,812 | 154,634,297 | 223,781,594 |

**24.1** For the purpose of the statement of cash flow, the following investment securities have been included as cash and cash equivalents (see Note 43)

| ***In thousands of Naira*** | **Group 2018** | **Group 2017** | **Bank 2018** | **Bank 2017** |
|---|---|---|---|---|
| **Investment securities at amortised cost** | | | | |
| Treasury Bills (with original of 3 months or less). | - | - | - | - |

## 25. Investment in subsidiaries

| ***In thousands of Naira*** | **2018** | **2017** |
|---|---|---|
| Diamond Bank du Benin (S.A.) | - | - |
| Diamond Bank Fund Custodian Ltd (DPFC) | 2,000,000 | 2,000,000 |
| Diamond Bank UK | - | - |
| Diamond Bank B.V. | - | - |
| | 2,000,000 | 2,000,000 |

The subsidiary companies comprise the following:

| | **Nature of business** | **Country of incorpoation** | **Year End** | **Ownership interest (%) 31 December 2018** | **31 December 2017** |
|---|---|---|---|---|---|
| Diamond Pension Fund Custodian Ltd (DPFC) (see (a) below). | Pension Fund Custody | Nigeria | 31 December | 100.00 | 100.00 |
| Diamond Finance BV. (see (b) below) | Structured Entity | Netherlands | 30 March | - | - |
| Diamond Bank UK (see (c) below) | Banking | United Kingdom | 31 December | - | - |

**(a)** Diamond Pension Fund Custodian (DPFC) Ltd provides fund custodial services to licensed Pension Fund Administrators. The Group has 100% ownership in DPFC and accordingly, it has consolidated the transactions and financial performance of DPFC in its financial statements.Diamond Pension Fund Custodian (DPFC) Ltd provides fund custodial services to licensed Pension Fund Administrators. The Group has 100% ownership in DPFC and accordingly, it has consolidated the transactions and financial performance of DPFC in its financial statements.

**(b)** Diamond Finance B.V. is a structured entity, incorporated on Diamond Bank's behalf by Intertrust (a Netherlands Corporate Finance company), for the sole purpose of issuing loan participatory notes to interested parties for the purpose of funding a subordinated facility to Diamond Bank. The Bank has determined that it has control over the entity, due to the power it has to direct relevant activities of the entity. The Bank has no direct holdings in the entity.

**(c)** The Group is in the process of divesting its investment in Diamond Bank UK. The Board of Directors committed to disposing the Group's investment in the subsidiary and as consequently, the investments in Diamond Bank UK have been classified as assets held for sale (see note 47).

**(d) Significant restrictions**
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to maintain certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. The carrying amounts of banking subsidiaries' assets and liabilities are N71 billion and N17 billion respectively (2017:N92 billion and N36 billion respectively).

(a) Condensed results of consolidated entities

The condensed financial data of the consolidated entities as at 31 December 2018, are as follows:

***Condensed profit or loss***

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Group balances** | **Elimination entries** | **Diamond Bank Plc** | **Diamond Pension Fund Custodian** | **Diamond Finance B.V.** |
| Operating income | 121,755,284 | (2,454,790) | 123,218,372 | 969,221 | 22,481 |
| Operating expenses | (97,663,032) | - | (97,179,146) | (463,412) | (20,474) |
| Net impairment of financial assets | (20,553,824) | (630,249) | (19,923,798) | 223 | - |
| Profit before tax | 3,538,428 | (3,085,039) | 6,115,428 | 506,032 | 2,007 |
| Minimum tax | 1,299,774 | - | 1,299,774 | - | - |
| Taxation | (212,173) | - | (60,549) | (151,224) | (401) |
| Profit for the period from continuing operations | 4,626,029 | (3,085,039) | 7,354,653 | 354,808 | 1,606 |
| Profit from discontinued operations (net of tax) | 671,275 | - | - | - | - |
| Profit for the year | 5,297,304 | (3,085,039) | 7,354,653 | 354,808 | 1,606 |

***Condensed financial position***

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Group balances** | **Elimination entries** | **Diamond Bank Plc** | **Diamond Pension Fund Custodian** | **Diamond Finance B.V.** |
| **Assets** | | | | | |
| Cash and balances with central banks | 302,374,354 | - | 302,370,585 | 18 | 3,751 |
| Financial assets FVTPL | 10,673,463 | - | 10,673,463 | - | - |
| Derivative assets | 388,755 | - | 388,755 | - | - |
| Asset pledged as collateral | 119,029,468 | (20,893,847) | 139,923,315 | - | - |
| Loans to banks | 37,943,747 | (66,462,636) | 82,078,754 | 3,782,255 | 18,545,374 |
| Loans and advances to customers | 567,896,958 | - | 567,881,391 | 15,567 | - |
| Investment securities | | | | | |
| - At FVOCI | 39,085,170 | - | 39,085,170 | - | - |
| - At amortised cost | 115,619,166 | - | 115,549,127 | 70,039 | - |
| Investment in subsidiaries | - | (2,000,000) | 2,000,000 | - | - |
| Investment in associates | 98,915 | - | 98,915 | - | - |
| Investment properties held for sale | 4,052,378 | - | 3,877,378 | 175,000 | - |
| Property and equipment | 65,455,041 | - | 65,376,369 | 78,672 | - |
| Intangible assets | 3,153,045 | - | 3,080,370 | 72,675 | - |
| Deferred taxation | 4,984,388 | - | 4,984,388 | - | - |
| Other assets | 29,008,864 | - | 28,944,189 | 64,675 | - |
| | 1,299,763,712 | (89,356,483) | 1,366,312,169 | 4,258,901 | 18,549,125 |
| Assets classified as held for sale | 71,445,024 | 63,468,764 | 7,976,260 | - | - |
| | 1,371,208,736 | (25,887,719) | 1,374,288,429 | 4,258,901 | 18,549,125 |
| **Financed by:** | | | | | |
| Deposit from banks | 48,765,050 | (16,388,100) | 65,153,150 | - | - |
| Deposit from customers | 1,043,976,729 | (3,788,246) | 1,047,764,975 | - | - |
| Derivative liability | 6,375 | - | 6,375 | - | - |
| Current income tax liability | 472,868 | - | 327,525 | 144,510 | 833 |
| Deferred taxation | 13,071 | - | - | 13,071 | - |
| Other liabilities | 46,887,715 | - | 46,855,246 | 32,469 | - |
| Borrowings | 121,876,210 | (8,903,848) | 130,780,058 | - | - |
| Long term debt | 55,001,552 | (18,540,374) | 55,001,552 | - | 18,540,374 |
| Liabilities classfied as held for sale | 17,135,474 | 17,135,474 | - | - | - |
| Equity and reserves | 37,073,692 | 4,597,375 | 28,399,548 | 4,068,851 | 7,918 |
| | 1,371,208,736 | (25,887,719) | 1,374,288,429 | 4,258,901 | 18,549,125 |

(b) Condensed results of consolidated entities

The condensed financial data of the consolidated entities as at 31 December 2017, are as follows:

***Condensed profit or loss***

| *In thousands of Naira* | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | **Group balances** | **Elimination entries** | **Diamond Bank Plc** | **Diamond Pension Fund Custodian** | **Diamond Finance B.V.** |
| Operating income | 134,130,531 | (14,322,683) | 147,394,553 | 1,038,187 | 20,474 |
| Operating expenses | (88,847,072) | - | (88,373,235) | (455,191) | (18,646) |
| Net impairment of financial assets | (56,830,411) | - | (56,830,411) | - | - |
| Profit before tax | (11,546,952) | (14,322,683) | 2,190,907 | 582,996 | 1,828 |
| Minimum tax | (1,310,230) | - | (1,299,774) | (10,456) | - |
| Taxation | (39,345) | - | (21,692) | (17,287) | (366) |
| Profit for the period from continuing operationd | (12,896,527) | (14,322,683) | 869,441 | 555,253 | 1,462 |
| Profit from discontinued operations (net of tax) | 3,885,313 | - | - | - | - |
| Profit for the year | (9,011,214) | (14,322,683) | 869,441 | 555,253 | 1,462 |

***Condensed financial position***

| *In thousands of Naira* | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | **Group balances** | **Elimination entries** | **Diamond Bank Plc** | **Diamond Pension Fund Custodian** | **Diamond Finance B.V.** |
| **Assets** | | | | | |
| Cash and balances with central banks | 299,397,460 | - | 299,395,467 | 7 | 1,986 |
| Financial assets at FVTPL | 38,333,109 | - | 38,333,109 | - | - |
| Derivative assets | 1,318,528 | - | 1,318,528 | - | - |
| Asset pledged as collateral | 95,488,267 | (20,869,625) | 116,357,892 | - | - |
| Loans to banks | 35,155,501 | (62,510,153) | 77,610,730 | 3,132,644 | 16,922,280 |
| Loans and advances to customers | 755,503,162 | - | 755,488,058 | 15,104 | - |
| Investment securities | | | | | |
| - At fair value through other comprehensive income | 148,279,372 | - | 148,039,154 | 240,218 | - |
| - At amortised cost | 75,742,440 | - | 75,742,440 | - | - |
| Investment in subsidiaries | - | (2,000,000) | 2,000,000 | - | - |
| Investment in associates | - | - | - | - | - |
| Investment properties held for sale | 3,961,700 | (1,300) | 3,788,000 | 175,000 | - |
| Property and equipment | 63,840,777 | (41,065) | 63,814,940 | 66,902 | - |
| Intangible assets | 3,907,526 | (5) | 3,836,377 | 71,154 | - |
| Deferred taxation | 4,984,388 | - | 4,984,388 | - | - |
| Other assets | 96,966,851 | - | 96,873,210 | 93,641 | - |
| | 1,622,879,081 | (85,422,148) | 1,687,582,293 | 3,794,670 | 16,924,266 |
| Assets classified as held for sale | 91,928,185 | 83,951,925 | 7,976,260 | - | - |
| | 1,714,807,266 | (1,470,223) | 1,695,558,553 | 3,794,670 | 16,924,266 |
| **Financed by:** | | | | | |
| Deposit from banks | 10,958,909 | (14,902,200) | 25,861,109 | - | - |
| Deposit from customers | 1,161,594,129 | (3,132,644) | 1,164,726,773 | - | - |
| Derivative liability | 740,724 | - | 740,724 | - | - |
| Current income tax liability | 1,620,950 | - | 1,592,413 | 27,743 | 794 |
| Deferred taxation | 5,049 | - | - | 5,049 | - |
| Other liabilities | 48,897,903 | (20,126) | 48,878,175 | 39,854 | - |
| Borrowings | 161,297,212 | (8,382,958) | 169,680,170 | - | - |
| Long term debt | 70,515,228 | (16,917,514) | 70,515,228 | - | 16,917,514 |
| Liabilities classified as held for sale | 35,864,205 | 35,864,205 | - | - | - |
| Equity and reserves | 223,312,957 | 6,021,014 | 213,563,961 | 3,722,024 | 5,958 |
| | 1,714,807,266 | (1,470,223) | 1,695,558,553 | 3,794,670 | 16,924,266 |

## 26. Investment in associates

The gross investment in associates is shown below:

| *In thousands of Naira* | % Holding | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Flavours Foods Limited | 40.0% | - | 50,000 | - | 50,000 |
| PCI Resins Limited | 7.6% | - | 52,500 | - | 52,500 |
| PCI Paints Limited | 33.0% | - | 35,000 | - | 35,000 |
| Savannah Chum Chum & Fries Limited | 41.3% | - | 45,000 | - | 45,000 |
| Pek Industries Limited | 34.0% | - | 34,000 | - | 34,000 |
| Credit Reference Company Nigeria Limited | 7.6% | 98,915 | 96,661 | 98,915 | 96,661 |
| APL Electric Limited | 25.0% | 426,587 | 426,587 | 426,587 | 426,587 |
| Geometric Power Aba Limited | 25.0% | 2,491,413 | 2,491,413 | 2,491,413 | 2,491,413 |
| | | 3,016,915 | 3,231,161 | 3,016,915 | 3,231,161 |
| Cummulative impairment | | (2,918,000) | (3,231,161) | (2,918,000) | (3,231,161) |
| | | 98,915 | - | 98,915 | - |

A reconciliation of the movement in impairment on investment in associates is detailed below:

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Balance at the beginning of the year | 3,231,161 | 3,231,161 | 3,231,161 | 3,231,161 |
| Write-off | (216,500) | - | (216,500) | - |
| Reversal of impairment allowance | (96,661) | - | (96,661) | - |
| Balance at the end of the year | 2,918,000 | 3,231,161 | 2,918,000 | 3,231,161 |

There were no published price quotations for the associate companies. There are no significant restrictions on the ability of the associates to transfer funds to the group in the form of cash dividends, or repayments of loans or advances.

The Bank exercises significant influence in PCI Resins Limited and Credit Reference Company Nigeria Limited even though its shareholding is less than 20%. This is based on representation of at least one director on the board of the companies and significant participation in the companies' operating and financial policies.

The Group has recognized all losses in relation to its interests in associates, to the extent of its obligation in respect to these losses.

## 27. Investment Properties held for sale

### (a) Reconciliation of carrying amount

| ***In thousands of Naira*** | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Balance, beginning of year | 3,961,700 | 3,870,200 | 3,788,000 | 3,701,500 |
| Additional expenditure | 3,595 | 16,477 | 2,295 | 16,477 |
| Fair value gain/(loss) | 87,083 | 75,023 | 87,083 | 70,023 |
| Balance, end of year | 4,052,378 | 3,961,700 | 3,877,378 | 3,788,000 |

Property held for sale of N3.88 billion (2017: N3.79 billion), for the Bank, represents the value of landed property and a real estate which are carried and measured as investment properties. Management has assessed that the cost incurred to date is a reflection of the value of the property. There was no rental income from such properties during the period and no restrictions on the realisability of the property.

**Valuation technique used for fair valuation of investment properties**

Investment properties are stated at fair value, which has been determined based on valuations performed by Messers Ubosi Eleh & Co., Estate Surveyors and Valuers (FRC/2014/NIESV/00000003997), Jide Taiwo & Co, Estate Surveyor & Valuers (NIESV Reg No 396543), and Chris Ogbonna and Partners (FRC/2015/NIESV/00000012246) on 12 December 2018, 6 December 2018 and 10 December 2018 respectively. The valuers are industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount that would be received to sell the properties in an orderly transaction between market participants at the measurement date in the principal market to which the Group has access at the date of valuation, in accordance with standard issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss. The profits or losses on disposal are also reported in the profit or loss as they occur.

The details of valuation techniques and observable inputs used in determining the fair value of investment properties are presented below:

| Location of property | Fair value as at 31 December 2018 (N'000) | Valuation techniques | Significant unobservable inputs | Range of estimates (average) for unobservable inputs | Fair value measurement sensitivity for unobservable inputs |
|---|---|---|---|---|---|
| Property at Block 2, Ayoola Makanjuola Drive, Lekki Peninsula Scheme II, Ajah, Eti-Osa Local Government Area, Lagos State. | 510,000 | Comparison of the subject property with identical or similar properties for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale, making adequate adjustments on the price information to reflect differences in the terms and actual time of transaction including legal, physical and economic characteristics of the properties. | Estimated market values of similar properties in Sangotedo Ajah and Badore Ajah in Lagos State. | N357 million - N520 million | The estimated market value would increase/decrease if the rate of development in the area increases/decreases, quality of the building increases/decreases, infux of people, and/or business to the area increases/decreases. |
| Property along Elioparawa Road in Obio Local Government, Port Harcourt, Rivers State. | 3,150,000 | Property was valued using the direct market comparison approach. This approach compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions to arrive at the value. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or degree of characteristics which influence value. | Estimated market value of similar property in Port- Harcourt, Rivers State | N2.8 billion - N3.2 billion | The estimated market value would increase/decrease if the rate of development in the area increases/decreases, quality of the building increases/decreases, infux of people, and/or business to the area increases/decreases. |
| Property at Area "Y", New Owerri | 217,000 | Property was valued using the open market approach, by comparing the property with similar properties currently put up for sale in the property market, having considered peculiarities and the state of the subject property in arriving at a valuation. | Estimated market values of similar properties in Owerri | N145 million - N220 million | The estimated market value would increase/decrease if the rate of development in the area increases/decreases, quality of the building increases/decreases, infux of people, and/or business to the area increases/decreases. |

## 28 Property and equipment

**GROUP**

**(a) Reconciliation of carrying amount**

| | Land | Leasehold improvements | Building | Furniture & fittings | Office equipment | Computer equipment | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1 January 2018 | 20,535,545 | 4,364,377 | 26,145,949 | 1,594,038 | 24,879,799 | 6,119,931 | 6,422,213 | 11,881,697 | 101,943,549 |
| Additions | - | 97,573 | 254,766 | 128,274 | 2,394,476 | 583,651 | 1,033,756 | 6,381,091 | 10,873,587 |
| Reclassifications | 1,025,315 | - | 16,329,781 | (489) | 368,303 | (231) | 161,490 | (18,013,235) | (129,066) |
| Disposals | (2,510,297) | - | - | (81,981) | (1,314,007) | (131,928) | (933,147) | - | (4,971,360) |
| Reclassified to assets held for sale | - | - | - | - | - | - | - | - | - |
| Balance as 31 December 2018 | 19,050,563 | 4,461,950 | 42,730,496 | 1,639,842 | 26,328,571 | 6,571,423 | 6,684,312 | 249,553 | 107,716,710 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1 January 2018 | 768,605 | 3,458,940 | 6,539,279 | 1,273,230 | 16,093,602 | 5,002,930 | 4,966,186 | - | 38,102,772 |
| Charge for the year | - | 203,210 | 1,107,523 | 170,880 | 3,646,167 | 683,698 | 816,193 | - | 6,627,671 |
| Reclassification | - | (2,785) | - | (489) | (3,747) | (231) | - | - | (7,252) |
| Disposals | (75,348) | - | - | (81,244) | (1,293,296) | (139,503) | (872,131) | - | (2,461,522) |
| Reclassified to assets held for sale | - | - | - | - | - | - | - | - | - |
| Balance as 31 December 2018 | 693,257 | 3,659,365 | 7,646,802 | 1,362,377 | 18,442,726 | 5,546,894 | 4,910,248 | - | 42,261,669 |
| **Cost** | | | | | | | | | |
| Balances at 1 January 2017 | 17,920,022 | 9,885,576 | 24,632,759 | 2,449,891 | 21,522,088 | 8,167,158 | 7,860,512 | 13,890,439 | 106,328,445 |
| Additions | - | 418,723 | 923,361 | 206,776 | 3,210,113 | 1,265,475 | 1,121,651 | 6,211,786 | 13,357,885 |
| Reclassifed from intangible assets | - | - | - | - | 330,658 | 32,856 | - | - | 363,514 |
| Reclassifications | 2,698,805 | 39,272 | 1,724,048 | 28,194 | 561,808 | 20,957 | 4,859 | (5,077,943) | - |
| Disposals | - | (112,066) | (50,081) | (103,741) | (287,032) | (38,285) | (902,972) | (71,164) | (1,565,341) |
| Disposal of subsidairy | (83,282) | (5,705,216) | (1,084,138) | (890,481) | (457,836) | (2,783,710) | (1,661,837) | (3,071,421) | (15,737,921) |
| Reclassified to assets held for sale | - | (161,912) | - | (96,601) | - | (544,520) | - | - | (803,033) |
| Balance at 31 December 2017 | 20,535,545 | 4,364,377 | 26,145,949 | 1,594,038 | 24,879,799 | 6,119,931 | 6,422,213 | 11,881,697 | 101,943,549 |
| **Accumulated depreciation** | | | | | | | | | |
| Balances at 1 January 2017 | 757,614 | 5,920,076 | 5,532,755 | 2,019,003 | 13,370,782 | 6,208,331 | 5,373,748 | - | 39,182,309 |
| Charge for the year | 10,991 | 797,773 | 1,008,610 | 279,982 | 3,367,340 | 1,269,923 | 1,090,391 | - | 7,825,010 |
| Disposals | - | (81,829) | (18,958) | (85,434) | (275,762) | (32,645) | (571,176) | - | (1,065,804) |
| Disposal of subsidiary | - | (3,033,426) | 16,872 | (851,907) | (368,758) | (1,994,258) | (926,777) | - | (7,158,254) |
| Reclassified to assets held for sale | - | (143,654) | - | (88,414) | - | (448,421) | - | - | (680,489) |
| Balance at 31 December 2017 | 768,605 | 3,458,940 | 6,539,279 | 1,273,230 | 16,093,602 | 5,002,930 | 4,966,186 | - | 38,102,772 |
| **Balance at 31 December 2018** | 18,357,306 | 802,585 | 35,083,694 | 277,465 | 7,885,845 | 1,024,529 | 1,774,064 | 249,553 | 65,455,041 |
| **Balance at 31 December 2017** | 19,766,940 | 905,437 | 19,606,670 | 320,808 | 8,786,197 | 1,117,001 | 1,456,027 | 11,881,697 | 63,840,777 |

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2017 : nil).

There were no contractual commitments for the acquisition of property and equipment as at 31 December 2018 (December 2017: N3.95 billion)

**BANK**

**(a) Reconciliation of carrying amount**

| *In thousands of Naira* | Land | Leasehold improvementas | Building | Furniture & fittings | Office equipment | Computer equipment | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1 January 2018 | 20,535,547 | 4,300,769 | 26,145,950 | 1,584,783 | 24,851,046 | 6,049,699 | 6,366,909 | 11,881,699 | 101,716,402 |
| Additions | - | 97,573 | 254,765 | 128,274 | 2,394,174 | 572,214 | 999,655 | 6,381,091 | 10,827,746 |
| Reclassified to others | - | - | - | (489) | (5,376) | (231) | - | (122,970) | (129,066) |
| Reclassified from intangibles | - | - | - | - | - | - | - | - | - |
| Reclassifications from WIP | 1,025,315 | - | 16,329,781 | - | 373,679 | - | 161,490 | (17,890,265) | - |
| Disposals | (2,510,297) | - | - | (81,981) | (1,313,768) | (131,578) | (910,029) | - | (4,947,653) |
| Write-offs | - | - | - | - | - | - | - | - | - |
| Balance as 31 December 2018 | 19,050,565 | 4,398,342 | 42,730,496 | 1,630,587 | 26,299,755 | 6,490,104 | 6,618,025 | 249,555 | 107,467,429 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 1 January 2018 | 739,617 | 3,395,639 | 6,539,279 | 1,266,375 | 16,072,167 | 4,954,887 | 4,933,498 | - | 37,901,462 |
| Charge for the year | - | 203,044 | 1,107,523 | 169,817 | 3,643,433 | 667,169 | 802,613 | - | 6,593,599 |
| Reclassification | - | (2,785) | - | (489) | (3,747) | (231) | - | - | (7,252) |
| Disposals | (46,357) | - | - | (81,245) | (1,293,056) | (127,077) | (849,014) | - | (2,396,749) |
| Balance as 31 December 2018 | 693,260 | 3,595,898 | 7,646,802 | 1,354,458 | 18,418,797 | 5,494,748 | 4,887,097 | - | 42,091,060 |
| **Cost** | | | | | | | | | |
| Balances at 1 January 2017 | 17,836,742 | 4,280,663 | 24,265,567 | 1,547,380 | 21,080,159 | 5,230,975 | 6,152,676 | 12,931,866 | 93,326,028 |
| Additions | - | 42,247 | 206,416 | 72,820 | 3,165,418 | 798,932 | 804,513 | 4,168,510 | 9,258,856 |
| Reclassified to others | - | - | - | - | - | - | - | (140,734) | (140,734) |
| Reclassifed from intangible assets | - | - | - | - | 330,658 | 32,856 | - | - | 363,514 |
| Reclassifications from WIP | 2,698,805 | 39,272 | 1,724,048 | 28,194 | 561,808 | 20,957 | 4,859 | (5,077,943) | - |
| Disposals | - | (61,413) | (50,081) | (63,611) | (286,997) | (34,021) | (595,139) | - | (1,091,262) |
| Balance at 31 December 2017 | 20,535,547 | 4,300,769 | 26,145,950 | 1,584,783 | 24,851,046 | 6,049,699 | 6,366,909 | 11,881,699 | 101,716,402 |
| **Accumulated depreciation** | | | | | | | | | |
| Balances at 1 January 2017 | 739,617 | 3,238,818 | 5,549,627 | 1,135,072 | 13,067,622 | 4,162,968 | 4,484,038 | - | 32,377,762 |
| Charge for the year | - | 218,233 | 1,008,610 | 184,962 | 3,280,307 | 823,141 | 827,812 | - | 6,343,065 |
| Disposals | - | (61,412) | (18,958) | (53,659) | (275,762) | (31,222) | (378,352) | - | (819,365) |
| Balance at 31 December 2017 | 739,617 | 3,395,639 | 6,539,279 | 1,266,375 | 16,072,167 | 4,954,887 | 4,933,498 | - | 37,901,462 |
| **Balance at 31 December 2018** | 18,357,305 | 802,444 | 35,083,694 | 276,129 | 7,880,958 | 995,356 | 1,730,928 | 249,555 | 65,376,369 |
| **Balance at 31 December 2017** | 19,795,930 | 905,130 | 19,606,671 | 318,408 | 8,778,879 | 1,094,812 | 1,433,411 | 11,881,699 | 63,814,940 |

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2017 : nil).

There were no contractual commitments for the acquisition of property and equipment as at 31 December 2018 (December 2017: N3.95 billion)

## 29 Intangible assets

| *In thousands of Naira* | Group | | | | Bank | | |
|---|---|---|---|---|---|---|---|
| | **Goodwill** | **Purchased Software** | | **Total** | **Purchased Software** | | **Total** |
| | | **Assets under construction** | **Completed** | **Total** | **Assets under construction** | **Completed** | |
| **Cost** | | | | | | | |
| **31 December 2018** | | | | | | | |
| Balance at 1 January 2018 | - | 1,276,927 | 10,388,216 | 11,665,143 | 1,276,926 | 10,264,206 | 11,541,132 |
| Additions | - | 461,731 | 392,765 | 854,496 | 461,731 | 370,801 | 832,532 |
| Disposals | - | - | - | - | - | - | - |
| Reclassification | - | (755,868) | 755,868 | - | (755,868) | 755,868 | - |
| Reclassified to PPE and others | - | (178,982) | - | (178,982) | (178,982) | - | (178,982) |
| Reclassified to assets held for sale | - | - | - | - | - | - | - |
| Translation differences | - | - | - | - | - | - | - |
| **Balance at 31 December 2018** | - | 803,808 | 11,536,849 | 12,340,657 | 803,807 | 11,390,875 | 12,194,682 |
| **31 December 2017** | | | | | | | |
| Balances at 1 January 2017 | 870,974 | 2,039,962 | 9,761,040 | 12,671,976 | 2,039,962 | 8,431,794 | 10,471,756 |
| Additions | - | 661,456 | 1,075,579 | 1,737,035 | 608,869 | 824,021 | 1,432,890 |
| Disposals | - | - | (116) | (116) | - | - | - |
| Reclassification | - | (1,008,391) | 1,008,391 | - | (1,008,391) | 1,008,391 | - |
| Reclassified to PPE and others | - | (416,100) | - | (416,100) | (363,514) | - | (363,514) |
| Disposal of subsidiary | - | - | (1,176,532) | (1,176,532) | - | - | - |
| Reclassified to assets held for sale | (870,974) | - | (280,146) | (1,151,120) | - | - | - |
| Translation difference | - | - | - | - | - | - | - |
| **Balance at 31 December 2017** | - | 1,276,927 | 10,388,216 | 11,665,143 | 1,276,926 | 10,264,206 | 11,541,132 |
| **Amortisation and impairment losses** | | | | | | | |
| **31 December 2018** | | | | | | | |
| Balance at 1 January 2018 | - | - | 7,757,617 | 7,757,617 | - | 7,704,755 | 7,704,755 |
| Charge for the year | - | - | 1,429,995 | 1,429,995 | - | 1,409,557 | 1,409,557 |
| Disposals | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - |
| Disposal of subsidiary | - | - | - | - | - | - | - |
| Reclassified to assets held for sale | - | - | - | - | - | - | - |
| Translation differences | - | - | - | - | - | - | - |
| **Balance at 31 December 2018** | - | - | 9,187,612 | 9,187,612 | - | 9,114,312 | 9,114,312 |
| **31 December 2017** | | | | | | | |
| Balances at 1 January 2017 | - | - | 6,960,032 | 6,960,032 | - | 5,950,567 | 5,950,567 |
| Charge for the year | - | - | 1,878,089 | 1,878,089 | - | 1,754,188 | 1,754,188 |
| Reclassification | - | - | (11) | (11) | - | - | - |
| Disposal of subsidiary | - | - | (842,312) | (842,312) | - | - | - |
| Reclassified to assets held for sale | - | - | (238,181) | (238,181) | - | - | - |
| **Balance at 31 December 2017** | - | - | 7,757,617 | 7,757,617 | - | 7,704,755 | 7,704,755 |
| **Carrying amounts:** | | | | | | | |
| **31 December 2018** | **-** | **803,808** | **2,349,237** | **3,153,045** | **803,807** | **2,276,563** | **3,080,370** |
| **31 December 2017** | **-** | **1,276,927** | **2,630,599** | **3,907,526** | **1,276,926** | **2,559,451** | **3,836,377** |

There were no capitalised borrowing costs related to the internal development of software during the year. (December 2017: nil)

Assets under construction represent the software acquired by the Group, which are still under the implementation stage. These are not amortised until the implementation is completed and the asset is available for use.

## 30 Deferred taxation

**(a)** Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2017: 30%).

Deferred income tax assets and liabilities are attributable to the following items:

| *In thousands of Naira* | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **Deferred tax assets** | **Deferred tax liabilities** | **Net** | **Deferred tax assets** | **Deferred tax liabilities** | **Net** |
| **31 December 2018** | | | | | | |
| Allowance for loan losses | - | - | - | - | - | - |
| Tax losses carried forward | - | - | - | - | - | - |
| Property and equipment | 8,420,222 | (13,071) | 8,407,151 | 8,420,223 | - | 8,420,223 |
| Investment property held for sale | 57,221 | - | 57,221 | 57,221 | - | 57,221 |
| Other temporary difference | (3,378,341) | - | (3,378,341) | (3,378,341) | - | (3,378,341) |
| Derivative liability | (114,714) | - | (114,714) | (114,714) | - | (114,714) |
| **Deferred tax assets/(liabilities) before set off** | 4,984,388 | (13,071) | 4,971,317 | 4,984,389 | - | 4,984,389 |
| Set off of deferred tax | - | - | - | - | - | - |
| **Deferred tax assets (liabilities)** | 4,984,388 | (13,071) | 4,971,317 | 4,984,389 | - | 4,984,389 |

| *In thousands of Naira* | | | Group | | | Bank |
|---|---|---|---|---|---|---|
| | **Deferred tax assets** | **Deferred tax liabilities** | **Net** | **Deferred tax assets** | **Deferred tax liabilities** | **Net** |
| **31 December 2017** | | | | | | |
| Allowance for loan losses | 1,479,938 | - | 1,479,938 | 1,479,938 | - | 1,479,938 |
| Tax losses carried forward | 4,582,868 | - | 4,582,868 | 4,582,868 | - | 4,582,868 |
| Property and equipment | 1,280,573 | (4,049) | 1,276,524 | 1,280,573 | - | 1,280,573 |
| Investment property held for sale | 65,929 | (1,000) | 64,929 | 65,929 | - | 65,929 |
| Other temporary difference | (2,251,578) | - | (2,251,578) | (2,251,578) | - | (2,251,578) |
| Derivative liability | (173,342) | - | (173,342) | (173,342) | - | (173,342) |
| **Deferred tax assets/(liabilities) before set off** | 4,984,388 | (5,049) | 4,979,339 | 4,984,388 | - | 4,984,388 |
| Set off of deferred tax | - | - | - | - | - | - |
| **Deferred tax assets (liabilities)** | 4,984,388 | (5,049) | 4,979,339 | 4,984,388 | - | 4,984,388 |

**(b)** Reconciliation for recognized deferred tax assets

| *In thousands of Naira* | **Group 31 December 2018** | **Group 31 December 2017** | **Bank 31 December 2018** | **Bank 31 December 2017** |
|---|---|---|---|---|
| Deferred tax asset (net) at the beginning of the year | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,388 |
| *Origination/(reversal) of temporary differences* | | | | |
| Allowance for loan losses | (1,479,938) | (263,624) | (1,479,938) | (263,624) |
| Tax losses carried forward | (4,582,868) | 778,079 | (4,582,868) | 778,079 |
| Property and equipment | 7,139,649 | - | 7,139,649 | - |
| Investment property held for sale | (8,708) | (7,002) | (8,708) | (7,002) |
| Other temporary difference | (1,126,763) | (328,384) | (1,126,763) | (328,384) |
| Derivative transactions | 58,628 | (179,069) | 58,628 | (179,069) |
| Closing balance | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,388 |

## 30. Deferred taxation

### (c) Movement in deferred tax balances

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Net balance as at 1 January 2018 | 4,979,339 | 4,977,430 | 4,984,388 | 4,984,388 |
| Recognized in profit or loss | (8,022) | 1,909 | - | - |
| Net balance as at 31 December 2018 | 4,971,317 | 4,979,339 | 4,984,388 | 4,984,388 |

(d) Recognition of deferred tax assets of N4.98 billion (2017: N4.98 billion) was based on the Bank's recoverable temporary differences in the merged entity, which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised. The directors are of the opinion that the assumptions underlying the preparation of the forecast, are reasonable and achievable.

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Bank can utilise the benefits. The items attributable to the unrecognized deferred tax assets are as follows:

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Allowance for loan losses | 12,967,960 | - | 12,967,960 | - |
| Tax losses carried forward | 65,939,852 | 37,391,660 | 65,939,852 | 37,391,660 |
| Property and equipment, and software | 740,590 | 5,783,730 | 740,590 | 5,783,730 |
| Other temporary differences | 575,602.00 | - | 575,602 | - |
| Net balance as at 31 December 2018 | 80,224,004 | 43,175,390 | 80,224,004 | 43,175,390 |

## 31 Other assets

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| *Non-financial assets* | | | | |
| Prepayments | 8,039,274 | 8,863,669 | 8,027,264 | 8,851,820 |
| *Financial assets:* | | | | |
| Account receivable | 16,692,594 | 87,004,855 | 16,656,034 | 86,951,968 |
| Other receivables | 11,092,748 | 4,127,076 | 11,073,363 | 4,095,638 |
| | 35,824,616 | 99,995,600 | 35,756,661 | 99,899,426 |
| Impairment allowance | (6,815,752) | (3,028,749) | (6,812,472) | (3,026,216) |
| | 29,008,864 | 96,966,851 | 28,944,189 | 96,873,210 |

**Movement in allowance for impairment on other assets**

| | | | | |
|---|---|---|---|---|
| Balance, beginning of the year | 3,028,749 | 2,812,110 | 3,026,216 | 2,778,193 |
| IFRS 9 transition adjustment | 1,484,796 | - | 1,483,762 | - |
| Net measurement of loss allowance (see Note 9) | 5,669,798 | 2,415,657 | 5,670,088 | 2,415,657 |
| Financial assets that have been derecognised | (3,367,591) | (2,199,018) | (3,367,594) | (2,167,634) |
| Exchange difference | - | - | - | - |
| Balance, end of the year | 6,815,752 | 3,028,749 | 6,812,472 | 3,026,216 |
| Current | 29,008,864 | 96,966,851 | 28,944,189 | 96,873,210 |
| Non-current | - | - | - | - |
| | 29,008,864 | 96,966,851 | 28,944,189 | 96,873,210 |

## 32. Deposits from banks

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Items in the course of collection | 6,395,048 | 10,922,324 | 6,395,048 | 10,922,324 |
| Interbank takings | 42,370,002 | 36,585 | 58,758,102 | 14,938,785 |
| | 48,765,050 | 10,958,909 | 65,153,150 | 25,861,109 |

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

| | | | | |
|---|---|---|---|---|
| Current | 48,765,050 | 10,958,909 | 65,153,150 | 25,861,109 |
| Non-current | - | - | - | - |
| | 48,765,050 | 10,958,909 | 65,153,150 | 25,861,109 |

## 33. Deposits from customers

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Demand deposits | 383,394,670 | 498,455,447 | 383,456,556 | 500,516,772 |
| Term deposits | 197,060,289 | 262,756,297 | 200,786,649 | 263,827,616 |
| Savings deposits | 463,521,770 | 400,382,385 | 463,521,770 | 400,382,385 |
| | 1,043,976,729 | 1,161,594,129 | 1,047,764,975 | 1,164,726,773 |

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

| | | | | |
|---|---|---|---|---|
| Current | 846,916,440 | 898,837,832 | 846,978,326 | 900,899,157 |
| Non-current | 197,060,289 | 262,756,297 | 200,786,649 | 263,827,616 |
| Net balance as at 31 December 2018 | 1,043,976,729 | 1,161,594,129 | 1,047,764,975 | 1,164,726,773 |

## 34. Derivative liabilities

The table below analyses derivative liabilities by type of instrument

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Cross Currency Swap (See (a) below) | - | 534,155 | - | 534,155 |
| Option in Convertible Debt - IFC (See (b) below) | - | 157,774 | - | 157,774 |
| Option in Convertible DebtKunnoch Holdings (See (c) below | - | 48,795 | - | 48,795 |
| OTC futures contracts (see (d) below) | 6,375 | - | 6,375 | - |
| | 6,375 | 740,724 | 6,375 | 740,724 |
| Current | 6,375 | 534,155 | 6,375 | 534,155 |
| Non-current | - | 206,569 | - | 206,569 |
| Net balance as at 31 December 2018 | 6,375 | 740,724 | 6,375 | 740,724 |

(a) Cross Currency Swap

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 |
|---|---|---|
| Cross Currency Swap | - | 534,155 |
| | - | 534,155 |

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 |
|---|---|---|
| Notional Contract Amount | - | 39,963,000 |
| | - | 39,963,000 |

The time periods in which the cash flows are expected to occur and affect profit or loss are as follows:

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 |
|---|---|---|
| Within 1 year | - | 534,155 |
| | - | 534,155 |

(b) **Option in Convertible Debt - IFC**

This represents the embedded options to convert the outstanding notional amount of the borrowing granted by the International Finance Corporation (IFC), into shares (see further details in Note 37(b). The fair value of the derivative liability as at reporting date was N-million (2017: N157.8 million).

**Movement in Option in Convertible Debt - IFC**

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Opening Balance | 157,774 | 157,818 | 157,774 | 157,818 |
| Fair value gain/(loss) | (157,774) | (44) | (157,774) | (44) |
| | - | 157,774 | - | 157,774 |

**(c) Option in Convertible Debt - Kunnoch Holdings**

This represents the embedded options to convert the outstanding notional amount of the borrowing granted by Kunnoch Holding Limited, into shares (see further details in 37(c). The fair value of the derivative liability as at reporting date was Nil (2017: N48.8 million) as at reporting date.

**Movement in Option in Convertible Debt - Kunnoch Holdings**

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Opening Balance | 48,795 | 42,791 | 48,795 | 42,791 |
| Fair value gain/(loss) | (48,795) | 6,004 | (48,795) | 6,004 |
| | - | 48,795 | - | 48,795 |

**(d) OTC futures contracts**

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| OTC futures contracts | 6,375 | - | 6,375 | - |
| | 6,375 | - | 6,375 | - |

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Notional Contract Amount | 4,489,000 | - | 4,489,000 | - |
| | 4,489,000 | - | 4,489,000 | - |

The derivatives arose from futures contracts entered into with counterparites, which were still open at the reporting date. The Bank entered into futures contracts to sell fixed amounts of foreign currencies at fixed exchange rates at future dates.

The notional amount recorded gross is the amount that is used to calculate the fair value of the derivative assets or liabilities in response to the movement in the underlying derivative contracts which is the NAFEX foreign exchange rates.

## 35. Other liabilities

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Customer deposit for letters of credit | 18,006,599 | 19,150,111 | 18,006,599 | 19,150,111 |
| Accounts payable | 16,008,043 | 15,244,672 | 16,001,252 | 15,240,307 |
| Accruals | 4,528,525 | 4,437,174 | 4,502,847 | 4,429,098 |
| Legal perfection charges | 531,845 | 695,562 | 531,845 | 695,562 |
| Unclaimed items | 3,592,332 | 4,031,985 | 3,592,332 | 4,031,985 |
| Deferred income | 18 | 16,795 | 18 | 9,509 |
| Settlement accounts | 401,368 | 3,110,878 | 401,368 | 3,110,878 |
| Sundry funds transfer | 280,592 | 1,217,123 | 280,592 | 1,217,123 |
| Other current liabilities | 1,619,721 | 993,603 | 1,619,721 | 993,602 |
| Off balance sheet items and undrawn commitments | 1,918,672 | - | 1,918,672 | - |
| | 46,887,715 | 48,897,903 | 46,855,246 | 48,878,175 |
| Current | 46,887,715 | 48,897,903 | 46,855,246 | 48,878,175 |
| Non-current | - | - | - | - |
| | 46,887,715 | 48,897,903 | 46,855,246 | 48,878,175 |

## 36. Borrowings

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| **Borrowings comprises:** | | | | |
| Bank of Industry (CBN Intervention Fund) (see note (a)) | 20,318,626 | 24,174,662 | 20,318,626 | 24,174,662 |
| CBN Commercial Agricultural Credit Scheme (see (b)) | 10,994,789 | 1,337,376 | 10,994,789 | 1,337,376 |
| MSME Development Fund | 275,208 | 355,122 | 275,208 | 355,122 |
| Foreign financial institutions (see (c)) | 80,909,767 | 129,076,934 | 80,909,767 | 129,076,934 |
| Refinanced letters of credit (see (d)) | 9,277,424 | 6,353,118 | 18,181,272 | 14,736,076 |
| Financial guarantee liability | 100,396 | - | 100,396 | - |
| | 121,876,210 | 161,297,212 | 130,780,058 | 169,680,170 |
| Current | 9,277,424 | 70,142,045 | 18,181,272 | 78,525,003 |
| Non-current | 112,598,786 | 91,155,167 | 112,598,786 | 91,155,167 |
| | 121,876,210 | 161,297,212 | 130,780,058 | 169,680,170 |

(a) The amount of N20.32billion represents the outstanding balance on intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria. The total facility has a maximum tenor of 15 years. A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7%. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

(b) The amount of N10.99 billion represents the outstanding balance on the on-lending facility granted to the Bank by Central Bank of Nigeria in collaboration with the Federal Government of Nigeria in respect of Commercial Agriculture Credit Scheme (CACS) established by both CBN and the Federal Government for promoting commercial agricultural enterprises in Nigeria and the outstanding balance on the N10 billion disbursed from the N300 billion real sector support facility lending fund (RSSF) granted during the year by the Central Bank of Nigeria as part of the efforts to unlock the potential of the real sector to engender output growth, value added growth, value added productivity and job creation. The on-lending facility is for a maximum tenor of 7 years at a zero percent interest rate to the Bank while the RSSF facility is for a maximum tenor of 15 years at zero percent interest rate to the Bank. The principal amount of the on-lending facility is repayable on a quarterly basis over the tenor of the borrowing which will expire in September 2025 while the RSSF facility is also repayable on a quarterly basis but over the tenor of the borrowing which will expire in December 2030.

(c) The amount of N80.91 billion represents the outstanding balances on the Bank's Euro bond liability of N66.3 billion. The eurobond liability relates to a USD200 million, 5 year-tenored bond issued by the Bank in May 2014, at a yield of 8.75%. The eurobond has maturity date of May 2019. The borrowing is unsecured.

(d) This represents letters of credit (LCs) issued by the Bank to its customers, but which have been refinanced by the correspondent banks. The correspondent Banks involved are Diamond Bank UK and Standard Chartered Bank (SCB) London. The transactions were refinanced at interest rates ranging from 4% to 15% and the Group pledged federal government bonds worth N7 billion to HSBC and SCB in respect of the refinanced LCs.

## 37. Long term debt

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| African Export-Import Bank (see note (a)) | 36,452,651 | 33,136,542 | 36,452,651 | 33,136,542 |
| International Finance Corporation (see (b)) | - | 18,314,063 | - | 18,314,063 |
| Kunnoch Holdings (see (c) below) | - | 2,197,540 | - | 2,197,540 |
| Anambra State Government (see (d) below) | 18,548,901 | 16,867,083 | - | - |
| Diamond Finance B.V (see (d) below) | - | - | 18,548,901 | 16,867,083 |
| | 55,001,552 | 70,515,228 | 55,001,552 | 70,515,228 |

| | Tenor (yrs) | Interest rate |
|---|---|---|
| African Export-Import Bank (see note (a)) | 7 | 5.75% + 3M LIBOR |
| International Finance Corporation (see (b)) | 7 | 5% + 6M LIBOR |
| Kunnoch Holdings (see (c) below) | 7 | 5% + 6M LIBOR |
| Anambra State Government/Diamond Finance BV (see (d) below) | 7 | 7% |

### (a) Long term borrowings from Afrexim

The Bank obtained a loan of $100 million (N33.1 billion) from Afrexim Bank. The loan was obtained on 3 March 2012 ("the agreement date") at an interest rate of 5.75% plus 3 month Libor for a tenor of 7 years. Interest is payable quarterly while principal is to be repaid at maturity.

### (b) Convertible subordinated loan with IFC

The Bank obtained a loan of $69.79 million (N21.3 billion) from the International Finance Corporation. The loan was obtained on 19 July 2012 ("the agreement date") at an interest rate of 5% plus 6 month Libor for a duration of 7 years. The loan has an embedded derivative (a conversion option) whereby each of the IFC entities have the right to convert all or a portion of the outstanding principal amount into the equivalent number of shares of the Bank. This option may be exercised 3 years from the agreement date or in the event of a change in control or sale of a substantial part of the Bank's assets or business.

The loan which is a compound financial instrument was split into debt and derivative liability components based on subsequent measurement is as follows:

| *In thousands of Naira* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Long term debt measured at amortized cost (see (b)(i) below | - | 18,314,063 |
| Derivative liability measured at fair value (see 34(b)) | - | 157,774 |
| Carrrying value | - | 18,471,837 |

### (i) Movement in Debt Portion of Convertible surbodinated loan in IFC

During the year, the Bank fully liquidated the oustanding loan balance, therefore expunging its indebtedness to the International Finance Corporation (IFC). See movement below.

| *In thousands of Naira* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Opening balance | 18,314,063 | 13,349,310 |
| Interest expense | 1,561,320 | 4,091,909 |
| Interest paid | (21,432,514) | (1,378,829) |
| Exchange difference | 1,557,131 | 2,251,673 |
| Closing balance | - | 18,314,063 |

(c) **Convertible surbodinated loan with Kunnoch Holdings**

The Bank obtained a loan of $7.15 million (N2.19 billion) from Kunnoch Holdings on 28 June 2013 ("the agreement date") at an interest rate of 5% plus 6 month Libor for a duration of 7 years and is unsecured. The loan has an embedded derivative (a conversion option) whereby Kunnoch Holdings has the right to convert all or a portion of the outstanding principal amount into the equivalent number of shares of the Bank. This option may be exercised 3 years from the agreement date or in the event of a change in control or sale of a substantial part of the Bank's assets or business.

The loan which is a compound financial instrument was split into debt and derivative liability components are as follows:

| *In thousands of Naira* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Long term debt measured at amortized cost (see (c)(i) below | - | 2,197,540 |
| Derivative liability measured at fair value (see 34(c)) | - | 48,795 |
| Carrrying value | - | 2,246,335 |

**(i) Movement in Debt portion of Convertible surbodinated loan with Kunnoch Holdings**

During the year, the Bank fully liquidated the oustanding loan balance, therefore expunging its indebtedness to Kunnoch Holdings. See movement below.

| *In thousands of Naira* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Opening balance | 2,197,540 | 1,912,441 |
| Interest expense | 213,590 | 223,368 |
| Repayment | (2,626,759) | (140,892) |
| Exchange difference | 215,629 | 202,623 |
| Closing balance | - | 2,197,540 |

**(d) Long term loan with Anambra State Government through Diamond Finance BV**

The Group issued dollar denominated loan particpatory notes of $50 million (N9.95 billion) through a structured entity, Diamond Finance BV, Netherlands, on 27 March 2014, which is due on 27 March 2021. The principal amount is payable at the end of the tenor while interest on the notes is payable semi-annually at 7% per annum.

The net proceeds from the issue of the Loan Participatory Notes, was used by the Issuer (Diamond Finance BV) for the sole purpose of providing a loan to Diamond Bank, which was in turn used by the Bank to support its business expansion and development.

Diamond Bank, unconditionally and irrevocably guaranteed the due payment of all sums by the Issuer (Diamond Finance BV) in respect of the Notes.

The Group has not had any defaults of principal or interest with respect to its subordinated liabilities during the year ended 31 December 2018

**38. Share Capital**

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| **Authorised** | | | | |
| 30 billion ordinary shares of 50k each (2017: 30 billion) | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| **Issued and fully paid** | | | | |
| 23.2 billion ordinary shares of 50k each (2017: 23.2 billion) | 11,580,195 | 11,580,195 | 11,580,195 | 11,580,195 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

| | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| **Movement in share capital during the year:** | | | | |
| Balance, beginning of year | 11,580,195 | 11,580,195 | 11,580,194 | 11,580,194 |
| New issues during the year | - | - | - | - |
| Balance, end of year | 11,580,195 | 11,580,195 | 11,580,194 | 11,580,194 |

## 39. Share premium and reserves

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

**Share premium**: Premiums from the issue of shares are reported in share premium.

| | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| **Movement in share premium during the year:** | | | | |
| Balance, beginning of year | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 |
| Premium on shares issued | - | - | - | - |
| Issuing costs | - | - | - | - |
| Balance, end of year | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 |

**Retained earnings**: Retained earnings are the carried forward recognised income net of expenses plus current year profit attributable to shareholders.

| | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| **Movement in retained earnings during the year:** | | | | |
| Balance, beginning of year | 8,239,777 | 12,042,517 | 5,139,548 | 6,364,510 |
| Profit/(loss) for the year | 5,295,698 | (9,084,973) | 7,354,653 | 869,441 |
| IFRS 9 transition adjustment (See note a below) | (190,078,211) | - | (190,786,353) | - |
| Transfer from regulatory risk reserve | 31,062,558 | - | 31,062,558 | - |
| Transfer to statutory reserves | (1,103,198) | (130,416) | (1,103,198) | (130,416) |
| Transfer to regulatory risk reserve | - | (1,963,987) | - | (1,963,987) |
| Deconsolidation of disposed subsidiary | - | 7,376,636 | - | - |
| Balance, end of year | **(146,583,376)** | **8,239,777** | **(148,332,792)** | **5,139,548** |

(a) Amount represents the expected credit loss (ECL) transition adjustments on financial assets in line with the provisions of IFRS 9 'Financial Instruments'.

**Statutory reserve**: Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by section 16(1) of the Bank 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 the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

**Small Scale Industry (SSI) reserve**: The SSI reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. As such, the Bank made no additional reserves during the year. The small and medium scale industries equity investment scheme reserves are non-distributable.

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

**Foreign currency translation reserve**: Comprises exchange differences resulting from the translation to Naira of the results and financial position of entities within the group that have a functional currency other than Naira.

**Regulatory risk reserve** : This represents the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

## 40. Non-controlling interest

The entities accounting for the non-controlling interest balance is shown below:

| *In thousands of Naira* | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Diamond Finance BV | 7,918 | 5,958 |
| | 7,918 | 5,958 |

## 41. Involvement with unconsolidated structured entities

One of the Group's subsidiaries, Stitching Diamond Finance, a foundation incorporated in Netherlands, was established for the purpose of incorporating Diamond Finance BV, Netherlands, holding the shares of the company and exercising the rights of shareholders of the entity.

The Group does not have any direct financial involvement with the entity as at year end.

The Group concluded that it does not control, and therefore should not consolidate, the entity. The entity was established for the purpose of legally establishing Diamond Finance BV a consolidated structured entity. The Group does not hold any financial instruments issued by the Stitching Diamond Finance and it did not offer any form of support to the entity during the year. Taken as a whole, the Group does not have any power over the relevant activities of the entity.

## 42. Reconciliation notes to consolidated and separate statement of cashflows

*(i) Net changes in financial assets at FVTPL*

| *In thousands of Naira* | Note | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 19 | 38,333,109 | 6,870,235 | 38,333,109 | 6,870,235 |
| Fair value (gains)/losses recognised in profit or loss | 11 | 2,793,534 | 739,103 | 2,793,534 | 739,103 |
| Closing balance for the year | 19 | (10,673,463) | (38,333,109) | (10,673,463) | (38,333,109) |
| Total changes in financial assets at FVTPL | | 30,453,180 | (30,723,771) | 30,453,180 | (30,723,771) |

*(ii) Net changes in loans and advances to customers*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 23 | 755,503,162 | 995,334,118 | 755,488,058 | 804,635,641 |
| Impairment on loans and advances to customers | 9 | (19,168,977) | (57,397,081) | (19,168,880) | (57,397,081) |
| Net matured letters of credit recognized during the year | | - | - | - | - |
| IFRS 9 transition adjustment | | (186,465,790) | - | (186,465,217) | - |
| Write offs | 9 | (523,757) | (1,127,184) | (523,757) | (1,127,184) |
| Closing balance for the year | 23 | (567,896,958) | (755,503,162) | (567,881,391) | (755,488,058) |
| Total changes in loans and advances to customers | | (18,552,320) | 181,306,691 | (18,551,187) | (9,376,682) |

*(iii) Net changes in other assets*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 31 | 96,966,851 | 76,146,470 | 96,873,210 | 49,928,617 |
| Impairment charges recognised in profit or loss | 9 | (5,669,798) | (2,415,657) | (5,670,088) | (2,415,657) |
| IFRS 9 transition adjustment | | (1,484,796) | - | (1,483,762) | - |
| Reclassifications/write off | 28 | 129,066 | - | 129,066 | 140,734 |
| Closing balance for the year | 31 | (29,008,864) | (96,966,851) | (28,944,189) | (96,873,210) |
| Total changes in other assets | | 60,932,459 | (23,236,038) | 60,904,237 | (49,219,516) |

*(iv) Net changes in deposits from customers*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 33 | 1,161,594,129 | 1,424,689,527 | 1,164,726,773 | 1,134,861,466 |
| Interest expense | 8 | 36,086,360 | 29,340,782 | 36,521,882 | 29,353,176 |
| Interest paid | | (37,069,454) | (26,674,549) | (37,069,454) | (26,674,549) |
| Closing balance for the year | 33 | (1,043,976,729) | (1,161,594,129) | (1,047,764,975) | (1,164,726,773) |
| Total changes in deposits from customers | | 116,634,306 | 265,761,631 | 116,414,226 | (27,186,680) |

*(v) Net changes in deposits from banks*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 32 | 10,958,909 | 103,409,297 | 25,861,109 | 13,365,314 |
| Closing balance for the year | 32 | (48,765,050) | (10,958,909) | (65,153,150) | (25,861,109) |
| Total changes in deposits from banks | | (37,806,141) | 92,450,388 | (39,292,041) | (12,495,795) |

*(vi) Net changes in investments*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 24 | 148,279,372 | 23,119,904 | 148,039,154 | 9,169,048 |
| Fair value changes on FVOCI | | (1,697,688) | 1,429,955 | (1,697,689) | 1,357,611 |
| Impairment write back/(allowance) recognised in profit or loss | 9 | 36,022 | 15,612 | 35,993 | 15,612 |
| IFRS 9 transition adjustment | | (89,176) | - | (89,137) | - |
| Closing balance for the year | 24 | (39,085,170) | (148,279,372) | (39,085,170) | (148,039,154) |
| Total changes in FVOCI instruments | | 107,443,360 | (123,713,901) | 107,203,151 | (137,496,883) |
| Opening balance for the year | | 75,742,440 | 212,444,985 | 75,742,440 | 151,141,809 |
| Treasury bills with origninal maturity of 3 months or less reclassified to cash (see note 24.1) | | - | - | - | - |
| Closing balance for the year (Per SoFP) | 24 | (115,619,166) | (75,742,440) | (115,549,127) | (75,742,440) |
| Net closing balance for the year | | (115,619,166) | (75,742,440) | (115,549,127) | (75,742,440) |
| Total changes in instruments at amortised cost | | (39,876,726) | 136,702,545 | (39,806,687) | 75,399,369 |
| Net (purchase)/sale of investment securities recognised in statement of cashflows | | 67,566,634 | 12,988,644 | 67,396,464 | (62,097,514) |

*(vii) Net changes in assets pledged as collateral*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 21 | 95,488,267 | 221,898,226 | 116,357,892 | 170,623,817 |
| Impairment (charge)/write back recognised in profit or loss | 9 | (398) | - | 196,747 | - |
| IFRS 9 transition adjustment | | (45,663) | - | (318,099) | - |
| Closing balance for the year | 21 | (119,029,468) | (95,488,267) | (139,923,315) | (116,357,892) |
| Total changes in assets pledged as collateral | | (23,587,262) | 126,409,959 | (23,686,775) | 54,265,925 |

*(viii) Net changes in mandatory reserve deposits*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 18 | 186,099,896 | 204,402,446 | 186,099,896 | 193,461,662 |
| Closing balance for the year | 18 | (208,522,015) | (186,099,896) | (208,522,015) | (186,099,896) |
| Total changes in mandatory reserve deposits | | (22,422,119) | 18,302,550 | (22,422,119) | 7,361,766 |

*(ix) Net changes in derivative assets*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 20 | 1,318,528 | 2,088,208 | 1,318,528 | 1,925,777 |
| Fair value gain on OTC futures contracts | | - | - | - | - |
| Closing balance for the year | 20 | (388,755) | (1,318,528) | (388,755) | (1,318,528) |
| Total changes in deivative assets | | 929,773 | 769,680 | 929,773 | 607,249 |

*(x) Net changes in derivative liabilites*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 34 | 740,724 | 2,187,779 | 740,724 | 2,126,386 |
| Net loss on derivatives | 13 | 301,053 | (778,412) | 301,053 | (778,412) |
| Fair value loss on OTC futures contracts | | - | - | - | - |
| Closing balance for the year | 34 | (6,375) | (740,724) | (6,375) | (740,724) |
| Total changes in derivative liabilities | | 1,035,402 | 668,643 | 1,035,402 | 607,250 |

*(xi) Net changes on other liabilities*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 35 | 48,897,903 | 60,263,158 | 48,878,175 | 40,267,095 |
| Impairment charge on off balance sheet items | 9 | 8,113 | - | 8,113 | - |
| IFRS 9 impairment adjustment on off balance sheet items | | 1,910,558 | - | 1,910,558 | - |
| Closing balance for the year | 35 | (46,887,715) | (48,897,903) | (46,855,246) | (48,878,175) |
| Total changes in other liabilities | | 3,928,859 | 11,365,255 | 3,941,600 | (8,611,080) |

*(xii) Proceeds from sale of property and equipment*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Loss/(Gain) on sale of property and equipment | 12 | 108,942 | (161,351) | 108,705 | (161,351) |
| Cost of property and equipment disposed | 28 | 4,971,360 | 1,565,341 | 4,947,653 | 1,091,262 |
| Accumulated depreciation on property and equipment disposed | 28 | (2,461,522) | (1,065,804) | (2,396,749) | (819,365) |
| Proceeds from sale of property and equipment | | 2,618,780 | 338,186 | 2,659,609 | 110,546 |

*(xiii) Proceeds from disposal of investment in subsidiary*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Gain on disposal of investment in subsidiary | 47 | - | 2,264,367 | - | 14,845,667 |
| Carrying value of investment in subsidiary | 47 | - | 18,439,264 | - | 5,865,622 |
| Proceeds from disposal of subsidiary | | - | 20,703,631 | - | 20,711,289 |

*(xiv) Proceeds from new borrwings*

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Proceeds from CBN Agriculatural Credit Scheme | - | 120,000 | - | 120,000 |
| Proceeds from CBN Micro Small and Medium Enterprises Development Fund | 54,679 | - | 54,679 | - |
| Proceeds from AFREXIM and other borrowings | 8,476,750 | - | 8,476,750 | - |
| Proceeds from BOI on Lending | 45,200 | - | 45,200 | - |
| Proceeds from Real Sector Support Lending Facility | 10,000,000 | - | 10,000,000 | - |
| Proceeds from borrowings | 18,576,629 | 120,000 | 18,576,629 | 120,000 |

*(xv) Repayment of borrwings*

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Repayment of principal on borrowings | 55,501,059 | 3,753,587 | 55,501,059 | 3,753,587 |
| Repayment of interest on borrowings | 11,240,950 | 6,079,512 | 11,240,950 | 6,079,512 |
| Impact of exchange rate change | (8,572,534) | (7,230,071) | (8,572,534) | (10,613,101) |
| Movement in refinanced LCs | (3,215,141) | 18,381,956 | (3,445,196) | 38,461,661 |
| Net repayment of borrowings | 54,954,334 | 20,984,984 | 54,724,279 | 37,681,659 |

*(xvi) Repayment of long tern debts*

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Opening balance for the year | 37 | 70,515,228 | 61,323,847 | 70,515,228 | 61,307,852 |
| Interest expense during the year | 8 | 10,662,788 | 7,987,448 | 10,662,788 | 7,987,448 |
| Exchange difference | | 6,951,848 | 6,286,041 | 6,951,848 | 6,286,041 |
| Closing balance for the year | 37 | (55,001,552) | (70,515,228) | (55,001,552) | (70,515,228) |
| Net repayment of long term debts | | 33,128,312 | 5,082,108 | 33,128,312 | 5,066,113 |

## 43. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks, amounts due from other banks and investment securities with a maturity date of 3 months or less upon acquisition

| *In thousands of Naira* | | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|---|
| Cash and balances with central banks (less mandatory reserves) | 18 | 53,904,399 | 73,349,605 | 53,900,630 | 73,347,612 |
| Impairment (charge)/write back on cash and balances with central banks | 9 | 763 | - | 763 | - |
| Impairment (charge)/write back on loans to banks | 9 | 112,987 | - | 546,090 | - |
| IFRS 9 transition adjustment - loans to banks | | (116,177) | - | (553,490) | - |
| IFRS 9 transition adjustment - cash and balances with central banks | | (1,114) | - | (1,114) | - |
| Loans to banks | 22 | 37,943,747 | 35,155,501 | 82,078,754 | 77,610,730 |
| Treasury bills (with original maturity of 3 months or less) | 24.1 | - | - | - | - |
| | | 91,844,605 | 108,505,106 | 135,971,633 | 150,958,342 |

## 44. Operating lease commitments

The Group leases offices, branches and other premises under operating lease arrangements. The leases have various terms and renewal rights. The lease rentals are paid in advance and recognised on straight line basis over the lease period. The outstanding balance is accounted for as prepaid lease rentals and are reported in the statement of financial position as other assets - prepayments. Non-cancellable operating lease rentals are payable as follows:

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Within one year | 161,365 | 266,753 | 161,365 | 260,006 |
| Between one and five years | 684,471 | 1,154,333 | 684,471 | 1,154,333 |
| More than five year | 326,860 | 418,629 | 326,860 | 418,629 |
| | 1,172,696 | 1,839,715 | 1,172,696 | 1,832,968 |

## 45. Contingent liabilities and commitments

### 45.1 Claims and litigations

The Bank, in its ordinary course of business, is presently involved in 822 (December 2017: 975) cases as a defendant and 151 (December 2017: 283) cases as a plaintiff. The total amount claimed in the 424 cases instituted by the Bank is estimated at N139,985,802,232 (December 2017: N154,182,466,002) while the total amount claimed in the 583 cases instituted against the Bank is N265,361,161,454 (December 2017: N129,738,574,539) for which provisions amounting to N715,202,492 (December 2017: N473,101,698) have been made. The actions are being vigorously contested and the Directors are of the opinion that no significant liability will arise therefrom in excess of the provision made in the financial statements.

### 45.2 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 the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

| *In thousands of Naira* | Group 31 December 2018 | Group 31 December 2017 | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|---|
| Performance bonds and guarantees | 52,096,012 | 22,038,160 | 52,096,012 | 22,038,160 |
| Letters of credit | 35,560,153 | 21,219,102 | 35,560,153 | 21,219,102 |
| | 87,656,165 | 43,257,262 | 87,656,165 | 43,257,262 |
| Current | - | 26,744,470 | - | 26,744,470 |
| Non-current | 87,656,165 | 16,512,792 | 87,656,165 | 16,512,792 |
| | 87,656,165 | 43,257,262 | 87,656,165 | 43,257,262 |

### 45.3 Fiduciary Activities

The Group carries out custodial activities through Diamond Pension Fund Custodian Limited. The amount of N322,436,686,000 (December 2017: N317,432,182,000) represents the full amount of the Group's guarantee for the assets held under custody as at year end.

### 45.4 Unclaimed dividend

The total unclaimed dividend as at 31 December 2018 is N1,211,744,000 (31 December 2017: N1,328,924,000 )

In line with the Securities and Exchange Commission (SEC)'s rule, which requires a paying company to invest the pool of unclaimed dividend in a guaranteed income investment outside the company with all the benefits accruing to it, but retaining the obligation to pay upon shareholders' request, the Bank entrusted the sum transferred to it by its Registrars with Diamond Securities Limited who will ensure safekeeping of the unclaimed dividend pool and manage the funds.

As at 31 December 2018, the funds were invested by Diamond Securities Limited as follows:

| *In thousands of Naira* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Unclaimed dividend managed by Diamond Securities Limited | 1,211,744 | 1,328,924 |
| Interest accrued | 26,642 | 28,423 |
| Total value of unclaimed dividend fund with Diamond Securities Limited | 1,211,744 | 1,328,924 |
| Unclaimed dividend balance with Centurion Registrars Limited | 92,701 | 65,840 |

### 46. Related party transactions

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Diamond Bank Plc and its subsidiaries. All transactions with the subsidiaries have been eliminated upon preparation of the financial statements, see Note 48 for the compensations to key management personnel.

Key management personnel and their immediate relatives engaged in the following transactions with the Group during the year:

| *In thousands of Naira* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Loans and advances to entities related to key management personnel | - | 45,821,588 |
| Loans and advances to key management personnel | 301,872 | 519,176 |
| Deposits | 970,793 | 2,931,881 |

The secured loans granted to directors during the year are collaterised mostly by salary domiciliation. As at year end, the Bank did not recognize impairment on loans granted to key management personnel and their immediate family members (December 2017 : Nil).

### 46.1 Details of loans to related parties

As at 31 December 2018, the carrying amount of credit facilities to Directors and companies in which certain Directors have interests was Nil (31 December 2017: N45.82 billion). The balances as at 31 December 2018 were as follows:

| | NAME OF BORROWER | FACILITY TYPE | RELATIONSHIP | DIRECTOR | DATE GRANTED | EXPIRY DATE | AMOUNT GRANTED | OUTSTANDING BALANCE | IFRS CLASSIFICATION | NATURE OF SECURITY/STATUS |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | GEOMETRIC POWER LIMITED | TERM LOAN | DIRECTOR | UZOMA DOZIE | 14-11-2011 | 20-01-2026 | 49,359,449,673 | - | STAGE 3 | MORTGAGE DEBENTURE MANAGED BY FIRST TRUSTEE |
| 2 | ALUM EXTRUSION IND. PLC | OVERDRAFT | DIRECTOR | UZOMA DOZIE | 01-06-2016 | 01-08-2018 | 155,000,000 | - | FULLY LIQUIDATED | ALL ASSET DEBENTURE |
| | | | | | | | 49,514,449,673 | - | | |

## 47. Discontinued operations

The Directors committed to dispose of the Group's investment in one of its subsidiaries, Diamond Bank UK, as part of their overall recapitalization plan and strategy realignment. Accordingly, the subsidiary has been presented as a disposal group held for sale as at the end of the year. Subsequent to year end, an agreement was executed for sale of the subsidiary on 3 April 2019. See note 52 for details.

No impairment losses have been recognized with respect to the assets of the disposal group held for sale.

### (a) Assets and liabilities of a disposal group held for sale and discontinued operations

Assets and liabilities of disposal group held for sale comprise the assets and liabilities of Diamond Bank UK as at 31 December 2018.

At 31 December 2018, the disposal group was stated at carrying amount and comprised the following assets and liabilities

| Group | Group | | | Bank |
|---|---|---|---|---|
| | Diamond Bank UK | Intragroup Adjustments | Group balances | |
| **ASSETS** | **31 Dec 2018** | | **31 Dec 2018** | **31 Dec 2018** |
| *In thousands of naira* | | | | |
| Cash and balances with central banks | 1,901,359 | - | 1,901,359 | - |
| Derivative financial instruments | - | - | - | - |
| Loans and advances to banks | 41,446,927 | (16,388,100) | 25,058,827 | - |
| Loans and advances to customers | 34,573,066 | (8,903,848) | 25,669,218 | - |
| Investment in subsidiaries | - | - | - | 7,976,260 |
| FVOCI investments | 16,950,696 | - | 16,950,696 | - |
| Property and equipment | 134,789 | - | 134,789 | - |
| Intangible assets | 30,747 | - | 30,747 | - |
| Goodwill | - | 870,974 | 870,974 | - |
| Other assets | 828,414 | - | 828,414 | - |
| **Total assets held for sale** | 95,865,998 | (24,420,974) | 71,445,024 | 7,976,260 |
| **LIABILITIES** | | | | |
| Deposits from banks | 67,199,886 | (65,113,356) | 2,086,530 | - |
| Deposits from customers | 2,221 | - | 2,221 | - |
| Derivative liability | 312,552 | - | 312,552 | - |
| Current tax liabilities | - | - | - | - |
| Other liabilities | 560,426 | - | 560,426 | - |
| Borrowings | 14,173,745 | - | 14,173,745 | - |
| **Total liabilities held for sale** | **82,248,830** | **(65,113,356)** | **17,135,474** | - |

In the opinion of the Directors, assets held for sale have been recognized at the lower of their carrying amounts and fair value less cost to sell as they have designated the net assets value as a conservative estimate of fair value less cost to sell.

| Group | Group | | | Bank |
|---|---|---|---|---|
| | Diamond Bank UK | Intragroup Adjustments | Group balances | |
| **ASSETS** | **31 Dec 2017** | | **31 Dec 2017** | **31 Dec 2017** |
| *In thousands of naira* | | | | |
| Cash and balances with central banks | 36,624,199 | - | 36,624,199 | - |
| Derivative financial instruments | 98 | - | 98 | - |
| Loans and advances to banks | 36,836,067 | (14,902,200) | 21,933,867 | - |
| Loans and advances to customers | 22,684,109 | (8,382,958) | 14,301,151 | - |
| Investment in subsidiaries | - | - | - | 7,976,260 |
| FVOCI investments | 16,843,567 | - | 16,843,567 | - |
| Property and equipment | 131,671 | - | 131,671 | - |
| Intangible assets | 45,682 | - | 45,682 | - |
| Goodwill | - | 870,974 | 870,974 | - |
| Other assets | 1,176,976 | - | 1,176,976 | - |
| **Total assets held for sale** | 114,342,369 | (22,414,184) | 91,928,185 | 7,976,260 |
| **LIABILITIES** | | | | |
| Deposits from banks | 88,418,313 | (63,329,620) | 25,088,693 | - |
| Deposits from customers | 349,331 | - | 349,331 | - |
| Derivative liability | - | - | - | - |
| Current tax liabilities | - | - | - | - |
| Other liabilities | 866,609 | - | 866,609 | - |
| Borrowings | 9,559,572 | - | 9,559,572 | - |
| **Total liabilities held for sale** | **99,193,825** | **(63,329,620)** | **35,864,205** | - |

(b) Results of Discontinued operation

Included in discontinued operations are the results of Diamond Bank UK

| *In thousands of Naira* | **Group 31 December 2018** | **Group 31 December 2017** |
|---|---|---|
| **Gross earnings** | 3,957,601 | 33,399,127 |
| Interest and similar income | 4,423,423 | 27,011,299 |
| Interest expense | (383,625) | (10,312,680) |
| **Net interest income** | 4,039,798 | 16,698,619 |
| Fee and commission income | 248,723 | 5,236,269 |
| Fee and commission expense | (101,990) | (65,077) |
| **Net fee and commission income** | 146,733 | 5,171,192 |
| Provision for losses | (256,554) | (2,485,313) |
| Net trading income | (714,545) | 1,151,559 |
| Other operating income | 655,796 | 732,485 |
| Net operating income | 3,871,228 | 21,268,542 |
| Personnel expenses | (2,120,907) | (7,933,017) |
| Depreciation & Amortization | (92,529) | (1,575,604) |
| Operating lease expenses | (200,690) | (185,059) |
| Other operating expenses | (773,997) | (7,687,465) |
| **Total operating expenses** | (3,188,123) | (17,381,145) |
| **Profit before tax** | 683,105 | 3,887,397 |
| Income tax expense | (11,830) | (2,084) |
| Profit for the year | 671,275 | 3,885,313 |
| ***Other comprehensive income*** | | |
| Foreign currency translation differences | 262,829 | 4,744,879 |
| Fair value gains on FVOCI investments | 11,210 | 72,106 |
| Total other comprehensive income | 274,039 | 4,816,985 |
| Total comprehensive income for the year | 945,314 | 8,702,298 |

**(c) Condensed results of discontinued operations**

The condensed financial data of the discontinued operations as follow:

| *In thousands of Naira* | As at 31 December 2018 | | |
|---|---|---|---|
| | **Diamond Bank UK** | **Intragroup Adjustment** | **Group Total** |
| **Statement of comprehensive income** | | | |
| **Gross earnings** | 5,443,441 | (115,499) | 5,327,942 |
| Interest and similar income | 4,423,423 | - | 4,423,423 |
| Interest expense | (2,914,898) | 2,531,273 | (383,625) |
| **Net interest income** | 1,508,525 | 2,531,273 | 4,039,798 |
| Fee and commission income | 364,222 | (115,499) | 248,723 |
| Fee and commission expense | (141,004) | 39,014 | (101,990) |
| **Net fee and commission income** | 223,218 | (76,485) | 146,733 |
| Provision for losses | (256,554) | - | (256,554) |
| Net trading income | (714,545) | - | (714,545) |
| Other operating income | 655,796 | - | 655,796 |
| Net operating income | 1,416,440 | 2,454,788 | 3,871,228 |
| Personnel expenses | (2,120,907) | - | (2,120,907) |
| Depreciation & Amortization | (92,529) | - | (92,529) |
| Operating lease expenses | (200,690) | - | (200,690) |
| Other operating expenses | (773,997) | - | (773,997) |
| **Total operating expenses** | (3,188,123) | - | (3,188,123) |
| **Profit before tax** | (1,771,683) | 2,454,788 | 683,105 |
| Income tax expense | (11,830) | - | (11,830) |
| Profit for the year | (1,783,513) | 2,454,788 | 671,275 |

| *In thousands of Naira* | As at 31 December 2017 | | | |
|---|---|---|---|---|
| | **Diamond Bank UK** | **Diamond Bank WAMU** | **Intragroup Adjustment** | **Group Total** |
| **Statement of comprehensive income** | | | | |
| **Gross earnings** | 4,914,905 | 28,934,652 | (450,430) | 33,399,127 |
| Interest and similar income | 4,449,340 | 22,793,096 | (231,137) | 27,011,299 |
| Interest expense | (2,390,765) | (10,061,330) | 2,139,415 | (10,312,680) |
| **Net interest income** | 2,058,575 | 12,731,766 | 1,908,278 | 16,698,619 |
| Fee and commission income | 426,386 | 5,029,176 | (219,293) | 5,236,269 |
| Fee and commission expense | (75,858) | (41,616) | 52,397 | (65,077) |
| **Net fee and commission income** | 350,528 | 4,987,560 | (166,896) | 5,171,192 |
| Provision for losses | - | (2,485,313) | - | (2,485,313) |
| Net trading income | 39,179 | 1,112,380 | - | 1,151,559 |
| Other operating income | 292,594 | 439,891 | - | 732,485 |
| Net operating income | 2,740,876 | 16,786,284 | 1,741,382 | 21,268,542 |
| Personnel expenses | (1,953,959) | (5,979,058) | - | (7,933,017) |
| Depreciation & Amortization | (83,777) | (1,491,827) | - | (1,575,604) |
| Operating lease expenses | (185,059) | - | - | (185,059) |
| Other operating expenses | (889,451) | (6,798,014) | - | (7,687,465) |
| **Total operating expenses** | (3,112,246) | (14,268,899) | - | (17,381,145) |
| **Profit before tax** | (371,370) | 2,517,385 | 1,741,382 | 3,887,397 |
| Income tax expense | (2,084) | - | - | (2,084) |
| Profit for the year | (373,454) | 2,517,385 | 1,741,382 | 3,885,313 |

(d) Cash flows from/(used in) discontinued operations

| ***In thousands of Naira*** | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|
| Net cash from operating activities | (23,003,629) | 23,892,287 |
| Net cash used in investing activities | 4,241,285 | (2,996,562) |
| Net cash from financing activities | 4,398,269 | 9,559,572 |
| Impact of foreign exchange differences | (15,747,905) | 2,695,228 |
| **Net cash flows for the year** | (30,111,980) | 33,150,525 |

## 48. Key management personnel compensation

**Group**

Remuneration paid to the Bank's directors was:

| ***For the year ended 31 December*** ***In thousands of Naira*** | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Directors' Fees | 159,000 | 155,216 |
| Sitting allowances | 32,230 | 30,915 |
| Short term employee benefits | | |
| • Executive compensation | 92,843 | 96,927 |
| • Other allowances | 11,900 | 38,248 |
| • Post-employment benefits | 11,408 | 11,166 |
| | 307,381 | 332,472 |

Fees and other emoluments disclosed above include amounts paid to:

| | | |
|---|---|---|
| Chairman | 8,200 | 29,430 |
| Highest paid director | 44,128 | 35,317 |

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

| | **Number** | |
|---|---|---|
| | **31 December 2018** | **31 December 2017** |
| Below N1,600,000 | - | - |
| N3,400,000 and above | 13 | 16 |
| | 13 | 16 |

Loans to key management personnel represent mortgage loans which are given under terms that are no more favourable than those given to other staff. No specific impairment has been recognized in respect of loans granted to key management (2017: Nil). Mortgage loans amounting to N are secured by salary domiciliation and underlying assets (December 2017: N360,583,561). All other loans are unsecured.

## 49. Employees

The average number of persons employed during the year was as follows:

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** |
| Executive directors | 4 | 5 | 4 | 5 |
| Management | 125 | 110 | 115 | 108 |
| Non-management | 3,093 | 3,184 | 3,079 | 3,167 |
| | 3,222 | 3,299 | 3,198 | 3,280 |

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and other benefits) were:

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| ***In thousands of Naira*** | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** |
| N300,000 - N2,000,000 | 8 | 3 | 2 | - |
| N2,000,001 - N2,800,000 | 246 | 15 | 238 | 8 |
| N2,800,001 - N3,500,000 | 267 | 897 | 265 | 896 |
| N3,500,001 - N4,000,000 | 1 | 7 | - | 6 |
| N4,000,001 - N5,500,000 | 1,435 | 1,023 | 1,434 | 1,022 |
| N5,500,001 - N6,500,000 | 69 | 773 | 67 | 773 |
| N6,500,000 - N7,800,000 | 675 | 243 | 672 | 241 |
| N7,800,001 - N9,000,000 | 112 | 2 | 111 | 1 |
| N9,000,001 and above | 405 | 330 | 405 | 326 |
| | 3,218 | 3,293 | 3,194 | 3,273 |

## 50. Statement of Prudential Adjustments

| | Note | Group 31 December 2018 | Group 31 December 2017 |
|---|---|---|---|
| **Loans and advances to customers** | | | |
| Specific impairment allowance on loans to customers | 23(a) | - | 53,931,207 |
| Collective impairment allowance on loans to customers | 23(a) | - | 4,933,126 |
| 12-month ECL | 23(a) | 22,845,350 | - |
| Lifetime ECL not credit impaired | 23(a) | 21,657,691 | - |
| Lifetime ECL credit impaired | 23(a) | 175,402,571 | - |
| Impairment allowance on other loans and receivables | 23(b) | 7,535,232 | 7,535,232 |
| Total impairment allowance on loans to customers (a) | | 227,440,844 | 66,399,565 |
| **Other financial assets:** | | | |
| Specific impairment allowance on unlisted equity securities | 24 | - | 4,866,987 |
| 12 month ECL | | 6,819,294 | - |
| Lifetime ECL | | - | - |
| Impairment allowance on investment in associates | 26 | 2,918,000 | 3,231,161 |
| Specific impairment allowance on other assets | 31 | - | 3,028,749 |
| Total impairment allowance on other financial assets (b) | | 9,737,294 | 11,126,897 |
| **Investment securities** | | | |
| 12-month ECL | | 118,679 | - |
| (c) | | 118,679 | - |
| **Off-balance sheet exposures** | | | |
| 12-month ECL | | 4,087,123 | - |
| (d) | | 4,087,123 | - |
| **Total impairment allowance (e)** | | 241,383,940 | 77,526,462 |
| **Total impairment based on prudential guidelines (f)** | | 189,257,021 | 108,589,020 |
| **Difference (g) = e - f** | | 52,126,919 | (31,062,558) |

| | Note | Bank 31 December 2018 | Bank 31 December 2017 |
|---|---|---|---|
| **Loans and advances to customers** | | | |
| Specific impairment allowance on loans to customers | 23(a) | - | 53,931,207 |
| Collective impairment allowance on loans to customers | 23(a) | - | 4,933,126 |
| 12-month ECL | 23(a) | 22,844,681 | - |
| Lifetime ECL not credit impaired | 23(a) | 21,657,691 | - |
| Lifetime ECL credit impaired | 23(a) | 175,402,571 | - |
| Impairment allowance on other loans and receivables | 23(b) | 7,535,232 | 7,535,232 |
| Total impairment allowance on loans to customers (a) | | 227,440,175 | 66,399,565 |
| **Other financial assets:** | | | |
| Specific impairment allowance on unlisted equity securities | 24 | - | 4,866,987 |
| 12 month ECL | | 6,820,222 | - |
| Lifetime ECL | | - | - |
| Impairment allowance on investment in associates | 26 | 2,918,000 | 3,231,161 |
| Specific impairment allowance on other assets | 31 | - | 3,028,749 |
| Total impairment allowance on other financial assets (b) | | 9,738,222 | 11,126,897 |
| **Investment securities** | | | |
| 12-month ECL | | 193,971 | - |
| (c) | | 193,971 | - |
| **Off-balance sheet exposures** | | | |
| 12-month ECL | | 4,087,123 | - |
| (d) | | 4,087,123 | - |
| **Total impairment allowance (e)** | | 241,459,491 | 77,526,462 |
| **Total impairment based on prudential guidelines (f)** | | 189,257,021 | 108,589,020 |
| **Difference (g) = e - f** | | 52,202,470 | (31,062,558) |

**51. Compliance with banking regulations**

During the year, the Bank was penalised by the regulators for the following infractions

| Contraventions | Penalties |
|---|---|
| • Remittance of foreign exchange with irregular Certificate of Capital Importation (CCIs) issued on behalf of some offshore investors of MTN Nigeria Limited. | 250,000,000 |
| • Late submission of 2017 audited and Q1 2018 unaudited financial statements to Nigerian Stock Exchange (NSE) | 4,900,000 |
| • Exceptions raised against the bank for contravention noted during the Foreign Exchange Supervisory Examination as at March 31, 2017 | 4,000,000 |
| • Late submission of 2017 audited and Q1 2018 unaudited financial statements to the Securites and Exchange Commission (SEC) | 3,300,000 |
| • Unauthorised publication of information on directors and information regarding capital injection. | 3,087,000 |
| • Delay in rendition of the 2018 recovery and resolution plan | 2,310,000 |
| • Publication on NSE portal regarding 2017 financial statements | 2,000,000 |
| • Failure to report dismissed staff on the grounds of fraud and forgeries | 2,000,000 |
| • Non-compliance with Banker's declaration | 2,000,000 |
| • Non-display of Statement of Affairs at Bank branches | 877,800 |
| • Late payment of periodic fee to Financial Conduct Authority (FCA) | 205,767 |
| • Late processing fee for NOTAP certificate | 100,000 |
| • Failure to render e-Fass report | 50,000 |
| | 274,830,567 |

**52. Events after the end of the reporting period**

**i) Bank Merger**

Subsequent to year-end, the shareholders approved a merger between Diamond Bank Plc (“the Bank”) and Access Bank Plc based on a Scheme of Merger dated 24 January 2019 (“the Scheme”) under Part XII of the Investments and Securities Act No. 29, 2007. Under the terms of the Scheme, all the assets, liabilities and undertakings including real property and intellectual property rights of Diamond Bank were transferred to Access Bank. Diamond Bank was subsequently dissolved without being wound up.

Under the terms of the Scheme, Diamond Bank Shareholders received a cash consideration of N1.00 per share as well as share consideration comprising 2 Access Bank shares for every 7 Diamond Bank shares held as at 24 January 2019.

As a result of the merger, the entire issued share capital of Diamond Bank comprising 23,160,388,968 ordinary shares of 50 Kobo each was cancelled.

Following the approval of the merger by the Federal High Court of Nigeria on 19-March-2019, the Board of Diamond Bank Plc was dissolved. Access Bank Plc became the successor in title to the Bank subsequent to 19-March-2019. Consequently, the financial statements were also approved and issued by the Directors of Access Bank Plc on 18 April 2019 in addition to the approval by the Directors of Diamond Bank on 18 March 2019.

**ii) Sale of Diamond Bank UK**

Following the merger between the Bank and Access Bank Plc resulting in the undertakings of the Bank being vested in Access Bank Plc, an agreement for the sale of Diamond Bank UK was executed between Access Bank Plc ("the Seller") and BCTIB Holdings Limited ("the Purchaser") on 3 April 2018. The Seller has agreed to sell forty-seven million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine (47,999,999) ordinary shares, and procure the sale by Uzoma Dozie (“Mr. Dozie”) of one (1) ordinary share, in each case of nominal value one pound sterling (£1.00) each in the capital of the Company, together comprising the entire issued share capital of the Company (the “Shares”) and the Purchaser has agreed to purchase the Shares, on the terms and subject to the conditions of this Agreement.

Except for the events above, there were no other events after the reporting date which could have had a material effect on the financial position of the Bank as at 31 December 2018 and the profit for the year then ended which have not been adequately provided for.

**53. Financial Reporting Council's Certification Requirement for Professionals Engaged in Financial Reporting Process**

In line with Financial Reporting Council of Nigeria certification requirement for professionals engaged in financial reporting process: External Auditors, Officers of reporting entities and other professional providing assurance to reporting entities. Below are list of professionals engaged in the financial reporting process relating to financial statements for the year ended 31 December 2018.

| S/N | Name of Professional | FRC number | Role |
|---|---|---|---|
| 1 | Achoru Associates | FRC/2016/NIESV/00000013731,FRC/2015/00000007097 | Property & Valuation Experts |
| 2 | Agu & Associates | FRC/2013/00000000001699 | Property & Valuation Experts |
| 3 | Alagbe & Partners | FRC/2014/NIESV/00000004788 | Property & Valuation Experts |
| 4 | Andrew Okon & Co | FRC/2014/NIESV/00000005925 | Property & Valuation Experts |
| 5 | Andy Bassey & Assoc | FRC/2012/00000000363 | Property & Valuation Experts |
| 6 | Azuka Iheabunike And Partners | FRC/2013/NIESV/00000002206 | Property & Valuation Experts |
| 7 | Bayo Adeyemo & Associates | FRC/2013/NIESV/00000005193 | Property & Valuation Experts |
| 8 | Ben Chika & Co | FRC/2014/NIESV/00000005215 | Property & Valuation Experts |
| 9 | Chika Egwuatu & Partners | FRC/2013/NIESV/00000000862 | Property & Valuation Experts |
| 10 | Dapo Olaiya Consulting | FRC/2013/NIESV/00000004238 | Property & Valuation Experts |
| 11 | Ebunilo Associates | FRC/2012/NIESV/00000000130 | Property & Valuation Experts |
| 12 | Emeka Onuorah & Co | FRC/2013/NIESV/00000003338 | Property & Valuation Experts |
| 13 | Ezeh, Ezeh & Co | FRC/2013/NIESV/00000002855 | Property & Valuation Experts |
| 14 | I Idi & Partners | FRC/2013/00000000001625 | Property & Valuation Experts |
| 15 | Ismail & Partners | FRC/2012/NIESV/00000000245 | Property & Valuation Experts |
| 16 | Iwuba Ifediora & Associates | FRC/2013/NIESV/00000001711 | Property & Valuation Experts |
| 17 | J Ajayi Patunola & Co. | FRC/2012/NIESV/00000000123 | Property & Valuation Experts |
| 18 | Jide Taiwo & Co | FRC/2012/0000000000254 | Property & Valuation Experts |
| 19 | Kene Onuora & Co | FRC/2013/NIESV/00000000752 | Property & Valuation Experts |
| 20 | Mark Odu & Co | FRC/2014/NIESV/00000006005 | Property & Valuation Experts |
| 21 | Nwosu & Partners | FRC/2014/NIESV/00000007246 | Property & Valuation Experts |
| 22 | Obi Udeh & Co | FRC/2015/NIESV/00000010677 | Property & Valuation Experts |

| | | | |
|---|---|---|---|
| 23 | Odudu & Co | FRC/2012/NIESV/00000000198 | Property & Valuation Experts |
| 24 | Ofoma Associates | FRC/2013/00000000001693 | Property & Valuation Experts |
| 25 | Ora Egbunike & Co | FRC/2012/NIESV/00000000244 | Property & Valuation Experts |
| 26 | Osas & Oseji | FRC/2012/00000000522 | Property & Valuation Experts |
| 27 | Osita Okoli & Co | FRC/2014/00000003008 | Property & Valuation Experts |
| 28 | Oyetunji Oyetunji & Partners | FRC/2013/NIESV/00000003658 | Property & Valuation Experts |
| 29 | Sam Nwosu & Co | FRC/2013/NIESV/00000002538 | Property & Valuation Experts |
| 30 | Tope & Tunde | FRC/2012/0000000000421 | Property & Valuation Experts |
| 31 | Utchay Okoroji & Associates | FRC/2013/NIESV/00000001591 | Property & Valuation Experts |
| 32 | Ubosi Eleh & Co | FRC/2014/NIESV/00000003997 | Property & Valuation Experts |
| 33 | William & Partners | FRC/2015/NIESV/00000012593 | Property & Valuation Experts |
| 34 | Tripple K Tax Consultants | FRC/2013/ICAN/00000002763 | Tax Consultants |

**54. Provision of Non Audit Services**

The details of non-audit services and the applicable fees paid during the period ended 31 December 2018 were

| | **Description of Non Audit Services** | **Fee paid** |
|---|---|---|
| i | Vulnerability assessment and penetration testing | 5,250,000 |
| ii | Diamond Xtra Remuneration survey | 3,150,000 |
| iii | IFC loan convenant certification | 1,575,000 |
| iv | Banking Industry Remuneration survey | 1,050,000 |

# OTHER NATIONAL DISCLOSURES

**Value added statement**

| *For the year ended 31 December* *In thousands of Naira* | **Group 2018** | % | **Group 2017** | % | **Bank 2018** | % | **Bank 2017** | % |
|---|---|---|---|---|---|---|---|---|
| Gross earnings | 187,041,729 | | 189,622,137 | | 189,055,838 | | 203,348,983 | |
| Interest expense | (55,571,844) | | (47,038,414) | | (56,007,366) | | (47,281,945) | |
| | 131,469,885 | | 142,583,723 | | 133,048,472 | | 156,067,038 | |
| Net impairment loss on financial assets | (20,553,824) | | (56,830,411) | | (19,923,798) | | (56,830,411) | |
| Bought-in-materials and services (local) | (75,791,660) | | (61,499,947) | | (76,307,171) | | (65,325,792) | |
| Value added | 35,124,401 | | 24,253,365 | | 36,817,503 | | 33,910,835 | |
| **Distribution of Value Added** | | % | | % | | % | | % |
| ***To Employees:*** | | | | | | | | |
| Employee costs | 22,857,032 | 66 | 23,787,509 | 98 | 22,698,919 | 62 | 23,622,675 | 70 |
| ***To Government:*** | | | | | | | | |
| Government as taxes | (1,087,601) | (4) | 1,349,575 | 6 | (1,239,225) | (4) | 1,321,466 | 4 |
| ***Retained in business:*** | | | | | | | | |
| - For replacement of property and equipment | 6,627,671 | 19 | 6,369,384 | 26 | 6,593,599 | 18 | 6,343,065 | 19 |
| - For replacement of intangible assets | 1,429,995 | 4 | 1,758,111 | 7 | 1,409,557 | 4 | 1,754,188 | 5 |
| - To (deplete)/augment reserves | 5,297,304 | 15 | (9,011,214) | (37) | 7,354,653 | 20 | 869,441 | 3 |
| | 35,124,401 | 100 | 24,253,365 | 100 | 36,817,503 | 100 | 33,910,835 | 100 |

**Financial Summary**

| **Group** | **31 December 2018** | **31 December 2017** | **31 December 2016** | **31 December 2015** | **31 December 2014** |
|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | |
| **Assets** | | | | | |
| Cash and balances with central banks | 302,374,354 | 299,397,460 | 329,906,916 | 361,166,936 | 301,393,080 |
| Financial assets FVTPL | 10,673,463 | 38,333,109 | 6,870,235 | 13,116,843 | 3,481,299 |
| Derivative assets | 388,755 | 1,318,528 | 2,088,208 | 161,622 | 50,012 |
| Loans to banks | 37,943,747 | 35,155,501 | 100,342,964 | 60,103,340 | 296,098,561 |
| Loans and advances to customers | 567,896,958 | 755,503,162 | 995,334,118 | 763,634,827 | 791,094,667 |
| Investment securities | | | | | |
| - FVOCI | 39,085,170 | 148,279,372 | 23,119,904 | 26,803,076 | 10,312,395 |
| - Amortised cost | 115,619,166 | 75,742,440 | 212,444,985 | 240,534,130 | 332,522,242 |
| Assets pledged as collateral | 119,029,468 | 95,488,267 | 221,898,226 | 172,100,785 | 103,397,647 |
| Investments in associates | 98,915 | - | - | - | 2,918,000 |
| Investment properties held for sale | 4,052,378 | 3,961,700 | 3,870,200 | 4,409,085 | 4,333,658 |
| Property and equipment | 65,455,041 | 63,840,777 | 67,146,137 | 62,396,081 | 55,062,140 |
| Intangible assets | 3,153,045 | 3,907,526 | 5,646,005 | 5,122,300 | 3,538,556 |
| Deferred taxation | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,544 | 4,987,386 |
| Other assets | 29,008,864 | 96,966,851 | 76,146,470 | 38,698,711 | 23,933,731 |
| | 1,299,763,712 | 1,622,879,081 | 2,049,798,756 | 1,753,232,280 | 1,933,123,374 |
| Assets classified as held for sale | 71,445,024 | 91,928,185 | - | - | - |
| **Total assets** | 1,371,208,736 | 1,714,807,266 | 2,049,798,756 | 1,753,232,280 | 1,933,123,374 |
| | | | | | |
| **Liabilities** | | | | | |
| Deposits from banks | 48,765,050 | 10,958,909 | 103,409,297 | 115,819,590 | 68,760,427 |
| Deposits from customers | 1,043,976,729 | 1,161,594,129 | 1,424,689,527 | 1,233,591,063 | 1,493,081,203 |
| Derivative liabilities | 6,375 | 740,724 | 2,187,779 | 1,349,595 | 12,608,232 |
| Current income tax liability | 472,868 | 1,620,950 | 2,027,948 | 1,697,816 | 2,448,756 |
| Deferred tax liabilities | 13,071 | 5,049 | 6,958 | 194,660 | 194,660 |
| Other liabilities | 46,887,715 | 48,897,903 | 60,263,158 | 44,673,003 | 40,509,537 |
| Borrowings | 121,876,210 | 161,297,212 | 169,182,279 | 102,719,571 | 74,637,231 |
| Long term debt | 55,001,552 | 70,515,228 | 61,323,847 | 38,577,527 | 31,858,561 |
| | 1,316,999,570 | 1,455,630,104 | 1,823,090,793 | 1,538,622,825 | 1,724,098,607 |
| Liabilities classified as held for sale | 17,135,474 | 35,864,205 | - | - | - |
| **Total liabilities** | 1,334,135,044 | 1,491,494,309 | 1,823,090,793 | 1,538,622,825 | 1,724,098,607 |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 11,580,195 | 11,580,195 | 11,580,195 | 11,580,195 | 11,580,195 |
| Share premium | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 |
| Retained earnings | (146,583,376) | 8,239,777 | 12,042,517 | 48,220,596 | 35,240,967 |
| Other components of equity | 37,535,981 | 68,954,053 | 68,127,170 | 20,011,027 | 27,452,591 |
| Non controlling interest | 7,918 | 5,958 | 425,107 | 264,663 | 218,040 |
| **Total equity** | 37,073,692 | 223,312,957 | 226,707,963 | 214,609,455 | 209,024,767 |
| | | | | | |
| **Total liabilities and equity** | 1,371,208,736 | 1,714,807,266 | 2,049,798,756 | 1,753,232,280 | 1,933,123,374 |
| Commitments and contingents | 87,656,165 | 43,257,262 | 98,542,290 | 121,707,463 | 237,982,530 |

| **Group**<br>**Financial summary** | **31 December 2018** | **31 December 2017** | **31 December 2016** | **31 December 2015** | **31 December 2014** |
|---|---|---|---|---|---|
| Gross earnings | 187,041,729 | 189,622,137 | 184,056,357 | 217,091,803 | 208,402,153 |
| Profit/(loss) before taxation | 3,538,428 | (11,546,952) | 3,368,578 | 7,092,731 | 28,101,232 |
| Profit from continuing operations | 4,626,029 | (12,896,527) | 2,000,278 | 5,656,623 | 25,485,219 |
| **Discontinued operations** | | | | | |
| Profit from discontinued operations (net of tax | 671,275 | 3,885,313 | 1,498,687 | - | - |
| Profit for the year | 5,297,304 | (9,011,214) | 3,498,965 | 5,656,623 | 25,485,219 |
| Non controlling interest | 1,606 | 73,759 | 27,826 | 41,033 | 76,523 |
| Profit attributable to equity holders | 5,295,698 | (9,084,973) | 3,471,139 | 5,615,590 | 25,408,696 |
| **Earnings per share- total operations** | | | | | |
| Basic (loss)/earnings per share (kobo) | 23 | (39) | 15 | 24 | 166 |
| Diluted (loss)/earnings per share (kobo | 23 | (39) | 15 | 23 | 143 |
| **Earnings per share- continuing operations** | | | | | |
| Basic (loss)/earnings per share (kobo) | 20 | (56) | 9 | 24 | 166 |
| Diluted (loss)/earnings per share (kobo) | 20 | (56) | 9 | 23 | 143 |

**Financial summary**

| **Bank** | **31 December 2018** | **31 December 2017** | **31 December 2016** | **31 December 2015** | **31 December 2014** |
|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | |
| **Assets** | | | | | |
| Cash and balances with central banks | 302,370,585 | 299,395,467 | 289,663,505 | 319,168,003 | 288,953,932 |
| Financial assets FVTPL | 10,673,463 | 38,333,109 | 6,870,235 | 13,116,843 | 3,481,299 |
| Derivative assets | 388,755 | 1,318,528 | 1,925,777 | 157,493 | - |
| Assets pledged as collateral | 139,923,315 | 116,357,892 | 170,623,817 | 159,390,905 | 109,775,177 |
| Loans to banks | 82,078,754 | 77,610,730 | 88,553,151 | 66,820,934 | 214,538,349 |
| Loans and advances to customers | 567,881,391 | 755,488,058 | 804,635,641 | 648,971,379 | 712,064,692 |
| Investment securities | | | | | |
| - FVOCI | 39,085,170 | 148,039,154 | 9,169,048 | 19,164,422 | 6,965,670 |
| - Amortised cost | 115,549,127 | 75,742,440 | 151,141,809 | 213,991,141 | 316,650,635 |
| Investment in subsidiaries | 2,000,000 | 2,000,000 | 15,841,882 | 15,841,882 | 15,841,882 |
| Investments in associates | 98,915 | - | - | - | 2,918,000 |
| Investment properties held for sale | 3,877,378 | 3,788,000 | 3,701,500 | 4,240,385 | 4,164,958 |
| Property and equipment | 65,376,369 | 63,814,940 | 60,948,266 | 58,433,678 | 51,551,080 |
| Intangible assets | 3,080,370 | 3,836,377 | 4,521,189 | 4,171,967 | 2,579,750 |
| Deferred taxation | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,388 | 4,984,388 |
| Other assets | 28,944,189 | 96,873,210 | 49,928,617 | 26,729,647 | 15,800,611 |
| Assets classified as held for sale | 7,976,260 | 7,976,260 | - | - | - |
| **Total assets** | 1,374,288,429 | 1,695,558,553 | 1,662,508,825 | 1,555,183,067 | 1,750,270,423 |
| **Liabilities** | | | | | |
| Deposits from banks | 65,153,150 | 25,861,109 | 13,365,314 | 57,175,088 | 9,686,315 |
| Deposits from customers | 1,047,764,975 | 1,164,726,773 | 1,134,861,465 | 1,075,622,532 | 1,354,814,914 |
| Derivative liabilities | 6,375 | 740,724 | 2,126,386 | 1,251,675 | 12,608,232 |
| Current income tax liability | 327,525 | 1,592,413 | 1,598,861 | 1,599,970 | 2,189,956 |
| Provisions | - | - | - | - | - |
| Retirement benefit obligations | - | - | - | - | - |
| Other liabilities | 46,855,246 | 48,878,175 | 40,267,095 | 31,481,835 | 30,085,267 |
| Borrowings | 130,780,058 | 169,680,170 | 197,644,943 | 141,398,056 | 103,366,411 |
| Long term debt | 55,001,552 | 70,515,228 | 61,307,852 | 38,577,527 | 31,858,561 |
| **Total liabilities** | 1,345,888,881 | 1,481,994,592 | 1,451,171,916 | 1,347,106,683 | 1,544,609,656 |
| **Equity** | | | | | |
| Share capital | 11,580,195 | 11,580,195 | 11,580,194 | 11,580,194 | 11,580,194 |
| Share premium | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 | 134,532,974 |
| Retained earnings | (148,332,792) | 5,139,548 | 6,364,510 | 44,043,684 | 32,845,896 |
| Other components of equity | 30,619,171 | 62,311,244 | 58,859,230 | 17,919,531 | 26,701,702 |
| **Total equity** | 28,399,548 | 213,563,961 | 211,336,908 | 208,076,383 | 205,660,766 |
| **Total liabilities and equity** | 1,374,288,429 | 1,695,558,553 | 1,662,508,824 | 1,555,183,066 | 1,750,270,422 |
| Commitments and contingents | 87,656,165 | 43,257,262 | 64,289,122 | 130,258,939 | 204,109,107 |

| **Bank** **Financial summary** | **31 December 2018** | **31 December 2017** | **31 December 2016** | **31 December 2015** | **31 December 2014** |
|---|---|---|---|---|---|
| Gross earnings | 189,055,838 | 203,348,983 | 187,279,015 | 196,867,016 | 190,952,742 |
| Profit/(loss) before taxation | 6,115,428 | 2,190,907 | 3,290,487 | 5,171,592 | 24,413,014 |
| Profit/(loss) after taxation | 7,354,653 | 869,441 | 1,970,044 | 3,833,749 | 22,057,198 |
| Total comprehensive income | 5,656,964 | 2,227,052 | 3,260,525 | 4,731,656 | 22,453,893 |
| Basic earnings per share (kobo) | 32 | 4 | 9 | 17 | 144 |
| Diluted earnings per share (kobo | 32 | 4 | 9 | 16 | 125 |