Diamond Bank Plc and Subsidiary Companies

Annual Report
31 December 2017

Table of contents

	Page
Directors, officers and professional advisors	1
Directors' report	2
Corporate governance report	9
Statement of directors' responsibilities	22
Report of the statutory audit committee	23
Independent auditor's report	24
Consolidated and separate financial statements:	
Consolidated and separate statement of financial position	28
Consolidated and separate statement of comprehensive income	29
Consolidated and separate statement of changes in equity	31
Consolidated and separate statement of cash flows	33
Notes to the consolidated and separate financial statements:	
Reporting entity	35
Summary of significant accounting policies	35
Financial risk management	53
Critical accounting judgments in applying the Group's accounting policies	106
Operating segments	108
Classification of financial assets and financial liabilities	114
Notes to the consolidated statement of comprehensive income and the consolidated statement of financial position	118
Contingent liabilities and commitments	147
Related party transactions	147
Discontinued operations	149
Other national disclosures	
Value added statement	156
Five year financial summary	157

Directors, officers and professional advisors

Directors

Prof. Chris Ike Ogbechie	Chairman
Mr. Uzoma Dozie	Group Managing Director/Chief Executive Officer
Mrs. Caroline Anyanwu	Deputy Managing Director
Chief John D. Edozien [1]	Non-executive Director
Mr. Ian Greenstreet [2]	Independent Director
Mr. Kabir Alkali Mohammed	Non-executive Director
Ms. Genevieve Sangudi [3]	Non-executive Director
Mr. Damian Dolland	Non-executive Director
Mr. Rotimi O. Oyekanmi	Independent Director
Mrs. Chizoma Okoli	Executive Director
Mr. Chiugo Ndubisi	Executive Director
Mrs Aisha Muhammed Oyebode [4]	Non-executive Director
Mrs Juliet Anammah [5]	Non-executive Director
Mr. Dele Babade [7]	Non-executive Director
Mrs Aisha Ndanusa Ahmad [8]	Executive Director
Mr Christopher Ubosi [6]	Non-executive Director

[1] *Chief John Edozien retired with effect from April 30, 2017*
[2] *Mr Ian Greenstreet retired with effect from August 1, 2017*
[3] *Mrs Genevieve Sangudi resigned with effect from March 24, 2017*
[4] *Mrs Aisha M. Oyebode was appointed with effect from July 17, 2017*
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[8] *Mrs Aisha Ndanusa Ahmad was appointed with effect from July 24 ,2017*

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.ng.kpmg.com

Registrars

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

Directors' Report

For the year ended 31 December 2017

The Directors present their report on the affairs of Diamond Bank PLC ("the Bank") and its subsidiaries ("the Group"), together with the financial statements and auditors' report for the year ended 31 December 2017.

a Legal form

Diamond Bank was incorporated on December 20, 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 BV. 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.

During the year, the Bank divested its 97.07% stake in Diamond Bank S.A. The divestment is part of the Bank's plan to align its business operations to its long-term goal of strategically focusing on the significant opportunities in the Nigerian market (see note 47 for details)

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.

Further to this, the Directors committed to a plan to dispose of the Group's investment in Diamond Bank UK. Accordingly, the subsidiary has been presented as a disposal group held for sale. Efforts to sell the Group has been on-going and a sale is expected by year 2018.

c Operating results

Gross earnings of the Group from continuing operations increased from ₦184.1 billion to ₦189.6 billion and profit before income tax from continuing operations decreased from ₦3.4 billion in 2016 to a loss of ₦11.5billion during the year ended 31 December 2017.

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

For the year ended 31 December ***In thousands of naira***	**Group 2017**	**Restated Group 2016**	**Bank 2017**	**Bank 2016**
Gross earnings	**189,622,137**	**184,056,357**	**203,348,983**	**187,279,015**
(Loss)/profit before income tax	(11,546,952)	3,368,578	2,190,907	3,290,487
Minimum tax	(1,310,230)	(1,287,864)	(1,299,774)	(1,287,864)
Income tax expense	(39,345)	(80,436)	(21,692)	(32,579)
(Loss)/profit for the year from continuing operations	(12,896,527)	2,000,278	869,441	1,970,044
Profit from discontinued operations net of tax	3,885,313	1,498,687	-	-
(Loss)/profit for the year	(9,011,214)	3,498,965	869,441	1,970,044
Non-controlling interest	(73,759)	(27,826)	-	-
(Loss)/profit attributable to group shareholders	(9,084,973)	3,471,139	869,441	1,970,044
Earnings per share from continuing operations				
Basic (loss)/ earnings per share (kobo)	(56)	9	4	9
Diluted (loss) earnings per share (kobo)	(56)	9	4	9
Earnings per share from total operations				
Basic (loss)/ earnings per share (kobo)	(39)	15	4	9
Diluted (loss) earnings per share (kobo)	(39)	15	4	9
Total equity	223,312,957	226,707,963	213,563,961	211,336,909

d 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 Shareholding	
	Number of 50k ordinary shares held Dec-17	Number of 50k ordinary shares held Dec-16	Number of 50k ordinary shares held Dec-17	Number of 50k ordinary shares held Dec-16
Prof. Chris Ogbechie (Chairman)	16,047,124	16,047,124	-	-
Mr. Uzoma Dozie (Managing Director)	26,489,005	26,489,005	848,872,310*	848,872,310*
Mrs. Caroline Anyanwu (Deputy Managing Director/CRO)	6,330,000	4,080,000	-	-
Mrs. Chizoma Okoli (Executive)	2,347,234	2,297,124	-	-
Mr. Chiugo Ndubisi(Executive)	1,509,210	1,509,210	-	-
Mrs Aisha Ndanusa Ahmad [8] (Executive)	-	-	-	-
Chief John D. Edozien [1]	16,783,520	16,783,520	227,700***	227,700***
Mr. Ian Greenstreet [2]	-	-	-	-
Mr. Kabir Alkali Mohammed	8,784,519	6,841,519	227,700***	227,700***
Ms. Genevieve Sangudi [3]	-	-	-	-
Mr. Dele Babade [7]	-	-	4,110,118,107****	4,110,118,107****
Mr. Damian Dolland	-	-	2,141,349,189**	2,141,349,189**
Mr. Rotimi Olayiwola Oyekanmi	-	-	-	-
Mrs. Aisha Muhammed Oyebode [4]	-	-	-	-
Mrs. Juliet Anammah [5]	-	-	-	-
Mr. Christopher Ubosi [6]	184,200	184,200	-	-

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

In accordance with the provisions of the Articles of Association of the Company, Mr. Kabir Alkali Mohammed, Mr. Damian Dolland, Mr. Rotimi Oyekanmi and Mr. Dele Babade, retire by rotation and being eligible, offer themselves for re-election.

e 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
Chief John D. Edozien	Director	Mercedes Benz Automobile Services Limited	Supply and Maintenance

f Property and equipment

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

g (i) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2017 is as stated below:

	31 December 2017			
Share Range	No. of Shareholders	Percentage (%) of Shareholders	No. of Holdings	Percentage (%) 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

	31 December 2016			
Share Range	No. of Shareholders	Percentage (%) of Shareholders	No. of Holdings	Percentage Holdings
1 - 10,000	91,193	78.89	193,505,338	0.84
10,001 - 50,000	15,881	13.74	313,105,347	1.35
50,001 - 100,000	4,518	3.91	292,939,676	1.26
100,001 - 500,000	3,126	2.70	594,156,379	2.57
500,001 - 1,000,000	341	0.29	241,362,803	1.04
1,000,001- 5,000,000	355	0.31	742,776,166	3.21
5,000,001 - 10,000,000	63	0.05	448,069,090	1.93
10,000,001 - 50,000,000	70	0.06	1,505,159,511	6.50
50,000,001 - 100,000,000	15	0.01	1,066,997,964	4.61
100,000,001 – 500,000,000	29	0.03	6,063,894,162	26.18
500,000,001 - 1,000,000,000	8	0.01	5,612,368,636	24.23
1,000,000,001 - 10,000,000,000	2	0.00	6,086,053,896	26.28
TOTAL	115,601	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	50,000,000	25,000,000	50,000,000	Cash
1993	50,000,000	100,000,000		50,000,000	
1994	100,000,000	200,000,000	45,000,000	95,000,000	Bonus issue of N20million and cash deposit of N25million for shares
1995		200,000,000	19,000,000	114,000,000	Bonus issue of N19million
1996		200,000,000	38,000,000	152,000,000	Bonus issue of N38million
1997	800,000,000	1,000,000,000	412,300,000	564,300,000	Bonus issue of N412.3million
1998		1,000,000,000	156,750,000	721,050,000	Rights issue of N156.75million
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	2,053,073,360	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	

h Substantial interest in shares

According to the register of members as at 31 December 2017, no shareholder held more than 5% of the issued share capital of the Bank except the following:

	31 December 2017		31 December 2016	
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	1,973,872,451	8.52	2,777,091,881	11.99
Diamond Partners Limited	1,411,694,266	6.10	1,411,694,266	6.10

i Charitable contributions

The Bank made contributions to charitable and non-political organizations amounting to N519 million (December 2016: N353 million) during the year. The schedule of charitable donations is shown below:

Donation and sponsorship	Amount
The Nigerian Police Fund	180,080,000
Imo State University Hall Remodeling	49,875,000
Education and Youth Development	33,383,979
Sponsorship of Lagos Business School (LBS) Amphitheartre Building	25,000,000
Building Enterpreneurs Today (BET) Project	20,650,000
The Vision of the Child Project	20,500,000
Public Health and Welfare	19,130,000
Sponsorship of Women World Banking Summit	18,600,000
Entertainment Industry Development	17,500,000
Federal Road Safety Corps	14,786,473
Sports and Cultural Development	12,446,700
MSME Development	7,650,000
Sponsorship of National Security Summit	7,500,000
FSD Africa Funded Project 2017	7,128,000
The Bankers Committee	6,447,508
Sponsorship of Inspire Africa Special Publication	5,904,000
Sponsorship of Golf Tournament	5,650,000
Sponsorship of Women in Management, Business And Public Service (Wimbiz) Conference	5,090,000
Sponsorship of Edo State Investment Summit	5,000,630
Sponsorship of The Beauty Souk Fair	5,000,000
Sponsorship of 2017 IFI World Design Congress	5,000,000
Sponsorship of Music conference	5,000,000
Sponsorship of Nigerian Economic Recovery Agricbiz Summit	5,000,000
Sponsorship of CBN Cashless Expo 2017	4,500,000
Sponsorship of Nigeria Art Market Report	3,400,000
Nigeria Stock Exchange (NSE) Corporate Challenge 2017	3,000,000
Sponsorship of Goldtent Annual Conference	3,000,000
Sponsorship of Vanguard Life Achievements Award	3,000,000
Sponsorship of Art Exhibition	2,860,000
Sponsorship of Nigerian Electronic Fraud Forum Annual Dinner	2,723,465
Sponsorship of Business Day Annual Banking Awards	2,000,000
Annual Bankers Dinner	2,000,000
Sponsorship of Chief Audit Executives Quarterly General Meeting	1,543,500
Sponsorship of International Women's Day Celebration	1,500,000
Endometriosis Campaign	1,500,000
Sponsorship of National Summit on Big Data Economy	1,000,000
Sponsorship of Nigerian Debt Capital Markets Conference	1,000,000
Sponsorship of IWFI Society & Technology Conference & Exhibition	1,000,000
Others	2,636,500
	518,985,755

j 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 2017 (31 December 2016: 1)

Analysis of women employed during the year

	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	3,280		
Female	1,384	42.2	
Male	1,896	57.8	
	3,280	100.0	

	31 December 2016		
DESCRIPTION	**NUMBER**	**% TO TOTAL STAFF**	**% TO TOTAL NEW HIRE**
Female new hire	6	0.2	37.5
Male new hire	10	0.3	62.5
Total new hire	16	0.5	100
Total staff	**3,555**		
Female	1,512	42.5	
Male	2,043	57.5	
	3,555	100	

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 top management positions by gender as at 31 December 2016

GRADE	FEMALE	MALE	TOTAL
General Manager	4	6	10
Deputy General Manager	2	2	4
Assistant General Manager	5	20	25
Total	11	28	39
Percentage	*28.21*	*71.79*	*100*

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

GRADE	FEMALE	MALE	TOTAL
Executive Director	2	1	3
Managing Director	0	1	1
Deputy Managing Director	1	0	1
Non Executive Director	2	5	7
Independent Director	0	1	1
TOTAL	5	8	13
Percentage	*38.5*	*61.5*	*100.0*

Analysis of executive and non executive Directors by gender as at 31 December 2016

GRADE	FEMALE	MALE	TOTAL
Executive Director	1	3	4
Managing Director	0	1	1
Deputy Managing Director	1	0	1
Non Executive Director	1	4	5
Independent Director	0	2	2
TOTAL	3	10	13
Percentage	*23.08*	*76.92*	*100*

k Health, safety and welfare at work

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

l Employee involvement and training

The Bank places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and the various factors affecting the performance of the 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.

m Complaints

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
In thousands of naira	2017	2016	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Pending Complaints, start of the year	26,833	29,013	5,998,654	8,068,586	-	-
Received Complaints	433,392	436,375	16,113,273	27,745,566	-	-
Resolved complaints	(444,356)	(438,555)	(20,245,601)	(29,815,498)	12,669,064	3,688,576
Unresolved complaints pending,end of the year	**15,869**	**26,833**	**1,866,327**	**5,998,654**		

Automatic Teller Machine (ATM) Complaints

Total Number of Complaints Received :	143,073
Number Resolved:	134,761
Number Unresolved :	8,312

n Number of cards issued

	Number of Cards	
Card Type	**2017**	**2016**
Visa Debit Cards	8,505,196	6,497,686
Verve Debit Card	501,870	385,508
Visa Credit Cards	109,273	99,199
Volume Of Transactions	162,773,536	134,136,275
Value Of Transactions	1,098,633,523,372	873,332,785,864

o Auditors

The Auditors, Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Bank. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

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
10 April 2018

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 2017 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.

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 24years, 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.

A fellow of both the Institute of Chartered Accountant of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN), 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 Managers Programme (AMP) of the Wharton Business School and the Senior Managers 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.

Mrs Aisha Ndanusa Ahmad- Executive Director

Aishah Ahmad is the Executive Director Retail Banking. She was previously the Head, Consumer and Privilege Banking. She joined Diamond Bank in June 2014 as a Deputy General Manager and the Head, Retail Financial Services Division, overseeing Privilege Banking, Consumer Banking Group, Retail Assets, Cards and Customer Engagement & Insight. Prior to joining Diamond Bank, Aishah worked with Stanbic IBTC Holdings where she served in various capacities as Head, High Net-worth Individuals; Head, Private Client Services and Deputy Head, Private Client Services between 2009 - 2014. She had also worked with other companies such as Zenith Capital Limited as Head, Business Development, Bank of New York Mellon (UK), Synesix Financial Limited (UK), Zenith Bank Plc as Head, Retail Banking Unit, and NAL Bank Plc as Head, Private Banking. She also worked with First Interstate Bank Plc as Executive Assistant, Treasury Group, Manstructs Group Nigeria Limited as Group Accountant and Z. O. Ososanya & Co. She holds a Bachelor of Science degree in Accounting from the University of Abuja, an MBA (Finance) from the University of Lagos and an M.Sc. Finance and Management from the Cranfield School of Management (UK). She is a Chartered Alternative Investment Analyst (CAIA) and she holds the prestigious Chartered Financial Analyst (CFA) charter.

Her apointment as an Executive Director was approved by the Central Bank of Nigeria on July 24, 2017

Mr Ian Greenstreet- Independent Director

Ian Greenstreet is an Investment Banker and recognised world expert in financial risk. He is considered by many as one of the world's leading Risk Management professionals. Greenstreet, a Chartered Accountant (Institute of Chartered Accountants of England and Wales) holds a B.Sc (Hons) in Computer Science & Accounting from the University of Manchester. His career spans over 25 years in the financial sector, specialising in risk management and credit analysis. In 2006, he joined the Medicapital Bank as the head of risk where he set up enterprise risk management for the Bank covering market risk, credit risk and operational risk including systems, procedures and policy manuals which gained FSA approval. In 1996 Greenstreet was appointed Regional Country Risk Officer (Managing Director) ABN AMBRO Bank- London. For ten years he was responsible for the Bank's credit approval, credit monitoring and credit risk quantification of exposures working closely with client coverage and trading floors providing structuring advice on transactions to ensure that risks are mitigated and comply with the Bank's risk appetite. This enabled him to gain in-depth understanding of all wholesale bank products and project finance. Earlier in his career, he had worked as the Head of Credit Yamaichi International (Europe) Limited, Lloyds Bank, Luxembourg (Private Bank), Stoy Hayward, Luxembourg, Henderson Fund Management, Luxembourg, Midland Bank and +Touche Ross & Co London. He is a member, Board Advisory Group of the London Stock Exchange. Mr. Greenstreet retired from the Board with effect from August 1, 2017.

Chief John D. Edozien - Non-Executive Director

Chief Edozien holds a B.Sc. (Hons) (Economics) from the University of Ibadan and an M.A. Economics from the University of Wisconsin. As a Civil Servant, he rose to the position of Permanent Secretary of the Cabinet Office in 1987 and National Planning, Office of Planning and Budget both in the Presidency. Chief Edozien served as Deputy Governor of Bendel State and later Delta State. He was the Group Managing Director/CEO of Afribank Nigeria Plc as well as Chairman of Afribank International Limited (Merchant Bankers) from 1993 to 1999. He is the Chairman of several Nigerian companies such as Jenkyns Consult Nigeria Limited and Mercedes Benz Automobile Services Limited. He also holds other directorate positions in several companies. Chief John Edozien retired from the Board with effect from April 30, 2017

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

Ms. Genevieve Sangudi- Non-Executive Director

Ms. Genevieve Sangudi was the Managing Director and Head of West Africa of one of the world's largest global alternative assets companies, Carlyle Group, which has over $200Billion of assets under its control. Prior to her appointment with Carlyle Group in 2011, Ms. Sangudi was a Partner and Managing Director of Emerging Capital Partners, a leading private equity fund manager focused on Africa with over $2.0Billion in capital under its management. Under her guidance, they made several profitable and timeous investments in several Nigerian blue-chip companies. Genevieve started her career in JP Morgan as a Senior Associate, and went on to gain remarkable experience in the fast moving consumer goods sector [FMCG], as the Marketing Manager for Procter & Gamble in Boston, Massachusetts where she developed and executed market strategies and brand building programs for several multi-billion dollar global brands, including Pampers, Folgers, Sunny Delight and Febreze.

She is a graduate of the Macalester College, and has two masters' degrees in Business Administration and International Affairs both from the Columbia Business School and Columbia University of International and Public Affairs, respectively. Ms. Sangudi resigned from the Board with effect from March 24, 2017.

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.

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.

Mr Dele Babade - Non-Executive Director

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.

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.

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.

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.

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: Ms. Genevieve Sangudi*Ms. Sangudi resigned with effect from March 24, 2017, Chief John D. Edozien, Chief Edozien retired with effect from April 30, 2017, Mr. Damian Dolland (Chairman), Mr. Rotimi Oyekanmi, Mr. Dele Babade and Mrs. Juliet Anammah *Mrs. Anammah was appointed a member of the Committee in July, 2017.

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. Ian Greenstreet* Mr. Greenstreet retired with effect from August 1, 2017, Mr. Kabir Alkali Mohammed (Chairman), Mr. Damian Dolland. Mr. Dele Babade, 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. Ian Greenstreet* Mr. Greenstreet retired with effect from August 1, 2017, Mr. Rotimi Oyekanmi (Chairman), Mr. Kabir Alkali Mohammed, Mrs. Aisha Oyebode* Mrs. Oyebode was appointed to the Committee in July, 2017.

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. Kabir Alkali Mohammed (Chairman)* The Committee was reconstituted in July 2017 and Mr. Dele Babade was appointed Chairman of the Committee, Chief John D. Edozien* Chief Edozien retired with effect from April 30, 2017, Mr. Ian Greenstreet* Mr. Greenstreet retired with effect from August 1, 2017, Ms. Genevieve Sangudi* Ms. Sangudi resigned with effect from March 24, 2017, Mr. Damian Dolland, Mrs. Aisha Oyebode, 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- shareholder and Chief John D. Edozien* Chief Edozien retired with effect from April 30, 2017, Ms. Genevieve Sangudi* Ms. Sangudi resigned with effect from March 24, 2017, Mr. Damian Dolland, Mr. Dele Babade and Mrs. Aisha Oyebode.

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 approve 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:

a) Motivate directors to pursue and promote balance between the short term and long term growth of the Group while maximising shareholders' return;

b) Enable the Group to attract and retain people of proven ability, experience and skills in the market in which it competes for talent;

c) Link rewards to the creation of value for shareholders;

d) Ensure an appropriate balance between fixed and variable remuneration while reflecting the short and long term objectives of the Group;

e) Encourage fairness and demonstrate a clear relationship between remuneration and performance based on set targets on individual and corporate performance;

f) 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;

g) Ensure that remuneration arrangements are equitable, transparent, well communicated and easily understood, aligned with the interest of shareholders and adequately disclosed;

h) Limit severance payments on termination to pre-approved contractual arrangements which does not commit the Group to paying for non-performance; and

i) 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 (complaints@diamondbank.com / 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) (b) The complaint must be logged into the Customer Complaint Management System (CCMS) by the staff (see Appendix for Customer Capture/Staff Capture forms) 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 (please see reward and penalty scheme for logging of complaints).

(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 – ombudsman@diamondbank.com, 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.

v. Staff can be re-trained on service delivery based on number of complaints and resolution of said complaints.

vi 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:

a) Ensuring the prompt and appropriate resolution of customer complaints.

b) Ensuring that all complaints were appropriately logged into the CCMS

c) Provision of resolution status to customers and communication of the resolution outcome on all complaints. .

d) Ensuring the proper escalation of customer complaints.

e) Review of resolved cases to ensure appropriate resolution by case owners.

f) Root cause analysis and initiation of service improvement actions as applicable

g) Provision of reports for management and as requested

h) 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

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 Board of Directors is ultimately accountable for ensuring compliance with all relevant laws and regulations while Management is responsible for developing strategies, policies and procedures to ensure compliance with relevant laws and regulations. To drive the Bank's Compliance Risk Management strategy, a Senior Management Staff has been appointed as the Chief Compliance Officer, who reports to the Board Risk Committee through the Executive Compliance Officer.

To further strengthen its Corporate Governance structure, the Bank has adopted a 'Three Lines of Defence' approach to managing compliance risk with responsibilities across Business/Functional Management, Compliance Risk Management and Corporate Audit.

Business/Functional Management, the 'first line of defense' is responsible for developing and implementing effective risk and control procedures on a day-to-day basis and ensuring that activities and processes are in line with the Bank's policies and relevant regulatory requirements.

Compliance Risk Management, the 'second line of defense' is independent of day to day operational activities and is responsible for identifying relevant regulatory requirements, monitoring the implementation of effective risk management practices, identifying and escalating emerging regulatory issues, and providing proactive support and advice to Business/Functional Management.

Corporate Audit provides independent and objective assurance on the effectiveness of the governance, compliance risk management and controls including the manner in which the first and second lines of defense achieve their objectives.

In line with the Bank's digital agenda, a number of key compliance processes were automated during the year for efficiency and effectiveness.

WHISTLE BLOWING COMPLIANCE STATUS – 2017

The Bank has a robust whistle-blowing procedure that encourages reporting of financial and ethical improprieties through dedicated and confidential channels as prescribed in Sections 3.3 and 3.4 of the Central Bank of Nigeria Guidelines on Whistle Blowing for Banks and Other Financial Institutions in Nigeria.

There is ongoing awareness campaigns to further embed the culture of reporting concerns relating to any unethical behavior or dishonesty by Employees, Management, Directors, Depositors, Service Providers, Creditors and all other stakeholders.

All reports received via the dedicated whistle blowing channels are investigated accordingly and reports of action taken are presented to the Board Audit Committee and Central Bank of Nigeria. The identity of Whistle Blowers are protected and details of whistle blowing incidents are kept confidential in line with the Bank's Whistle Blowing policy.

Below is the status of Whistle Blowing incidents reported in 2017:

TOTAL NUMBER REPORTED	TOTAL ADDRESSED	OUTSTANDING
25	24	1*

*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
Mercedes Benz Automobile Services Limited	Director	Chief John D. Edozien	Supply and Maintenance

Attendance at Board Committee meetings

Directors' attendances at meetings are as shown below:

Full Board Meeting:

NAME	9-Mar	18-May	20-Jul	19-Oct	7-Dec
Prof. Chris Ogbechie	✓	✓	✓	✓	✓
Chief John D. Edozien [1]	✓	Retired			
Mr. Ian Greenstreet [3]	✓	✓	✓	Retired	
Mr. Kabir Alkali Mohammed	✓	✓	✓	✓	✓
Ms. Genevieve Sangudi [2]	✓	Resigned			
Mr. Damian Dolland	✓	✓	✓	✓	✓
Mr. Rotimi Oyakanmi	✓	✓	✓	✓	✓
Mr. Dele Babade [4]	Not yet appointed	✓	✓	✓	✓
Mr. Uzoma Dozie	✓	✓	✓	✓	✓
Mrs. Caroline Anyanwu	✓	✓	✓	✓	✓
Mrs. Chizoma Okoli	✓	✓	✓	✓	✓
Mr. Chiugo Ndubisi	✓	✓	✓	✓	✓
Mrs. Aishah Ahmad [8]	Not yet appointed				
Mrs. Aisha Mohammed Oyebode [5]	Not yet appointed		✓	✓	✓
Mrs. Juliet Anammah [6]	Not yet appointed		✓	✓	✓
Mr. Christopher Ubosi [7]	Not yet appointed				✓

[1] Chief John D. Edozien: Retired with effect from April 30, 2017
[2] Ms. Genevieve Sangudi: Resigned with effect from March 24, 2017
[3] Mr. Ian Greenstreet: Retired with effect from August 1, 2017
[4] Mr. Dele Babade: Appointed with effect from April 20, 2017
[5] Mrs. Aisha M. Oyebode: Appointed with effect from July 17, 2017
[6] Mrs. Juliet Anammah: Appointed with effect from July 17, 2017
[7] Mr. Christopher Ubosi: Appointed with effect from November 3, 2017
[8] Mrs Aisha Ndanusa Ahmad Appointed with effect from July 24, 2017

Board Governance & Personnel Committee:

NAME	7-Feb	16-Mar	11-Apr	19-Apr	20-Apr	18-Jul	3-Aug	17-Oct
Ms Genevieve Sangudi	✓	✓	Resigned from the Board					
Chief John D. Edozien	✓	✓	✓	✓	✓	Retired from the Board		
Mr. Rotimi Oyakanmi	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Damian Dolland	Not yet a member					✓	✓	✓
Mr. Dele Babade	Not yet appointed to the Board				Not yet a member	✓	✓	✓
Mrs. Juliet Anammah	Not yet appointed to the Board					Not yet a member	✓	✓

Board Risk Management Committee:

NAME	8-Mar	17-May	19-Jul	18-Oct
Mr. Ian Greenstreet	✓	✓	✓	Retired from the Board
Mr. Kabir Mohammed	✓	✓	✓	✓
Mr. Damian Dolland	✓	✓	✓	✓
Ms. Genevieve Sangudi	✓	Resigned from the Board		
Mr. Rotimi Oyekanmi	Not yet a member			✓
Mr. Dele Babade	Not yet appointed to the Board	Not yet a member	✓	✓
Mr. Uzoma Dozie	✓	✓	✓	✓
Mrs. Caroline Anyanwu	✓	✓	✓	✓
Mr. Chiugo Ndubisi	✓	✓	✓	✓

Board Audit Committee:

NAME	8-Mar	17-May	19-Jul	18-Oct
Mr. Rotimi Oyakanmi	✓	✓	✓	✓
Mr. Ian Greenstreet	✓	✓	✓	Retired from the Board
Mr. Kabir Mohammed	✓	✓	✓	✓
Mrs. Aisha Oyebode	Not yet appointed to the Board		Not yet a member	✓

Board Credit Committee:

NAME	8-Feb	8-May	18-Jul	17-Oct
Mr. Kabir Mohammed	✓	✓	✓	✓
Mr. Ian Greenstreet	✓	✓	✓	Resigned from the Board
Mr. Damian Dolland	✓	✓	✓	✓
Ms. Genevieve Sangudi	✓	Resigned from the Board		
Chief John D. Edozien	✓	Retired from the Board		
Mr. Dele Babade	Not yet appointed to the Board	Not yet a member	✓	✓
Mrs. Juliet Anammah	Not yet appointed to the Board		Not yet a member	✓
Mrs. Caroline Anyanwu	✓	✓	✓	✓
Mr. Uzoma Dozie	✓	✓	✓	✓
Mrs. Chizoma Okoli	✓	✓	✓	✓

Statutory Audit Committee

NAME	7-Mar	18-Apr	11-Jul	9-Oct
Chief John D. Edozien	✓	Absent	Retired from the Board	
Ms. Genevieve Sangudi	✓	Resigned from the Board		
Mr. Kabir Mohammed	Not yet a member		✓	No longer a member
Mr. Damian Dolland	✓	✓	✓	✓
Mr. Dele Babade	Not yet appointed to the Board		✓	✓
Mrs. Aisha Oyebode	Not yet appointed to the Board			✓

BY ORDER OF THE BOARD

Uzoma

Uzoma Uja
Company Secretary/Legal Adviser
FRC/2013/NBA/00000001645
PGD's Place, Plot 4, Block V
Oniru Estate, Victoria Island
Lagos
10 April 2018

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2017

The Directors accept responsibility for the preparation of the annual 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.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Prof. Chris Ogbechie	**Mr. Uzoma Dozie**	**Mr. Chiugo Ndubisi**
Chairman	**Group Managing Director/CEO**	**Executive Director/Chief Financial Officer**
FRC/2015/IODN/00000011213	FRC/2015/CIBN/00000011214	FRC/2013/ICAN/00000001565
10 April 2018	10 April 2018	10 April 2018

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 2017 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
6 March 2018

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 Damian Dolland	Member (Director)
5	Mr Dele Babade	Member (Director)
6	Mrs Aisha Oyebode	Member (Director)

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

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 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 subsidiary companies (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2017, 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 a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 154

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, 2017, 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.

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.

a. Impairment of loans and advances to customers

Impairment of loans and advances involves significant judgment and assumptions about establishing when a loan has defaulted, the rate of recovery on loans that are past due and in default, the market valuations of collateral, the estimated time and cost to sell any property pledged as collateral to the Group, historical default parameters and prevailing economic conditions.

The Group identifies loans and advances for specific impairment assessment based on the magnitude of the loan, nature of the loan and the amount of loan obligations that are due and unpaid. Impairment allowances for loans and advances that were assessed for specific impairment were based on the estimated future cash flows expected from the realization of collaterals held by the Group in respect of those loans and advances, discounted to present value using the effective interest rate of the loan.

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Registered in Nigeria No BN 986925

Partners:

Abiola F. Bada, Adewale K. Ajayi, Ayodele A. Soyinka, Ibitomi M. Adepoju, Lawrence C. Amadi, Oladapo R. Okubadejo, Olusegun A. Sowande, Tolulope A. Odukale, Adebisi Q. Lamikanra, Ajibola O. Olomola, Chibuzor N. Anyanechi, Ijeoma T. Emezie-Ezigbo, Mohammed M. Adama, Oladimeji I. Salaudeen, Oluwafemi O. Awotoye, Victor U. Onyenkpa, Adekunle A. Elebute, Ayobami L. Salami, Ehile A. Aibangbee, Joseph O. Tegbe, Nneka C. Eluma, Olanike I. James, Oluwatoyin A. Gbagi, Adetola P. Adeyemi, Ayodele H. Othihiwa, Goodluck C. Obi, Kabir O. Okunlola, Oguntayo I. Ogungbenro, Olumide O. Olayinka, Temitope A. Onitiri

All other loans and advances were collectively assessed for impairment on a portfolio basis using a statistical model developed by the Group. This model approximates the losses inherent in the credit portfolios. The key assumptions, estimates and judgments made by management include: the probability of default; the loss given default; and the emergence periods. The estimates are determined separately for the various risk buckets identified by the Group for its loans and advances portfolio. The audit matters include controls over the model used, and accuracy of the inputs into the model.

How the matters were addressed in our audit:

- We assessed the trends in the local credit environment considering their likely impact on the Group's exposures and used the information to focus our testing on the key risk areas.
- We assessed and tested the design of key controls over the loan impairment process. Key controls tested covered areas such as monitoring of performance of loans and advances, including timely identification of impairment trigger by the credit monitoring unit, completeness and accuracy of data input into models and management review of impairment allowance calculation by the credit measurement unit.
- In relation to specifically impaired loans, we challenged key assumptions in the Group's impairment model (the expected realization period and value of collaterals) by re-computing the average time taken to realize actual collaterals sold by the Group per collateral type, and assessing the reasonableness of the collateral values reported by the Group's valuation experts. In addition, we re-performed calculations of specific impairment allowance and tested key data inputs like discount rates to underlying sources.
- We assessed the assumptions inherent in the Group's impairment model for collective impairment, based on our understanding of the Group and our knowledge of the industry, and independently, recomputed the collective impairment allowance based on our reviewed management's methodology and assumptions.
- We evaluated the methodology used by the Group to calculate the likelihood of loans and advances with different profiles moving into default and recalculated the probability of default and loss given default based on our cumulative knowledge of the Group's actual historical experience and current economic conditions.
- We also evaluated whether restructured loans were correctly assessed for existence of impairment triggers, and where impairment triggers were identified, we assessed the adequacy of impairment calculated.
- We assessed the disclosures in relation to impairment of loans and advances in the consolidated and separate financial statements with reference to the requirements of the prevailing accounting standards.

Refer to the *Group's accounting policy on impairment (Note 2.11), critical accounting judgments in applying the Group's accounting policies* (Note 4) and related disclosures on *credit risk* (Note 3.2) on Pages 47, 55 to 70 and 106 respectively of the financial statements.

b. Assessment of recoverability of deferred tax assets

The Group has recognized deferred tax assets of ₦4.98 billion (2016: ₦4.98 billion). Unrecognized deferred tax assets as at 31 December 2017 was ₦43.18 billion (2016: ₦27.68 billion). The deferred tax assets arose mainly from unrelieved tax losses, unutilized capital allowances and collective impairment on loans and advances. An assessment is required as to when and whether sufficient future taxable profits are likely to be generated to support the recoverability of the deferred tax assets recognised.

The Group's determination of the recoverability of deferred tax assets involves significant judgment and high estimation uncertainty as management assesses the recoverability of the recognized deferred tax assets mainly with projections which contain estimate of future taxable income, taking into consideration the current tax laws and regulations.

How the matter was addressed in our audit:

- We assessed the components that gave rise to the deferred tax assets to determine whether they were appropriate in line with the relevant accounting standards and tax laws.
- We further assessed the recoverability of recognized deferred tax assets by reviewing management's forecasts of future taxable profits, and evaluating that the assumptions used in the Group's projection of taxable income were consistent with the Group's historical performance and future outlook.

Refer to the Group's accounting policy on deferred tax (Note 2.20(b)), *critical accounting judgments in applying the Group's accounting policies* (Note 4(j)) and related disclosures (Note 30) on Pages 50 – 51, 107 and 136 -137 respectively of the financial statements.

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Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information 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 received prior to the date of the auditor's report; and 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 Report ("the other 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 and will not express any form of assurance conclusion thereon.

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

When we read the other 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 has no realistic alternative but to do so.

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

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

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

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

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

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

KPMG

- 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.

- 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 Central Bank of Nigeria circular BSD/1/2004

i. The Bank and Group paid penalties in respect of contravention of the Bank and Other Financial Institutions Act during the year ended 31 December 2017. 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.

Kabir

Kabir Q. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
10 April 2018
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 505581

Consolidated and separate statement of financial position
As at 31 December 2017

In thousands of Naira	Note	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Assets					
Cash and balances with central banks	18	299,397,460	329,906,916	299,395,467	289,663,505
Financial assets held for trading	19	38,333,109	6,870,235	38,333,109	6,870,235
Derivative assets	20	1,318,528	2,088,208	1,318,528	1,925,777
Assets pledged as collateral	21	95,488,267	221,898,226	116,357,892	170,623,817
Loans to banks	22	35,155,501	100,342,964	77,610,730	88,553,151
Loans and advances to customers	23	755,503,162	995,334,118	755,488,058	804,635,641
Investment securities					
-Available-for-sale	24(a)	148,279,372	23,119,904	148,039,154	9,169,048
-Held to maturity	24(b)	75,742,440	212,444,985	75,742,440	151,141,809
Investment in subsidiaries	25	-	-	2,000,000	15,841,882
Investment properties held for sale	27	3,961,700	3,870,200	3,788,000	3,701,500
Property and equipment	28	63,840,777	67,146,137	63,814,940	60,948,266
Intangible assets	29	3,907,526	5,646,005	3,836,377	4,521,189
Deferred tax assets	30	4,984,388	4,984,388	4,984,388	4,984,388
Other assets	31	96,966,851	76,146,470	96,873,210	49,928,617
		1,622,879,081	**2,049,798,756**	**1,687,582,293**	**1,662,508,825**
Assets classified as held for sale and discontinued operations	47(a)	91,928,185	-	7,976,260	-
Total assets		**1,714,807,266**	**2,049,798,756**	**1,695,558,553**	**1,662,508,825**
Liabilities					
Deposits from banks	32	10,958,909	103,409,297	25,861,109	13,365,314
Deposits from customers	33	1,161,594,129	1,424,689,527	1,164,726,773	1,134,861,466
Derivative liabilities	34	740,724	2,187,779	740,724	2,126,386
Current income tax liability	16	1,620,950	2,027,948	1,592,413	1,598,861
Deferred tax liabilities	30	5,049	6,958	-	-
Other liabilities	35	48,897,903	60,263,158	48,878,175	40,267,095
Borrowings	36	161,297,212	169,182,279	169,680,170	197,644,942
Long term debt	37	70,515,228	61,323,847	70,515,228	61,307,852
		1,455,630,104	**1,823,090,793**	**1,481,994,592**	**1,451,171,916**
Liabilities included in assets held for sale and discontinued operations	47(a)	35,864,205	-	-	-
Total liabilities		**1,491,494,309**	**1,823,090,793**	**1,481,994,592**	**1,451,171,916**
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	8,239,777	12,042,517	5,139,548	6,364,510
Other reserves					
Statutory reserve	39	23,423,258	23,541,079	23,423,258	23,292,842
Regulatory risk reserve	39	31,062,558	29,098,571	31,062,558	29,098,571
Small scale industries (SSI) reserve	39	3,966,628	3,966,628	3,966,628	3,966,628
Fair value reserve	39	3,886,328	2,456,373	3,858,800	2,501,189
Foreign currency translation reserve	39	6,615,281	9,064,519	-	-
Total equity attributable to owners of the Bank		223,306,999	226,282,856	213,563,961	211,336,909
Non- controlling interest	40	5,958	425,107	-	-
Total shareholders equity		223,312,957	226,707,963	213,563,961	211,336,909
Total equity and liabilities		**1,714,807,266**	**2,049,798,756**	**1,695,558,553**	**1,662,508,825**

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 10 April 2018 and signed on its behalf by

Professor Chris Ogbechie
Chairman
FRC/2015/IODN/00000011213

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 2017	Restated Group 2016	Bank 2017	Bank 2016
Gross earnings		189,622,137	184,056,357	203,348,983	187,279,015
Interest income	7	145,322,604	127,811,026	146,905,435	130,878,953
Interest expense	8	(47,038,414)	(31,267,757)	(47,281,945)	(34,542,332)
Net interest income		**98,284,190**	**96,543,269**	**99,623,490**	**96,336,621**
Net impairment loss on financial assets	9	(56,830,411)	(57,015,474)	(56,830,411)	(57,015,474)
Net interest income after impairment loss on financial assets		41,453,779	39,527,795	42,793,079	39,321,147
Fee and commission income	10	37,068,422	41,432,853	36,636,136	41,472,518
Fee and commission expense	10	(8,453,192)	(8,835,277)	(8,672,485)	(9,226,084)
Net fee and commission income		28,615,230	32,597,576	27,963,651	32,246,434
Net trading income	11	3,900,434	12,426,994	3,900,434	12,426,994
Other operating income	12	2,552,265	1,334,418	15,128,566	1,449,484
Net gain from other financial instruments at fair value through profit or loss	13	778,412	1,051,066	778,412	1,051,066
Net operating income		**77,300,120**	**86,937,849**	**90,564,142**	**86,495,125**
Personnel expenses	14	(23,787,509)	(26,878,988)	(23,622,675)	(26,744,714)
Depreciation and amortisation	28,29	(8,127,495)	(7,593,019)	(8,097,253)	(7,567,310)
Operating lease expenses	15	(1,022,071)	(1,030,809)	(1,012,564)	(1,020,793)
Other operating expenses	15	(55,909,997)	(48,066,456)	(55,640,743)	(47,871,821)
Total expenses		**(88,847,072)**	**(83,569,271)**	**(88,373,235)**	**(83,204,638)**
(Loss)/profit before income tax		**(11,546,952)**	**3,368,578**	**2,190,907**	**3,290,487**
Minimum tax	16	(1,310,230)	(1,287,864)	(1,299,774)	(1,287,864)
Income tax expense	16	(39,345)	(80,436)	(21,692)	(32,579)
(Loss)/profit from continuing operations		**(12,896,527)**	**2,000,278**	**869,441**	**1,970,044**
Discontinued operations					
Profit from discontinued operations (net of tax)	47(b)	3,885,313	1,498,687	-	-
(Loss)/profit for the year		**(9,011,214)**	**3,498,965**	**869,441**	**1,970,044**
Other comprehensive income net of income tax:					
Items that are or may be reclassified to profit or loss					
From continuing operations					
Foreign currency translation differences		459	(546)	-	-
Fair value gain/(loss) on available-for-sale investments		1,357,849	1,290,481	1,357,611	1,290,481
Total other comprehensive income from continuing operations		1,358,308	1,289,935	1,357,611	1,290,481
From discontinued operations					
Foreign currency translation differences		4,744,879	7,242,299	-	-
Fair value gain/(loss) on available-for-sale investments		72,106	67,310	-	-
Total other comprehensive income from discontinued operations		4,816,985	7,309,609	-	-
Other comprehensive income for the year, net of tax		**6,175,293**	**8,599,544**	**1,357,611**	**1,290,481**
Total comprehensive income for the year		**(2,835,921)**	**12,098,509**	**2,227,052**	**3,260,525**
(Loss)/profit attributable to :					
Owners of the Bank		(9,084,973)	3,471,139	869,441	1,970,044
Non-controlling interest		73,759	27,826	-	-
(Loss)/profit for the year		**(9,011,214)**	**3,498,965**	**869,441**	**1,970,044**

Total comprehensive income attributable to :					
Owners of the Bank		(2,975,857)	11,938,064	2,227,052	3,260,525
Non-controlling interest		139,936	160,444	-	-
		(2,835,921)	**12,098,508**	**2,227,052**	**3,260,525**
Earnings per share- total operations					
Basic (loss)/earnings per share (kobo)	17(a)	(39)	15	4	9
Diluted (loss)/earnings per share (kobo)	17(b)	(39)	15	4	9
Earnings per share- continuing operations					
Basic (loss)/earnings per share (kobo)	17(a)	(56)	9	4	9
Diluted (loss)/earnings per share (kobo)	17(b)	(56)	9	4	9

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	Attributable to equity holders of the parent									Non-controlling interest	Total equity
	Share capital	**Share premium**	**Retained Earnings**	**Statutory reserve**	**Regulatory risk reserve**	**Small Scale Industry reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Total**		
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**
Profit/loss for the year	-	-	(9,084,973)	-	-	-	-	-	(9,084,973)	73,759	(9,011,214)
Transfer (from)/to retained earnings	-	-	(2,094,403)	130,416	1,963,987	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	4,679,161	4,679,161	66,177	4,745,338
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	1,429,955	-	1,429,955	-	1,429,955
Total comprehensive income	-	-	(11,179,376)	130,416	1,963,987	-	1,429,955	4,679,161	(2,975,857)	139,936	(2,835,921)
Transactions with equity holders recorded directly in equity											
Deconsolidation of disposed subsidiary	-	-	7,376,636	(248,237)	-	-	-	(7,128,399)	-	(559,085)	(559,085)
									-		-
	-	**-**	**7,376,636**	**(248,237)**	**-**	**-**	**-**	**(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**
Balance at 1 January 2016	**11,580,195**	**134,532,974**	**16,385,685**	**23,245,572**	**21,579,771**	**3,966,628**	**1,098,583**	**1,955,384**	**214,344,792**	**264,663**	**214,609,455**
Profit/loss for the year	-	-	3,471,139	-	-	-	-	-	3,471,139	27,826	3,498,965
Foreign currency translation differences	-	-	-	-	-	-	-	7,109,135	7,109,135	132,618	7,241,753
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	1,357,790	-	1,357,790	-	1,357,790
Total comprehensive income	-	-	3,471,139	-	-	-	1,357,790	7,109,135	11,938,064	160,444	12,098,508
Transactions with equity holders recorded directly in equity											
Transfer from/(to) retained earnings	-	-	(7,814,307)	295,507	7,518,800	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Total contributions and distributions	-	-	(7,814,307)	295,507	7,518,800	-	-	-	-	-	-
Balance at 31 December 2016	**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**

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

	Share capital	Share premium	Retained earnings	Statutory reserve	Regulatory risk reserve	Small Scale industry reserve	Fair value reserve	Total
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
Fair value movement on available-for-sale financial assets	-	-	-	-	-	-	1,357,611	1,357,611
Total comprehensive income	**-**	**-**	**869,441**	**-**	**-**	**-**	**1,357,611**	**2,227,052**
Transactions with equity holders recorded directly in equity								
Transfer from/(to) retained earnings	-	-	(2,094,403)	130,416	1,963,987	-	-	-
Total contributions and distributions	**-**	**-**	**(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**
Balance at 1 January 2016	11,580,195	134,532,974	12,208,773	22,997,335	21,579,771	3,966,628	1,210,708	208,076,384
Profit for the year	-	-	1,970,044	-	-	-	-	1,970,044
Fair value movement on available-for-sale financial assets	-	-	-	-	-	-	1,290,481	1,290,481
Total comprehensive income	**-**	**-**	**1,970,044**	**-**	**-**	**-**	**1,290,481**	**3,260,525**
Transactions with equity holders recorded directly in equity								
Transfer from/(to) retained earnings	-	-	(7,814,307)	295,507	7,518,800	-	-	-
Total contributions and distributions	**-**	**-**	**(7,814,307)**	**295,507**	**7,518,800**	**-**	**-**	**-**
Balance at 31 December 2016	**11,580,195**	**134,532,974**	**6,364,510**	**23,292,842**	**29,098,571**	**3,966,628**	**2,501,189**	**211,336,909**

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

In thousands of Naira	Note	Group 2017	Group 2016	Bank 2017	Bank 2016
Profit for the year		(9,011,214)	3,498,965	869,441	1,970,044
Add:					
Minimum tax	16	1,310,230	1,287,864	1,299,774	1,287,864
Income tax expense	16	39,345	80,436	21,692	32,579
Profit before tax		(7,661,639)	4,867,265	2,190,907	3,290,487
Adjustments for :					
Depreciation and amortization		8,127,495	7,593,019	8,097,253	7,567,310
(Gain)/loss on disposal of property and equipment	12	161,351	(212,934)	161,351	(212,934)
Gain on disposal of subsidiary	12	(2,264,367)	-	(14,845,667)	-
Specific impairment charge on loans and advances	9	59,469,325	51,790,196	59,469,325	51,790,196
Collective impairment charge on loans and advances	9	(2,072,244)	2,780,673	(2,072,244)	2,780,673
Specific impairment charge on other loans and receivables	9	-	2,922,942	-	2,922,942
Specific impairment charge/(write back) on available-for-sale assets	9	(15,612)	2,692,124	(15,612)	2,692,124
Specific impairment charge on other assets	9	2,415,657	34,327	2,415,657	34,327
Interest income	7	(145,322,604)	(127,811,026)	(146,905,435)	(130,878,953)
Interest expense	8	47,038,414	31,267,757	47,281,945	34,542,332
Contributions to defined contribution plans	14	701,447	728,929	698,136	725,453
Fair value loss/(gain) on financial assets held for trading	11	(739,103)	761,643	(739,103)	761,643
Foreign exchange gains	11	(3,161,331)	(13,188,637)	(3,161,331)	(13,188,637)
Fair value gain on other financial instruments	13	(778,412)	(1,051,066)	(778,412)	(1,051,066)
Fair value (gain)/loss on investment properties	27	(75,023)	792,012	(70,023)	792,012
Dividend income	12	(47,209)	(71,761)	(47,209)	(186,827)
Loans written off as uncollectible	9	1,127,184	663,205	1,127,184	663,205
		(43,096,671)	(35,441,332)	(47,193,278)	(36,955,713)
Change in financial assets held for trading	42(i)	(30,723,771)	6,947,283	(30,723,771)	7,008,251
Change in assets pledged as collateral	42(vii)	126,409,959	(49,797,441)	54,265,925	(11,232,912)
Change in mandatory reserve deposits	42(viii)	18,302,550	1,706,479	7,361,766	6,278,131
Change in derivative assets	42(ix)	769,680	(809)	607,249	157,493
Change in loans and advances to customers	42(ii)	181,306,691	(276,347,969)	(9,376,682)	(198,477,251)
Change in other assets	42(iii)	(23,236,038)	(37,744,700)	(49,219,516)	(22,669,574)
Change in assets classified as held for sale		(91,057,211)	-	-	-
Change in deposits from customers	42(iv)	(265,761,631)	205,147,185	27,186,680	73,077,410
Change in deposit from banks	42(v)	(92,450,388)	(12,410,293)	12,495,795	(43,809,774)
Change in derivative liabilities	42(x)	(668,643)	(36,527)	(607,250)	-
Change in other liabilities	42(xi)	(11,365,255)	15,590,155	8,611,080	8,785,260
Change in liabilities included in assets held for sale		35,864,205	-	-	-
		(195,706,524)	(182,387,971)	(26,592,003)	(217,838,680)
Interest received		145,322,604	127,811,026	146,905,435	130,878,953
Interest paid on customer deposits	42(iv)	(26,674,549)	(34,980,651)	(26,674,549)	(34,980,651)
Income tax paid	16	(1,756,573)	(1,205,040)	(1,327,914)	(1,321,552)
Retirement benefit obligations paid	14	(701,447)	(728,929)	(698,136)	(725,453)
Net cash flow generated from operating activities		(79,516,489)	(91,491,565)	91,612,833	(123,987,383)
Investing activities					
Net sale/(purchase) of investment securities	42(vi)	12,988,644	39,540,923	(62,097,514)	80,546,002
Dividends received	12	47,209	71,761	47,209	186,827
Additon to investment properties	27	(16,477)	(253,127)	(16,477)	(253,127)
Purchase of property and equipment	28	(13,357,885)	(13,065,561)	(9,258,856)	(9,342,826)
Proceeds from sale of property and equipment	42(xii)	338,186	477,910	110,546	497,457
Proceeds from disposal of subsidiary	42(xiii)	20,703,631	-	20,711,289	-
Purchase of intangible assets	29	(1,737,035)	(2,218,138)	(1,432,890)	(1,981,755)
Net cash generated (used in)/from investing activities		18,966,273	24,553,769	(51,936,693)	69,652,578

Financing activities					
Proceeds from borrowings	42(xiv)	120,000	46,656,315	120,000	46,656,316
Net repayment of borrowings	42(xv)	(20,984,984)	(9,288,866)	(37,681,659)	(22,797,202)
Repayment of long term debts	42(xvi)	(5,082,108)	(3,848,424)	(5,066,113)	(3,847,459)
Net cash generated (used in) /from financing activities		(25,947,092)	33,519,024	(42,627,772)	20,011,655
(Decrease)/increase in cash and cash equivalents		(86,497,308)	(33,418,772)	(2,951,632)	(34,323,150)
Effect of exchange rate fluctuations on the balance of cash held by foreign operations		-	11,275,855	-	-
Cash and cash equivalents at beginning of year		195,002,414	217,145,331	153,909,974	188,233,124
Cash and cash equivalents at end of year	43	108,505,106	195,002,414	150,958,342	153,909,974

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 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 2017 were authorised for issue on 10 April 2018 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

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 Group's consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the 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, Banks and Other Financial Institutions Act, Financial Reporting Council of Nigeria Act 2011, and relevant Central Bank of Nigeria 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.
- available-for-sale financial assets which are measured at fair value.
- investment properties held for sale which are measured at fair value.
- loans and receivables classified as held to maturity 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.
- held to maturity financial assets which are carried at amortized cost less impairment losses.
- 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 estimates and judgements

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).

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for changes/amendments highlighted below.

Standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application

IFRS 9: Financial Instruments

Background

IFRS 9 Financial Instruments (IFRS 9) will replace the existing standard dealing with the accounting treatment for financial instruments IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement.
- An expected credit loss (ECL) impairment model.
- Revised requirements and simplifications for hedge accounting

IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply with IAS 39 hedge accounting requirements instead of the requirements in Chapter 6 of IFRS 9.

The Group has elected to not restate its comparative financial statements. Accordingly, the difference between the previous (IAS 39) and new (IFRS 9) carrying values will be recognised in the Group's opening retained earnings as at 1 January 2018.

IFRS 9 requirements

The following is a summary of IFRS 9's key requirements and the estimated impact on the Group. The estimated impact set out below, may change as a result of changes in the group's size and nature of its assets and liabilities as well as changes in the risk rating and expected loss input variables (including forward looking macroeconomic factors) of its assets.

Classification of financial assets and liabilities

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics.

The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.
All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised in OCI with no subsequent recognition in the income statement.

IFRS 9's classification and measurement requirements have a negligible net impact on the Group's reserves as at 1 January 2018. There was no impact on the group's reserve in respect of classification requirements for financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Expected credit loss (ECL) impairment model

IFRS 9's ECL impairment model's requirements will represent the most material IFRS 9 impact

Impairments for expected credit losses apply to financial assets recognised at amortised cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. For financial assets recognised at amortised cost, expected credit losses are recognised in the income statement and set off against the asset in the balance sheet. However, on loan commitments and financial guarantee contracts expected credit losses are recognised as a liability. For financial assets recognised at fair value through other comprehensive income, the expected credit losses are recognised in the income statement and set off against other comprehensive income since such assets are recognised at fair value in the balance sheet

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or lifetime expected credit losses. A loss allowance for lifetime expected credit losses is recognised for a financial asset where the credit risk of that financial asset increased significantly since initial recognition (unless the financial asset is exposed to a low level of credit risk) as well as for certain contract assets and trade receivables or where the exposure is classified as in default. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses. Loss allowances for other assets and receivables will also be measured at an amount equal to life time ECLs.

Stage allocation requirements and definition

The impairment for expected credit losses depends on whether the credit risk has increased significantly since initial recognition and follows a three-stage model:

(i) **Stage 1**
If the credit risk has not increased significantly, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months

(ii) **Stage 2**
If the credit risk has increased significantly, the financial assets are transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised.

(iii) **Stage 3**

If a financial asset is in default or otherwise credit-impaired, it is transferred to stage 3, which is the same as stage 2, except that interest income is recognised on the net carrying amount.

Financial assets shall be assessed as credit-impaired when:

- there is significant financial difficulty of a customer/issuer/obligor (potential bad debt indicator);
- there is a material breach of contract, such as a default or delinquency in interest or principal payments
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- it becomes probable that a counterparty/borrower may enter bankruptcy or other financial reorganisation;
- there is the disappearance of an active market for a financial asset because of financial difficulties; or
- observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets
- the financial asset is 90 days past due except for specialized loans for which the presumption is rebuttec

The Group also assesses whether there has been a reversal in the significant increase in credit risk since initial recognition on the basis of all reasonable and supportable information that is available without undue cost or effort. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up-to-date and timely payment performance against the modified contractual terms.

A customer needs to demonstrate consistently good payment behavior over a period of time before the credit risk is considered to have decreased. The period of time over which the customer demonstrates good behavior determines if the loan is moved from stage 3 to stage 2 or stage 1.

When the Group has no reasonable expectations of recovering the financial asset, then the gross carrying amount of the financial asset is directly reduced in its entirety via a write off. A write-off constitutes a derecognition event.

Purchased or originated credit-impaired assets do not carry an impairment allowance, instead, lifetime expected credit losses are incorporated into the calculation of the EIR.

The expected credit losses for purchased or originated credit impaired assets are always measured at an amount equal to lifetime expected credit losses. However, the amount recognised as a loss allowance for such assets is not the total amount of lifetime expected credit losses, but instead the changes in lifetime expected credit losses since initial recognition of the asset.

For purchased or originated credit impaired assets, favourable changes in lifetime expected credit losses shall be recognised as an impairment gain, even if the favourable changes are more than the amount previously recognised in profit or loss as impairment losses. This is a different presentation from IAS 39, under which reversals of impairment relate only to amounts previously recognised in profit or loss as impairment losses.

Measurement of 12-month ECL

12-month ECL is defined as a portion of the lifetime ECLs that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring

For undrawn loan commitments, the Bank's estimate of 12-month ECLs is based on its expectations of the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

Measurement of Lifetime ECL

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. They would be estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between:

- The contractual cash flows that are due to the Bank under the contract, and
- The cash flows that the Bank expects to receive

As ECLs take into account both the amount and the timing of payments, a credit loss arises even if the Group expects to receive all the contractual payments due, but at a later date.

Diamond Bank recognises lifetime expected credit losses on its loan and debt portfolios that have had a significant increase in credit risk since initial recognition with no objective evidence of impairment. In order to do this, management develops lifetime PDs, EADs and LGDs.

When estimating lifetime ECLs for undrawn loan commitments, the Bank as the provider of the commitment

- estimates the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment
- calculates the present value of cash shortfalls between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the Bank expects to receive if that expected portion of the loan is drawn down.

Significant increase in credit risk or low credit risk

For its corporate and business loans, the Group monitors the credit risk using its internal credit scores assigned at origination of the loans, each credit score has an assigned PD as modelled by the bank. A change in credit score that will cause a movement between grades is considered a significant increase in credit risk. The Bank also monitors its internal credit classification for its corporate and business loans, and a change in classification is considered a significant increase in credit risk.

The Group has a robust system in place for determining significant increase in credit risk which are split into quantitative, qualitative and backstop indicators

Quantitative indicators
These include the following:
- material breach of contract, such as a default or delinquency in interest or principal payments
- the financial asset is 90 days past due except for specialized loans for which the presumption is rebuttec

Qualitative indicators
These include the following:
- internal risk classification – Classification as performing, watchlist and non-performing
- actual or expected significant change in the financial instrument's internal credit rating
- identification of the loan or customer on a 'Watchlist' or other forbearance indicators
- significant financial difficulty of a borrower or issuer
- restructure of the facility based on financial issues with the borrower
- Management override

Backstop indicators
- Applies when the financial asset is 30 days past due on repayment of principal and interest.

For assessing increase in credit risk, the Bank sets the origination date of non-revolving facilities as the time the lending was agreed, while for revolving facilities, the origination date is set as the start of the contract until data is gathered about the last time the lending was re-priced at a market rate.

Forward looking information

In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information available without undue cost or effort. This information will typically include forward-looking information based on expected macro-economic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The use of such forward-looking information will increase the use of management judgement and is expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations. The forward-looking framework will be based on the group's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement.

The forward looking information adopted in the Group's IFRS 9 model include the following:
- Average monthly oil price
- Inflation rate- consumer price index
- USD exchange rate
- Real GDP

The list is not exhaustive and the Group may add or remove economic indicators as it deems necessary. The forward looking macro economic indices are sourced from credible external agencies such as:
- Central Bank of Nigeria
- National Bureau of Statistics
- International Monetary Fund
- World Bank
- Any other online repository of macro-economic data

The macro-economic indices are projected for three possible scenarios being best-estimate, optimistic and downturn forecasts.
The projected macro-economic indices for the three (3) scenarios are then probability weighted to arrive at a single scenario which is used to calculate the ECL.

Default

While default is not specifically defined by IFRS 9, the group has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:
- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).
  In some cases, additional specific criteria are set according to the nature of the lending product.

Impact on reserves

The IFRS 9's requirements noted above are expected to reduce the Bank's reserves at 1 January 2018 by approximately N2.48 billion.

In thousands of Naira	As reported at 31 December 2017	Estimated adjustment on adoption of IFRS 9	Estimated adjustment opening balance as at 1 January 2018
Retained earnings	5,139,548	(2,476,911)	2,662,637
Other reserves	62,311,244	-	62,311,244
	67,450,792	**(2,476,911)**	**64,973,881**
Capital adequacy ratio	16.74%	-0.18%	16.56%

- The decrease of approximately N2.48 billion on retained earnings is related to impairment requirements
- The decrease of approximately 0.18% in capital adequacy ratio is due to the reduction in retained earnings accruing from estimated additional impairment under IFRS 9.

The actual impact of adoption of IFRS 9 at 1 January 2018 may change because the Group is yet to finalize the post implementation assessment of its IFRS 9 systems.

Effective date
The standard is effective for annual period beginning on or after 1 January 2018. Early adoption is permitted

IFRS 15: Revenue from contracts with customers

This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirement for recognizing revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).
The core principle of the standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods and services.
The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

IFRS 15 applies to the Group's revenue largely presented in the statement of comprehensive income as fees and commission (non-interest income). The Group's non-interest income comprise service fees and charges, letters of credit commission, fund transfer commission, loan processing fees, foreign exchange/trading income, and other operating income (see notes (11-13)). The Group does not expect any major change in revenue recognition principle arising from adoption of IFRS 15 due to the following:

- its business model is not skewed towards variable revenue from customers;
- there are no long term contracts with multiple performance obligations entered into by the Group

Based on the analysis done till date, the impact of IFRS 15 on the Group is minimal as the Group's financial performance will not be materially affected by the implementation of the standard. The Group is also evaluating the additional disclosures that may be relevant and required.

IFRS 16: Leases
This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).
The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on the balance sheet.
The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.
The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.
The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. The Group is in the process of determining the estimated impact as well as discussing the system requirements to accommodate IFRS 16's principles.

The standard is effective for annual periods beginning from 1 January 2019. Early adoption is permitted

Newly effective standards
The following new or amended standards became effective during the year, and are not expected to have a significant impact on the Group's consolidated financial statements:

New or Amended Standards

Recognition of deferred tax assets for unrealized losses (amendment to IAS 12,

The amendments provide guidance on the existence of deductible differences, which depend solely on a comparison of the carrying amount of the asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The amendment also provide additional guidance on the methods used to calculate future taxable profit to establish whether the deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealized losses are not assessed separately for recognition. These are assessed on combined basis, unless a tax law restricts the use of losses to deduction against income of a specific type. The adoption of these amendments did not have any material impact on the Group's financial statements.

Disclosure initiative (amendment to IAS 7)
The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities.

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 IAS 39, 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 two structured entities, Stitching Diamond Finance and 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 (NIFEX) 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:

• available-for-sale equity instruments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

(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 profit or loss as part of the gain or loss 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 amount 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

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

(A) *Initial recognition and measurement*

The Group initially recognises the loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, (for an item not at fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue.

The Group does not currently apply hedge accounting.

(B) *Subsequent measurement*

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

(C) *Classification and related measurement*

Management determines the classification of its financial instruments at initial recognition, see Note 6 for details. Reclassification of financial assets are permitted in certain instances as discussed in2.6(D).

i) Financial assets

The Group classifies its financial assets in terms of the following IAS 39 categories:

a) financial assets at fair value through profit or loss;
b) loans and receivables;
c) held-to-maturity financial assets;
d) available-for-sale financial assets

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories:

a) financial assets classified as held for trading;
b) financial assets designated by the Group as fair value through profit or loss upon initial recognition (the "fair value option").

At the reporting dates covered by these financial statements, financial assets at fair value through profit or loss comprise financial assets classified as held for trading only. Management did not apply the fair value option to any financial assets existing at these dates.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

Financial instruments included in this category are initially recognized in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are reocgnized as part of net trading income in profit or loss. Interest income and dividend income on financial assets held for trading are included in 'interest income' and 'other operating income' respectively.

b) Loans and receivables

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

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

Loans and receivables are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using effective interest method. Interest income is included in 'interest income' in the statement of profit or loss. Refer to accounting policy 2.10 for the impairment of financial assets.

c) Held-to-maturity financial assets

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

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 25). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification:

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

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest income', with dividend income included in 'other operating income'. When available-for-sale financial assets are sold or impaired, the cumulative gain or loss recognised in a separate reserve in equity are reclassified to profit or loss from the Other Comprehensive Income.

ii) Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as detailed below;

a) Financial liabilities at fair value through profit or loss
b) Other financial liabilities

a) Financial liabilities at fair value through profit or loss

The Group has designated financial liabilities at fair value through profit or loss in either of the following circumstances;

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Note 7 sets out the amount of financial liability that has been designated at fair value through profit or loss. A description of the basis for this designation is set out in the note for the relevant liability class.

b) Other financial liabilities

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'interest expense' in the statement of profit or loss.

(D) Reclassification of financial assets

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

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

On reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

(E) 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.

(F) *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.

(G) *Derecognition*

(i) *Financial Assets*

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire, or it transfers the right 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 gains or loss that had been recognised in OCI is recognised in profit or loss. 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 enters into transactions whereby it transfers asset recognised on its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are sale and repurchase transactions.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

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

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire

(iii) 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 as available for sale or held to maturity. Where assets pledged as collateral are designated as available for sale, subsequent measurement is at fair value through other comprehensive income. Assets pledged as collateral designated as held to maturity 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 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.

2.9 Revenue recognition

(i) Interest income and expense

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.

Interest income and expense presented in the profit or loss include :

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale debt investment securities calculated on an effective interest basis.

(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 derivaties 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.

2.10 Identification and measurement of impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired include:

- Contractual payments of principal or interest are past due by 90 days or more;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales)
- Breach of loan covenants or conditions;
- Deterioration of the borrower's competitive position;
  Deterioration in the value of collateral;
-
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset 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 derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows;

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are discounted at the original effective interest rate of the existing financial asset and a gain or loss is recognized in profit or loss.
- 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 discounted from the expected date of derecognition to the reporting date, using the original interest rate of the existing financial asset and a gain or loss is recognized in profit or loss.

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

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

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

The Group writes off a loan or an investment in debt securities, either partially or in full, and any related allowance for impairment losses when the Group determines that there is no realistic prospect of recovery.

Impairment charges on financial assets are included in profit or loss within 'net impairment loss on financial assets'.

2.11 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.

2.12 Financial guarantee 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. 'Loan commitments' are firm commitments to provide credit under pre-specificed terms and conditions.

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

2.13 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 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 by 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 cash flows from investing and financing activities are determined by using the direct method. 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 is 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. Impairment is assessed 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; anc
- 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; oı
- 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 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 46.3). 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 in 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;

(a) A selective and disciplined approach to credit origination and focus on customers that will create attractive value for the Bank;
(b) 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;
(c) The Board and Senior Management set the tone for the right risk culture in the Bank;
(d) Adequate pricing for the risks taken by the Bank;
(e) Establishment and enforcement of the Bank's exposure and provisioning policies in accordance with the International Financial Reporting Standards and other regulatory requirements; and
(f) Broadening of the knowledge and skills of all credit personnel through training and capacity building programmes.

Credit risk measurement

(a) 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

(b) 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.

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 D01 - D03 (Investment Grade) (PD< 0.55%)	Band 2 D04- D07 (Sub-Investment Grade) (0.55% < PD < 14.06%)	Band 3 D08 – D10 (Watchlist/Default) PD > 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.

(a) 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%

(b) 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.

(c) Collective Impairment Assessment

The Group adopts a collective or portfolio approach to impairment assessment for loans that have not been specifically identified as non-performing but form part of a group of loans with similar credit characteristics. The calculation of collective impairment requires estimation of the under-listed risk parameters to determine historical loss experience.

1 Probability of Default
2 Exposure at Default
3 Loss Given Default
4 Loss Identification Period

The risk parameters are reviewed annually to monitor their predictive capacity relative to actual risk assets performance and updated as necessary.

Probability of Default (PD)

The Group assesses the probability of default using the trend analysis methodology to determine the repayment behavior over a period of time.

The Bank identifies all 90 days past due accounts in the current financial year ensuring that an account is only selected once after moving into non-performing bucket. Subsequently, PD is calculated as total number of NPL in a column over total number of performing loans in the column and a 5-year average is used for impairment. This is revised on a continous basis.

Exposure at Default

Exposure at Default (EAD) is the amount the Group is owed at the time of default or at a reporting date. This is the sum of the contract balance and and all other account balances receivable from the obligor.

Loss Given Default (LGD)

Loss Given Default represents the Group's expectation of the extent of loss on a claim should default occur.

This is calculated only on accounts that end the year as non-performing based on the 90 days past due criteria.The Group identifies collateral values tied to each account and then, computes the present value of the collateral using the effective interest rate. To get the loss given default, the present value of the collateral is deducted from the EAD and the difference is divided by the EAD.

Loss Identification Period

Loss identification period (LIP) is the time it takes from the date a loss event occurs to the date the Group identifies its occurence. The factors that may influence this estimation include economic and market conditions, customer behaviour, portfolio management information, credit management techniques and collection and recovery experiences in the market.

Given that credit management policies require quarterly loan review and biannual regulatory loan review, we estimated LIP to be at most 6 months.

Upon determination of the risk parameters, the performing loans are grouped into 5 basic segments, namely Corporate, Business Banking, Retail, Government and Staff using the Management Information System (MIS) code column. The outstanding balance of the loans in each segment is aggregated to have a single portfolio value.

To determine the impairment figure for each segment, we multiply the aggregate portfolio value with the Probability of Default (PD) and Loss Given Default (LGD) and Loss Identification Period (LIP) i.e.

Exposure *X* PD *X* LGD *X* LIP = Impairment.

Where the loans are past due but not impaired, the same approach is adopted in determining collective impairment. However, a higher PD and LIP is adopted to reflect the increased risks in the portfolio.

(c) Specific Impairment Assessment

This is carried out for past due loans that individually significant. The Group has defined the threshold for significance as the minimum risk based delegated lending authority of any executive director. Past due is established when the borrower has defaulted in interest or principal repayments, or when there are qualitative indicators of delinquency on the part of the borrower. Specific impairment is determined by computing the difference between the EAD of the past due loans and the estimated recovery. Recovery is estimated as the open market value of the collateral pledged under the loan contract, discounted at the original effective interest rate of the loan, plus any other residual cash flows expected under the loan contract. Where the estimated recovery is higher than the exposure at default, the loan is designated as past due but not impaired and is reclassified to the applicable risk category in the performing group, where it is assessed for collective impairment.

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 2017 and 31 December 2016 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).

Risk assets (loans and advances, advances under finance leases, other loans and receivables, on-balance sheet direct credit substitutes, etc.)

Risk assets are summarized as follows:

Loans and advances to customers

31 December		**Group**		**Bank**	
In thousands of Naira	**Note**	**2017**	**2016**	**2017**	**2016**
Neither past due nor impaired		467,972,708	689,239,014	467,957,604	504,093,068
Past due but not impaired		226,418,653	263,148,339	226,418,653	262,012,215
Individually impaired		119,976,134	100,411,716	119,976,134	90,225,152
Gross	23	814,367,495	1,052,799,069	814,352,391	856,330,435
Allowance for specific impairment	23	(53,931,207)	(41,719,089)	(53,931,207)	(36,286,485)
Allowance for collective impairment	23	(4,933,126)	(15,745,862)	(4,933,126)	(15,408,309)
Net	23	755,503,162	995,334,118	755,488,058	804,635,641

Loans to banks

31 December		**Group**		**Bank**	
In thousands of Naira	**Note**	**2017**	**2016**	**2017**	**2016**
Neither past due nor impaired		35,155,501	100,342,964	77,610,730	88,553,151
Past due but not impaired		-	-	-	-
Individually impaired		-	-	-	-
Gross	22	35,155,501	100,342,964	77,610,730	88,553,151
Specific impairment		-	-	-	-
Collective impairment		-	-	-	-
Net	22	35,155,501	100,342,964	77,610,730	88,553,151

3.2.2 Credit quality

(a) Risk assets: neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

Group
In thousands of Naira

31 December 2017	Overdrafts	Term loans	Commercial Papers	Finance lease	Others	Total
Grades:						
[Investment grade] (D01-D03)	50,626,830	251,803,872	-	3,250,726	162,290,743	467,972,171

Group
In thousands of Naira

31 December 2016	Overdrafts	Term loans	Commercial Papers	Finance lease	Others	Total
Grades:						
[Investment grade] (D01-D03)	82,919,487	418,605,046	2,959,844	4,190,105	180,564,532	689,239,014

Bank
In thousands of Naira

31 December 2017	Overdrafts	Term loans	Commercial Papers	Finance lease	Others	Total
Grades:						
[Investment grade] (D01-D03)	50,626,830	251,788,768		3,250,726	162,290,743	467,957,067

Bank

In thousands of Naira 31 December 2016	Overdrafts	Term loans	Commercial Papers	Finance lease	Others	Total
Grades:						
[Investment grade] (D01-D03)	60,332,831	275,587,104	-	4,190,105	163,983,028	504,093,068

(b) Risk assets: past due but not impaired

Loans and advances to customers that are "past due but not impaired" are those for which contractual interest or principal payments are past due but the Group believes that specific impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection of amounts owed to the Group. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

Group
In thousands of Naira

31 December 2017

	Commercial Papers	Overdrafts	Other Facilities	Term Loans	Finance Lease	Total
Past due up to 30 days	-	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-	-
Past due 60 -90 days	-	-	-	-	-	-
Past due 90 -180 days	-	-	-	748,074	-	748,074
Past due 180 -360 days	-	24,033,471	186,440,241	15,196,867	-	225,670,579
Total	**-**	**24,033,471**	**186,440,241**	**15,944,941**	**-**	**226,418,653**

31 December 2016

	Commercial Papers	Overdrafts	Other Facilities	Term Loans	Finance Lease	Total
Past due up to 30 days	-	1,295,749	21,891,944	2,107,337	-	25,295,030
Past due 30 - 60 days	-	-	17,950,073	-	-	17,950,073
Past due 60 -90 days	-	-	33,204,611	5,130,559	-	38,335,170
Past due 90 -180 days	-	-	41,027,745	30,811,106	-	71,838,851
Past due 180 -360 days	-	7,647,551	49,340,972	52,740,692	-	109,729,215
Total	**-**	**8,943,300**	**163,415,345**	**90,789,694**	**-**	**263,148,339**

Bank

In thousands of Naira
31 December 2017

	Commercial Papers	Overdrafts	Other Facilities	Term Loans	Finance Lease	Total
Past due up to 30 days	-	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-	-
Past due 60 -90 days	-	-	-	-	-	-
Past due 90 -180 days	-	-	-	748,074	-	748,074
Past due 180 -360 days	-	24,033,471	186,440,241	15,196,867	-	225,670,579
Total	**-**	**24,033,471**	**186,440,241**	**15,944,941**	**-**	**226,418,653**

31 December 2016

	Commercial Papers	Overdrafts	Other Facilities	Term Loans	Finance Lease	Total
Past due up to 30 days	-	-	22,051,112	2,107,337	-	24,158,449
Past due 30 - 60 days	-	-	17,950,073	-	-	17,950,073
Past due 60 -90 days	-	-	33,204,613	5,130,559	-	38,335,172
Past due 90 -180 days	-	-	41,028,200	30,811,106	-	71,839,306
Past due 180 -360 days	-	7,647,551	49,340,972	52,740,692	-	109,729,215
Total	**-**	**7,647,551**	**163,574,970**	**90,789,694**	**-**	**262,012,215**

(c) Risk assets: individually impaired

Loans and advances to customers is considered individually impaired based on the Group's accounting policy as documented in Note 2.10.

Gross amount of loans and advances to customers that are individually impaired are as disclosed below:

Group
In thousands of Naira

Non-performing loans by product

	Group		Bank	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Overdraft	70,053,999	98,927,218	70,053,999	88,740,654
Term Loans	49,922,135	1,484,498	49,922,135	1,484,498
Total	**119,976,134**	**100,411,716**	**119,976,134**	**90,225,152**

Non-performing loans by geography

	Group		Bank	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Nigeria:				
North East	1,417	65,483	1,417	65,483
North Central	365	2,420,128	365	2,420,128
North West	157	234,812	157	234,812
South East	70	875,538	70	875,539
South South	314,454	15,654,628	314,454	15,654,628
South West	118,388,835	69,759,514	118,388,835	69,759,514
Rest of West Africa	-	10,186,565	-	-
Europe	1,270,836	1,215,048	1,270,836	1,215,049
Total	**119,976,134**	**100,411,716**	**119,976,134**	**90,225,152**

(d) 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 held for trading	19	37,688,365	644,744	-	38,333,109
Investment securities - held to maturity	24	48,142,679	27,599,761	-	75,742,440
Investment securities - available-for-sale	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	**88,875,762**	**1,067,781**	**352,018,044**
31 December 2016					
Financial assets held for trading	19	6,660,368	209,867	-	6,870,235
Investment securities - held to maturity	24	139,033,488	73,411,497	-	212,444,985
Investment securities - available-for-sale	24	12,078,752	5,301,074	-	17,379,826
Assets pledged as collateral	21	91,074,935	129,780,178	1,043,113	221,898,226
		248,847,543	**208,702,616**	**1,043,113**	**458,593,272**

Bank

	Note	Investments securities			
		Treasury bills	Bonds	Placements with other banks	Total
In thousands of naira					
31 December 2017					
Financial assets held for trading	19	37,688,365	644,744	-	38,333,109
Investment securities - held to maturity	24	48,142,679	27,599,761	-	75,742,440
Investment securities - available-for-sale	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**
31 December 2016					
Financial assets held for trading	20	6,660,368	209,867	-	6,870,235
Investment securities - held to maturity	25	118,126,576	33,015,233	-	151,141,809
Investment securities - available-for-sale	25	2,607,231	-	-	2,607,231
Assets pledged as collateral	22	91,074,935	58,273,097	21,275,785	170,623,817
		218,469,110	**91,498,197**	**21,275,785**	**331,243,092**

3.2.3 Individually impaired loans and advances to customers

Set out below is an analysis of the gross and net (of allowance for impairment) amounts of individually impaired loans and advances

Group

	Loans and advances to customers	
In thousands of naira	**Gross**	**Net**
31 December 2017		
Grades		
[Default] (D10)	119,976,134	66,044,927
	119,976,134	**66,044,927**
31 December 2016		
Grades		
[Default] (D10)	100,411,716	58,692,627
	100,411,716	**58,692,627**

Bank

	Loans and advances to customers	
In thousands of naira	**Gross**	**Net**
31 December 2017		
Grades		
[Default] (D10)	119,976,134	66,044,927
	119,976,134	**66,044,927**
31 December 2016		
Grades		
[Default] (D10)	90,225,152	53,938,667
	90,225,152	**53,938,667**

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 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**

Group
In thousands of naira

31 December 2016	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**	51,936,277	51,936,277	1,542,418	10,014,793	10,756,040	12,105,996	16,423,018	1,094,012
Contingent letters of credit	**45.2**	46,606,013	46,606,013	7,707,481	10,026,787	13,763,337	24,729	-	15,083,679
		98,542,290	**98,542,290**	**9,249,899**	**20,041,580**	**24,519,377**	**12,130,725**	**16,423,018**	**16,177,691**

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	597,174.00	-
		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 2016	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**	31,434,768	31,434,768	817,828	6,462,430	4,039,975	3,496,187	16,131,527	486,821
Contingent letters of credit	**45.2**	32,854,354	32,854,354	631,960	6,255,673	10,883,042	-	-	15,083,679
		64,289,122	**64,289,122**	**1,449,788**	**12,718,103**	**14,923,017**	**3,496,187**	**16,131,527**	**15,570,500**

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

3.2.4 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 2017 and 31 December 2016. 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 2017	Cash and balances with Central Bank	Financial assets held for trading	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 held for trading	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**

Group

In thousands of naira 31 December 2016	Cash and balances with Central Bank	Financial assets held for trading	Assets pledged as collateral	Loans to Banks	Loans & Advances to Customers	Investment securities	Derivative assets	Other assets	Total
In Nigeria:									
North East	-	-	-	-	678,848	-	-	-	678,848
North Central	-	-	-	-	18,447,246	-	-	-	18,447,246
North West	-	-	-	-	8,289,382	-	-	-	8,289,382
South East	-	-	-	-	26,546,773	-	-	-	26,546,773
South South	-	-	-	-	25,767,528	-	-	-	25,767,528
South West	289,663,505	6,870,235	-	20,470,435	703,992,890	164,760,814	1,925,777	50,002,134	1,237,685,789
Rest of West Africa	36,769,736	-	220,855,113	-	170,626,563	61,332,554	-	25,779,627	515,363,592
Europe	3,473,674	-	1,043,113	79,872,529	40,984,888	9,471,521	162,431	364,709	135,372,866
Total	**329,906,916**	**6,870,235**	**221,898,226**	**100,342,964**	**995,334,118**	**235,564,889**	**2,088,208**	**76,146,470**	**1,968,152,025**

Bank

In thousands of naira 31 December 2016	Cash and balances with Central Bank	Financial assets held for trading	Assets pledged as collateral	Loans to Banks	Loans & Advances to Customers	Investment securities	Derivative assets	Other assets	Total
In Nigeria:									
North East	-	-	-	-	678,849	-	-	-	678,849
North Central	-	-	-	-	18,447,246	-	-	-	18,447,246
North West	-	-	-	-	8,289,382	-	-	-	8,289,382
South East	-	-	-	-	26,546,774	-	-	-	26,546,774
South South	-	-	-	-	25,767,529	-	-	-	25,767,529
South West	289,663,505	6,870,235	-	20,470,435	703,992,889	160,310,857	1,925,777	49,928,617	1,233,162,315
Rest of West Africa	-	-	149,348,032	-	3,146,241	-	-	-	152,494,273
Europe	-	-	21,275,785	68,082,716	17,766,731	-	-	-	107,125,232
Total	**289,663,505**	**6,870,235**	**170,623,817**	**88,553,151**	**804,635,641**	**160,310,857**	**1,925,777**	**49,928,617**	**1,572,511,600**

(b) Industry sectors

Group

In thousands of naira

31 December 2017	Cash and balances with Central Bank	Financial assets held for trading	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 held for trading	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
Other	-	-	-	-	70,437,393	-	-	-	70,437,393
Power	-	-	-	-	34,911,170	-	-	-	34,911,170
Real estate and construction	-	-	-	-	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**

Group

In thousands of naira 31 December 2016	Cash and balances with Central Bank	Financial assets held for trading	Assets pledged as collateral	Loans to Banks	Loans & Advances to Customers	Investment securities	Derivative assets	Other assets	Total
Agriculture	-	-	-	-	24,977,330	-	-	-	24,977,330
Communication	-	-	-	-	39,412,737	-	-	-	39,412,737
Education	-	-	-	-	2,985,892	-	-	-	2,985,892
Finance and insurance	329,906,916	6,870,235	1,043,113	100,342,964	14,121,580	12,792,499	2,088,208	70,897,822	538,063,337
General commerce	-	-	-	-	157,209,296	-	-	-	157,209,296
Government	-	-	220,855,113	-	6,890,033	222,772,390	-	5,246,648	455,764,184
Manufacturing	-	-	-	-	114,467,385	-	-	-	114,467,385
Oil and gas	-	-	-	-	394,467,147	-	-	-	394,467,147
Power	-	-	-	-	111,638,362	-	-	-	111,638,362
Real estate and construction	-	-	-	-	33,714,300	-	-	-	33,714,300
Other	-	-	-	-	85,605,573	-	-	-	85,605,573
Transportation	-	-	-	-	9,844,483	-	-	-	9,844,483
Total	**329,906,916**	**6,870,235**	**221,898,226**	**100,342,964**	**995,334,118**	**235,564,889**	**2,088,208**	**76,144,470**	**1,968,150,026**

Bank

In thousands of Naira 31 December 2016	Cash and balances with Central Bank	Financial assets held for trading	Assets pledged as collateral	Loans to Banks	Loans & Advances to Customers	Investment securities	Derivative assets	Other assets	Total
Agriculture	-	-	-	-	14,987,302	-	-	-	14,987,302
Communication	-	-	-	-	27,245,772	-	-	-	27,245,772
Education	-	-	-	-	2,920,882	-	-	-	2,920,882
Finance and insurance	289,663,505	6,870,235	21,275,785	88,553,151	4,891,992	5,132,587	1,925,777	44,679,969	462,993,001
General commerce	-	-	-	-	107,880,715	-	-	-	107,880,715
Government	-	-	149,348,032	-	-	155,178,270	-	5,248,648	309,774,950
Manufacturing	-	-	-	-	105,151,518	-	-	-	105,151,518
Oil and gas	-	-	-	-	387,737,745	-	-	-	387,737,745
Other	-	-	-	-	30,920,256	-	-	-	30,920,256
Power	-	-	-	-	69,259,868	-	-	-	69,259,868
Real estate and construction	-	-	-	-	46,700,774	-	-	-	46,700,774
Transportation	-	-	-	-	6,938,817	-	-	-	6,938,817
Total	**289,663,505**	**6,870,235**	**170,623,817**	**88,553,151**	**804,635,641**	**160,310,857**	**1,925,777**	**49,928,617**	**1,572,511,600**

3.2.5 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 2017	**December 2016**
Neither past due nor impaired	390,200,450	403,478,767
Past due but not impaired	195,101,498	243,024,878
Individually impaired	73,180,564	52,649,866
Total	**658,482,512**	**699,153,511**

Group

In thousands of naira	**Loans and advances to customers**	
	December 2017	**December 2016**
Against neither past due nor impaired		
Property	258,165,028	192,224,814
Equity stake in specified assets	60,708,002	31,772,953
Equipment and machinery	28,596,531	32,700,154
Cash	16,712,941	55,138,353
Pledged goods/receivables	3,444,987	6,263,559
Others *	22,572,961	85,378,933
	390,200,450	**403,478,766**
Against past due but not impaired		
Property	50,265,927	82,779,872
Equity stake in specified assets	62,320,174	56,231,049
Equipment	82,081,704	75,376,901
Others *	433,693	29,147,047
	195,101,498	**243,534,869**
Against individually impaired		
Property	13,608,360	20,769,928
Cash	-	1,012,310
Equipment	58,550,798	25,187,392
Pledged goods/receivables	84,460	
Others *	936,946	5,170,245
	73,180,564	**52,139,875**
Total	**658,482,512**	**699,153,511**

Bank

In thousands of naira	**Loans and advances to customers**	
	December 2017	**December 2016**
Neither past due nor impaired	390,200,450	271,459,165
Past due but not impaired	195,101,498	216,171,270
Individually impaired	73,180,564	40,745,789
Total	**658,482,512**	**528,376,224**

Bank

In thousands of naira	**Loans and advances to customers**	
	December 2017	**December 2016**
Against neither past due nor impaired		
Property	258,165,028	183,769,870
Equity stake in specified assets	60,708,002	31,772,953
Equipment and machinery	28,596,531	32,700,154
Cash	16,712,941	2,531,881
Pledged goods/receivables	3,444,987	6,263,559
Others *	22,572,961	14,420,747
	390,200,450	**271,459,165**
Against past due but not impaired		
Property	50,265,927	81,103,670
Equity stake in specified assets	62,320,174	56,231,049
Equipment	82,081,704	74,866,910
Others *	433,693	3,969,640
	195,101,498	**216,171,270**
Against individually impaired		
Property	13,608,360	14,576,569
Equipment	58,550,798	25,187,392
Pledged goods/receivables	84,460	509,990
Others *	936,946	471,838
	73,180,564	**40,745,789**
Total	**658,482,512**	**528,376,224**

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 2017, 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 2017	31 December 2016
Gross carrying amount	119,976,134	100,411,716
Net carrying amount	66,044,927	58,692,627
Identifiable collateral	66,044,927	58,692,627

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.

3.3 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

	2017	**2016**
At the end of the year	31.27%	41.53%
Average for the year	41.47%	42.24%
Maximum for the year	51.27%	47.33%
Minimum for the year	31.27%	39.40%

Bank

	2017	**2016**
At the end of the year	44.36%	42.28%
Average for the year	38.64%	44.90%
Maximum for the year	47.70%	56.38%
Minimum for the year	30.08%	38.10%

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 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 held for trading	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	147,822,494	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	265,275,977	22,663,662	26,695,212	84,464,604	75,052,533	24,156,443	32,243,522
Other assets (less prepayments)	32	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	347,765,587	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**	**1,942,473,110**	**348,047,555**	**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		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	1,041,249,575	162,164,866	82,291,844	15,954,819	154,528,774	24,802,534
Derivative liabilities		740,724	740,724	254,776	153,825	-	283,328	48,795	-
Total financial liabilities		**1,449,566,931**	**1,481,733,135**	**1,041,504,351**	**162,318,691**	**82,291,844**	**16,238,147**	**154,577,569**	**24,802,534**
Liquidity gap		**87,754,090**	**460,739,974**	**(693,456,796)**	**50,754,013**	**152,545,184**	**180,643,967**	**269,297,999**	**500,955,607**
Cumulative liquidity gap				**(693,456,796)**	**(642,702,782)**	**(490,157,598)**	**(309,513,632)**	**(40,215,633)**	**460,739,974**

Group
In thousands of naira

31 December 2016	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	19	329,906,916	329,910,615	181,220,835	35,670,386	12,002,459	1,080,487	1,619,466	98,316,982
Financial assets held for trading	20	6,870,235	7,748,401	625,905	680,868	1,495,630	4,668,298	277,700	-
Assets pledged as collateral	22	221,898,226	277,084,780	1,996,915	26,681,703	66,248,468	26,967,108	69,612,555	85,578,031
Loans to banks	23	100,342,964	100,424,272	100,424,272	-	-	-	-	-
Loans and advances to customers	24	995,334,118	1,286,268,366	285,255,073	160,884,295	74,104,563	100,282,179	330,460,776	335,281,480
Investments securities	25	235,564,889	265,857,541	24,264,928	28,446,365	38,101,177	55,905,696	67,433,748	51,705,627
Other assets (less prepayments)		58,215,378	58,215,378	30,833,413	27,381,965	-	-	-	-
Total non derivative assets		1,948,132,726	2,325,509,353	624,621,341	279,745,582	191,952,297	188,903,768	469,404,245	570,882,120
Derivative assets	21	2,088,208	2,088,208	193,590	365,889	1,217,743	310,986	-	-
Total financial assets		**1,950,220,934**	**2,327,597,561**	**624,814,931**	**280,111,471**	**193,170,040**	**189,214,754**	**469,404,245**	**570,882,120**
Financial liabilities by type									
Non derivative liabilities									
Deposits from banks	33	103,409,297	104,413,242	87,760,649	768,216	15,884,377	-	-	-
Deposits from customers	34	1,424,689,527	1,431,671,979	1,275,098,417	60,334,127	20,166,796	19,314,255	55,755,578	1,002,806
Borrowings	37	169,182,279	182,048,302	98,859,267	22,838,408	277,586	55,801,879	3,959,695	311,467
Other liabilities		53,356,255	53,356,255	53,356,255	-	-	-	-	-
Long term debt	38	61,323,847	82,401,708	-	1,005,466	687,541	2,649,708	58,942,843	19,116,150
Total non derivative liabilities		**1,811,961,205**	**1,853,891,486**	**1,515,074,588**	**84,946,217**	**37,016,300**	**77,765,842**	**118,658,116**	**20,430,423**
Derivative liabilities		2,187,779	2,187,779	92,552	365,889	1,217,743	310,986	200,609	-
Total financial liabilities		**1,814,148,984**	**1,856,079,265**	**1,515,167,140**	**85,312,106**	**38,234,043**	**78,076,828**	**118,858,725**	**20,430,423**
Liquidity gap		**136,071,950**	**471,518,296**	**(890,352,209)**	**194,799,365**	**154,935,997**	**111,137,926**	**350,545,520**	**550,451,697**
Cumulative liquidity gap				**(890,352,209)**	**(695,552,844)**	**(540,616,847)**	**(429,478,921)**	**(78,933,401)**	**471,518,296**

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 held for trading	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)	32	88,021,390	87,005,470	24,688,196	8,787,979	53,529,295			
Total financial assets		**1,598,988,240**	**2,003,455,631**	**406,801,178**	**217,458,864**	**237,072,042**	**198,823,928**	**420,386,241**	**522,913,378**
Derivative Assets		1,318,528	1,318,528	281,968	154,917	875,314	6,329	-	-
Total financial liabilities		**1,600,306,768**	**2,004,774,159**	**407,083,146**	**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		44,449,077	43,433,162	43,433,162	-	-	-	-	-
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		1,475,232,357	1,509,131,659	1,044,018,380	178,869,544	85,644,834	21,267,593	154,528,774	24,802,534
Derivative liability		740,724	740,724	254,776	153,825	-	283,328	48,795	-
Total financial liabilities		**1,475,973,081**	**1,509,872,383**	**1,044,273,156**	**179,023,369**	**85,644,834**	**21,550,921**	**154,577,569**	**24,802,534**
Liquidity gap		**123,015,159**	**494,901,776**	**(637,190,010)**	**38,590,412**	**152,302,522**	**177,279,336**	**265,808,672**	**498,110,844**
Cumulative liquidity gap				**(637,190,010)**	**(598,599,598)**	**(446,297,076)**	**(269,017,740)**	**(3,209,068)**	**494,901,776**

Bank
In thousands of naira

31 December 2016	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	19	289,663,505	289,667,204	127,565,527	30,098,949	6,870,224	1,080,487	1,619,466	122,432,551
Financial assets held for trading	20	6,870,235	7,748,401	625,905	680,868	1,495,630	4,668,298	277,700	-
Assets pledged as collateral	22	170,623,817	225,810,371	16,326,439	23,974,338	63,383,415	21,602,815	38,485,888	62,037,476
Loans to banks	23	88,553,151	88,634,460	88,634,460	-	-	-	-	-
Loans and advances to customers	24	804,635,641	1,095,569,887	271,440,063	139,127,752	49,734,136	51,604,002	288,262,382	295,401,552
Investments securities	25	160,310,857	184,603,087	23,040,853	25,739,000	35,236,123	50,541,402	25,991,804	24,053,905
Other assets (less prepayments)	32	40,850,848	40,850,848	13,468,884	27,381,964	-	-	-	-
Total financial assets		**1,561,508,054**	**1,932,884,258**	**541,102,131**	**247,002,871**	**156,719,528**	**129,497,004**	**354,637,240**	**503,925,484**
Derivative Assets		1,925,777	1,925,777	31,159	365,889	1,217,743	310,986	-	-
Total financial assets		**1,563,433,831**	**1,934,810,035**	**541,133,290**	**247,368,760**	**157,937,271**	**129,807,990**	**354,637,240**	**503,925,484**
Financial liabilities by type									
Non derivative liabilities									
Deposits from banks	33	13,365,314	13,369,259	13,369,259	-	-	-	-	-
Deposits from customers	34	1,134,861,466	1,141,843,917	1,063,599,909	51,205,463	12,700,916	6,388,510	7,811,979	137,140
Borrowings	37	197,644,942	210,233,898	111,476,265	25,373,629	11,314,011	57,798,831	3,959,695	311,467
Other liabilities		36,220,137	36,220,137	36,220,137	-	-	-	-	-
Long term debt	38	61,307,852	82,401,708	-	1,005,466	687,541	2,649,708	58,942,843	19,116,150
Total non derivative liabilities		**1,443,399,711**	**1,484,068,919**	**1,224,665,570**	**77,584,558**	**24,702,468**	**66,837,049**	**70,714,517**	**19,564,757**
Derivative liability		2,126,386	2,126,386	31,159	365,889	1,217,743	310,986	200,609	-
Total financial liabilities		**1,445,526,097**	**1,486,195,305**	**1,224,696,729**	**77,950,447**	**25,920,211**	**67,148,035**	**70,915,126**	**19,564,757**
Liquidity gap		**117,907,734**	**448,614,730**	**(683,563,439)**	**169,418,313**	**132,017,060**	**62,659,955**	**283,722,114**	**484,360,727**
Cumulative liquidity gap				**(683,563,439)**	**(514,145,126)**	**(382,128,066)**	**(319,468,111)**	**(35,745,997)**	**448,614,730**

(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 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 held for trading	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	147,822,494	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
Investment securities	24(a)	224,021,812	265,275,977	22,663,662	26,695,212	84,464,604	75,052,533	24,156,443	32,243,522
Other assets	32	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		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**	**460,739,974**	**(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)**	**(22,249,360)**	**123,352,199**	**396,617,992**	**460,739,974**

Group
In thousands of naira

31 December 2016		**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	19	329,906,916	329,910,615	181,220,835	35,670,386	12,002,459	1,080,487	1,619,466	98,316,982
Financial assets held for trading	20	6,870,235	7,748,401	625,905	680,868	1,495,630	4,668,298	277,700	-
Assets pledged as collateral	22	221,898,226	277,084,780	1,996,915	26,681,703	66,248,468	26,967,108	69,612,555	85,578,031
Loans to banks	23	100,342,964	100,424,272	100,424,272	-	-	-	-	-
Loans and advances to customers	24	995,334,118	1,286,268,364	114,329,568	171,026,048	83,628,432	101,824,950	333,845,809	481,613,557
Investment securities	25	235,564,889	265,857,541	24,264,928	28,446,365	38,101,177	55,905,696	67,433,748	51,705,627
Other assets	32	58,215,378	58,215,378	30,833,413	27,381,965	-	-	-	-
Total non derivative assets		1,948,132,726	2,325,509,351	453,695,836	289,887,335	201,476,166	190,446,539	472,789,278	717,214,197
Derivative assets	21	2,088,208	2,088,208	31,159	528,320	1,217,743	310,986	-	-
Total financial assets		**1,950,220,934**	**2,327,597,559**	**453,726,995**	**290,415,655**	**202,693,909**	**190,757,525**	**472,789,278**	**717,214,197**
Financial liabilities by type									
Non derivative liabilities									
Deposits from banks	33	103,409,297	104,413,242	87,760,649	768,216	15,884,377	-	-	-
Deposits from customers	34	1,424,689,527	1,431,671,978	473,432,481	166,388,517	43,159,326	69,584,504	55,755,578	623,351,572
Borrowings	37	169,182,279	182,048,302	98,859,267	22,838,408	277,586	55,801,879	3,959,695	311,467
Other liabilities		53,356,255	53,356,255	53,356,255	-	-	-	-	-
Long term debt	38	61,323,847	82,401,708	-	1,005,466	687,541	2,649,708	58,942,843	19,116,150
Total non derivative liabilities		**1,811,961,205**	**1,853,891,485**	**713,408,652**	**191,000,607**	**60,008,830**	**128,036,091**	**118,658,116**	**642,779,189**
Derivative liabilities	35	2,187,779	2,187,779	92,552	365,889	1,217,743	310,986	200,609	-
Total financial liabilities		**1,814,148,984**	**1,856,079,264**	**713,501,204**	**191,366,496**	**61,226,573**	**128,347,077**	**118,858,725**	**642,779,189**
Liquidity gap		**136,071,950**	**471,518,295**	**(259,774,209)**	**99,049,159**	**141,467,336**	**62,410,448**	**353,930,553**	**74,435,008**
Cumulative liquidity gap				**(259,774,209)**	**(160,725,050)**	**(19,257,714)**	**43,152,734**	**397,083,287**	**471,518,295**

Bank
In thousands of naira

31 December 2017		**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 held for trading	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	169,638,333	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	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	32	88,021,390	87,005,470	24,688,196	8,787,979	53,529,295			
Total financial assets		**1,598,988,240**	**2,003,455,631**	**351,251,969**	**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**	**2,004,774,159**	**351,533,937**	**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	182,051,545	2,536,225	12,658,286	62,497,422	8,511,819	71,068,311	24,779,483
Other liabilities		44,449,077	43,433,162	43,433,162					
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		1,475,232,357	1,509,131,657	429,788,730	260,186,142	105,663,953	56,310,001	154,528,774	502,654,057
Derivative liability	34	740,724	740,724	254,776	153,825	-	283,328	48,795	-
Total financial liabilities		**1,475,973,081**	**1,509,872,381**	**430,043,506**	**260,339,967**	**105,663,953**	**56,593,329**	**154,577,569**	**502,654,057**
Liquidity gap		**124,333,687**	**494,901,778**	**(78,509,569)**	**(34,790,599)**	**136,251,196**	**142,236,928**	**269,776,465**	**59,937,358**
Cumulative liquidity gap				**(78,509,569)**	**(113,300,168)**	**22,951,028**	**165,187,955**	**434,964,420**	**494,901,779**

Bank

In thousands of naira **31 December 2016**		Carrying value	Gross nominal	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	19	289,663,505	289,667,204	127,565,527	30,098,949	6,870,224	1,080,487	1,619,466	122,432,551
Financial assets held for trading	20	6,870,235	7,748,401	625,905	680,868	1,495,630	4,668,298	277,700	-
Assets pledged as collateral	22	170,623,817	225,810,371	16,326,439	23,974,338	63,383,415	21,602,815	38,485,888	62,037,476
Loans to banks	23	88,553,151	88,634,460	88,634,460	-	-	-	-	-
Loans and advances to customers	24	804,635,641	1,095,569,888	100,514,558	149,269,506	59,258,005	53,146,773	291,647,416	441,733,630
Investments securities	25	160,310,857	184,603,087	23,040,853	25,739,000	35,236,123	50,541,402	25,991,804	24,053,905
Other assets	32	40,850,848	40,850,848	13,468,884	27,381,964				
Total financial assets		**1,561,508,054**	**1,932,884,259**	**370,176,626**	**257,144,625**	**166,243,397**	**131,039,775**	**358,022,274**	**650,257,562**
Derivative assets	21	**1,925,777**	1,925,777	31,159	365,889	1,217,743	310,986	-	-
Total financial assets		**1,563,433,831**	**1,934,810,036**	**370,207,785**	**257,510,514**	**167,461,140**	**131,350,761**	**358,022,274**	**650,257,562**
Financial liabilities by type									
Non derivative liabilities									
Deposits from banks	33	13,365,314	13,369,259	13,369,259	-	-	-	-	-
Deposits from customers	34	1,134,861,466	1,141,843,919	409,829,681	137,768,299	32,915,152	56,658,760	7,811,979	496,860,048
Borrowings	37	197,644,942	210,233,898	111,476,265	25,373,629	11,314,011	57,798,831	3,959,695	311,467
Other liabilities		36,220,137	36,220,137	36,220,137	-	-	-	-	-
Long term debt	38	61,307,852	82,401,708	-	1,005,466	687,541	2,649,708	58,942,843	19,116,150
Total non derivative liabilities		**1,443,399,711**	**1,484,068,921**	**570,895,342**	**164,147,394**	**44,916,704**	**117,107,299**	**70,714,517**	**516,287,665**
Derivative liability	35	2,126,386	2,126,386	31,159	365,889	1,217,743	310,986	200,609	-
Total financial liabilities		**1,445,526,097**	**1,486,195,307**	**570,926,501**	**164,513,283**	**46,134,447**	**117,418,285**	**70,915,126**	**516,287,665**
Liquidity gap		**117,907,734**	**448,614,729**	**(200,718,716)**	**92,997,231**	**121,326,693**	**13,932,476**	**287,107,148**	**133,969,897**
Cumulative liquidity gap				**(200,718,716)**	**(107,721,485)**	**13,605,208**	**27,537,684**	**314,644,832**	**448,614,729**

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 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	21,219,104	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**

Group
In thousands of naira

31 December 2016	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	51,936,277	51,936,277	1,542,418	10,014,793	10,756,040	12,105,996	16,423,018	1,094,012
Contingent letters of credit	45.2	46,606,013	46,606,013	7,707,481	10,026,787	13,763,337	24,729	-	15,083,679
		98,542,290	**98,542,290**	**9,249,899**	**20,041,580**	**24,519,377**	**12,130,725**	**16,423,018**	**16,177,691**

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	21,219,104	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 2016	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	46.2	31,434,768	31,434,768	817,828	6,462,430	4,039,975	3,496,187	16,131,527	486,821
Contingent letters of credit	46.2	32,854,354	32,854,354	631,960	6,255,673	10,883,042	-	-	15,083,679
		64,289,122	**64,289,122**	**1,449,788**	**12,718,103**	**14,923,017**	**3,496,187**	**16,131,527**	**15,570,500**

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 2017			**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	19	299,397,460	-	299,397,460	299,395,467	-	299,395,467
Financial assets held for trading	20	38,333,109	38,333,109	-	38,333,109	38,333,109	-
Derivative assets	21	1,318,528	-	1,318,528	1,318,528	-	1,318,528.00
Assets pledged as collateral	22	95,488,267	-	95,488,267	116,357,892	-	116,357,892
Loans to banks	23	35,155,501	-	35,155,501	77,610,730	-	77,610,730
Loans and advances to customers	24	755,503,162	-	755,503,162	755,488,058	-	755,488,058
Investment securities	25	224,021,812	-	224,021,812	223,781,594	-	223,781,594
Other assets	32	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	33	10,958,909	-	10,958,909	25,861,109	-	25,861,109
Deposits from customers	34	1,161,594,129	-	1,161,594,129	1,164,726,773	-	1,164,726,773
Derivative liability	35	740,724	-	740,724	740,724	-	740,724
Other liabilities		44,460,729	-	44,460,729	44,449,077	-	44,449,077
Borrowings	37	161,297,212	-	161,297,212	169,680,170	-	169,680,170
Long term debt	38	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**
31 December 2016							
Assets subject to market risk							
Cash and balances with central banks	19	329,906,916	-	329,906,916	289,663,505	-	289,663,505
Financial assets held for trading	20	6,870,235	6,870,235	-	6,870,235	6,870,235	-
Derivative assets	21	2,088,208	-	2,088,208	1,925,777	-	1,925,777
Assets pledged as collateral	22	221,898,226	-	221,898,226	170,623,817	-	170,623,817
Loans to banks	23	100,342,964	-	100,342,964	88,553,151	-	88,553,151
Loans and advances to customers	24	995,334,118	-	995,334,118	804,635,641	-	804,635,641
Investment securities	25	235,564,889	-	235,564,889	160,310,857	-	160,310,857
Other assets	32	58,215,378	-	58,215,378	40,850,848	-	40,850,848
		1,950,220,934	**6,870,235**	**1,943,350,699**	**1,563,433,831**	**6,870,235**	**1,556,563,596**
Liabilities subject to market risk							
Deposits from banks	33	103,409,297	-	103,409,297	13,365,314	-	13,365,314
Deposits from customers	34	1,424,689,527	-	1,424,689,527	1,134,861,466	-	1,134,861,466
Derivative liability	35	2,187,779	-	2,187,779	2,126,386	-	2,126,386
Other liabilities		53,356,255	-	53,356,255	36,220,137	-	36,220,137
Borrowings	37	169,182,279	-	169,182,279	197,644,942	-	197,644,942
Long term debt	38	61,323,847	-	61,323,847	61,307,852	-	61,307,852
		1,814,148,984	**-**	**1,814,148,984**	**1,445,526,097**	**-**	**1,445,526,097**

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 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**

Group		**December 2016**		
	Average	**High**	**Low**	**At reporting date**
In thousands of naira				
Foreign exchange risk	22,634	146,282	943	62,425
Interest rate risk	71,737	165,702	26,117	71,057
Total VaR exposure	**94,081**	**219,638**	**26,243**	**133,482**

Bank		**December 2016**		
	Average	**High**	**Low**	**At reporting date**
In thousands of naira				
Foreign exchange risk	22,000	152,653	727	55,796
Interest rate risk	71,737	165,702	26,117	71,057
Total VaR exposure	**93,447**	**225,100**	**27,406**	**126,853**

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 NIFEX 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 2017					
In thousands of Naira	**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 held for trading	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	25,447,154	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
Investment securities	224,021,812	-	-	-	-	224,021,812
Other assets	18,777,411	66,277,192	1,191,891	840,768	-	88,103,182
Total	**1,085,887,936**	**438,630,221**	**4,652,082**	**6,984,813**	**150,050**	**1,537,321,021**
Financial liabilities						
Deposits from banks	10,365,922	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	13,656,917	28,676,189	261,419	828,299	44,228	44,460,729
Long term debt	-	70,515,228	-	-	-	70,515,228
Total	**990,517,728**	**444,291,935**	**5,741,421**	**7,977,894**	**44,275**	**1,449,566,931**
Net Open Position	**95,370,208**	**(5,661,714)**	**(1,089,339)**	**(993,081)**	**105,775**	**87,754,090**

Group

In thousands of Naira	31 December 2016					
	Naira	**USD**	**GBP**	**Euro**	**Others**	**Total**
Financial assets						
Cash and balances with central banks	285,248,021	26,227,473	5,901,879	4,297,992	8,231,551	329,906,916
Financial assets held for trading	6,870,235	-	-	-	-	6,870,235
Assets pledged as collateral	149,203,809	-	`	-	72,694,417	221,898,226
Derivative assets	-	2,088,208	-	-	-	2,088,208
Loans to banks	26,461,535	52,817,341	1,890,893	1,093,003	18,080,192	100,342,964
Loans and advances to customers	380,338,188	442,564,821	51,612	1,946,447	170,433,049	995,334,118
Investment securities	160,310,857	-	-	-	75,254,032	235,564,889
Other assets	10,703,632	29,019,953	1,834,305	956,076	15,701,412	58,215,378
Total	**1,019,136,277**	**552,717,796**	**9,678,689**	**8,293,518**	**360,394,653**	**1,950,220,934**
Financial liabilities						
Deposits from banks	13,292,753	7,096,250	1,292,114	8,717,347	73,010,834	103,409,297
Deposits from customers	860,523,145	271,235,158	3,817,354	1,893,360	287,220,510	1,424,689,527
Derivative liability	-	2,187,779	-	-	-	2,187,779
Borrowings	29,958,197	137,226,022	51,612	1,946,447	-	169,182,279
Other liabilities	12,718,564	23,168,636	348,755	372,417	16,747,883	53,356,255
Long term debt	-	61,323,847	-	-	-	61,323,847
Total	**916,492,659**	**502,237,693**	**5,509,835**	**12,929,571**	**376,979,227**	**1,814,148,984**
Net Open Position	**102,643,618**	**50,480,103**	**4,168,854**	**(4,636,053)**	**(16,584,574)**	**136,071,951**

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 held for trading	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	67,902,383	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
Investment securities	223,781,594	-	-	-	-	223,781,594
Other assets	18,695,618	66,277,192	1,191,891	840,768	-	88,021,390
Total	**1,085,548,827**	**501,955,076**	**4,652,082**	**6,984,813**	**150,050**	**1,600,306,768**
Financial liabilities						
Deposits from banks	10,365,922	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	13,623,027	28,676,188	261,419	828,299	44,228	44,449,077
Long term debt	-	70,515,228	-	-	-	70,515,228
Total	**993,616,482**	**467,577,092**	**5,741,421**	**7,977,894**	**44,275**	**1,475,973,081**
Net Open Position	**91,932,345**	**34,377,984**	**(1,089,339)**	**(993,081)**	**105,775**	**124,333,687**

Bank	**31 December 2016**					
In thousands of Naira	**Naira**	**USD**	**GBP**	**Euro**	**Others**	**Total**
Financial assets						
Cash and balances with central banks	285,248,005	3,653,842	238,980	522,170	508	289,663,505
Financial assets held for trading	6,870,235	-	-	-	-	6,870,235
Assets pledged as collateral	149,203,809	21,420,008	-	-	-	170,623,817
Derivative assets	-	1,925,777	-	-	-	1,925,777
Loans to banks	26,282,193	59,077,174	1,890,893	1,093,003	209,888	88,553,151
Loans and advances to customers	380,318,603	419,187,332	51,612	5,078,093	-	804,635,641
Investment securities	160,310,857	-	-	-	-	160,310,857
Other assets	10,703,632	27,659,385	1,515,680	955,099	17,052	40,850,848
Total	**1,018,937,334**	**532,923,518**	**3,697,166**	**7,648,365**	**227,448**	**1,563,433,831**
Financial liabilities						
Deposits from banks	13,292,753	69,595	2,966	-	-	13,365,314
Deposits from customers	860,523,145	270,520,929	3,817,354	-	38	1,134,861,466
Derivative liability	-	2,126,386	-	-	-	2,126,386
Borrowings	29,958,197	165,688,685	51,612	1,946,447	-	197,644,942
Other liabilities	12,718,564	23,098,189	25,403	372,398	5,583	36,220,137
Long term debt	-	61,307,852	-	-	-	61,307,852
Total	**916,492,659**	**522,811,636**	**3,897,335**	**2,318,845**	**5,621**	**1,445,526,097**
Net Open Position	**102,444,675**	**10,111,882**	**(200,169)**	**5,329,520**	**221,827**	**117,907,734**

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 USDollars 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 (NIFEX), the market where the Bank obtains its translation rates for the USDollar (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 available for sale instruments) reported in the profit or loss
- Fair value reserves - increase or decrease in the carrying amount of available for sale financial instruments 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 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.

Group

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= ₦331.16**	**$1= ₦364**	**$1= ₦397**
US Dollars	(5,661,714)	(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
	(7,638,358)	**(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= ₦331.16**	**$1= ₦364**	**$1= ₦397**
US Dollars	34,377,984	103,811	3,437,798	6,875,597
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
	32,401,339	**97,842**	**3,240,134**	**6,480,268**

Group

Foreign exchange risk sensitive analysis - 31 December 2016
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 2016 in USDollars, Pounds Sterling, Euros and other currencies in the event of a 20% and 50% 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**	**20% decrease in the value of Naira**	**50% decrease in the value of Naira**
In thousands			**$1= ₦305**	**$1= ₦366**
US Dollars	50,480,104	165,509	10,096,021	25,322,806
Pounds Sterling	4,168,854	13,668	833,771	2,091,261
Euros	(4,636,053)	(15,200)	(927,211)	(2,325,627)
Other Currencies	(16,584,574)	(54,376)	(3,316,915)	(8,319,475)
	33,428,331	**109,601**	**6,685,666**	**16,768,965**

Bank

Foreign exchange risk sensitive analysis - 31 December 2016
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**	**20% decrease in the value of Naira**	**50% decrease in the value of Naira**
In thousands			**$1= ₦305**	**$1= ₦366**
US Dollars	10,111,882	33,154	2,022,376	5,072,518
Pounds Sterling	(200,169)	(656)	(40,034)	(100,413)
Euros	5,329,520	17,474	1,065,904	2,673,497
Other Currencies	221,827	727	44,365	111,277
	15,463,060	**50,699**	**3,092,611**	**7,756,879**

3.4.6 Interest rate risk

The following is a summary of the Group's interest rate gap position on non-trading portfolio

Group	**Interest Bearing**						
31 December 2017	**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 held for trading	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
Investment securities	22,569,849	25,964,977	143,684,976	12,162,767	13,814,099	5,825,144	224,021,812
Other assets	-	-	-	-	-	87,625,215	87,625,215
Total non derivative assets	**121,295,527**	**132,418,724**	**264,465,343**	**265,435,686**	**342,053,704**	**409,855,543**	**1,535,524,526**
Derivative assets	-	-	-	-	-	1,318,528	1,318,528
Total financial assets	**121,295,527**	**132,418,724**	**264,465,343**	**265,435,686**	**342,053,704**	**411,174,071**	**1,536,843,054**
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	-	-	-	-	-	43,467,052	44,460,729
Long term debt	-	329,624	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**	**552,844,823**	**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**	**553,585,547**	**1,449,566,931**
Total interest rate gap	**(65,135,830)**	**(119,855,613)**	**211,770,965**	**124,774,911**	**79,126,844**	**(142,411,476)**	**87,276,123**

Group	Interest Bearing						
31 December 2016	**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	7,503,688	-	-	-	-	322,403,228	329,906,916
Financial assets held for trading	640,903	650,507	5,380,837	197,988	-	-	6,870,235
Assets pledged as collateral	2,062,658	24,995,074	83,873,063	56,573,470	54,393,961		221,898,226
Loans to banks	65,796,228	-	-	-	-	34,546,736	100,342,964
Loans and advances to customers	122,629,430	146,081,198	145,359,883	256,941,981	324,321,626	-	995,334,118
Investment securities	23,506,365	24,930,820	88,141,801	39,154,641	44,619,663	15,211,599	235,564,889
Other assets	-	-	-	-	-	58,215,378	58,215,378
Total non derivative assets	**222,139,272**	**196,657,599**	**322,755,584**	**352,868,080**	**423,335,250**	**430,376,941**	**1,948,132,726**
Derivative assets	-	-	-	-	-	2,088,208	2,088,208
Total financial assets	**222,139,272**	**196,657,599**	**322,755,584**	**352,868,080**	**423,335,250**	**432,465,149**	**1,950,220,934**
Financial liabilities							
Non derivative liabilities							
Deposits from banks	79,026,127	768,216	15,884,377	-	-	7,730,577	103,409,297
Deposits from customers	174,217,154	109,461,089	59,230,351	54,853,703	300,786,295	726,140,935	1,424,689,527
Borrowings	26,741,877	311,467	53,711,955	62,365,625	26,051,355	-	169,182,279
Other liabilities	-	-	-	-	-	53,356,255	53,356,255
Long term debt	-	30,784,667	15,273,186	-	15,265,994	-	61,323,847
Total non derivative liabilities	**279,985,158**	**141,325,439**	**144,099,869**	**117,219,328**	**342,103,644**	**787,227,767**	**1,811,961,205**
Derivative liabilities		-	-	-	-	2,187,779	2,187,779
Total financial liabilities	**279,985,158**	**141,325,439**	**144,099,869**	**117,219,328**	**342,103,644**	**789,415,546**	**1,814,148,984**
Total interest rate gap	**(57,845,886)**	**55,332,160**	**178,655,715**	**235,648,752**	**81,231,606**	**(356,950,397)**	**136,071,950**

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 held for trading	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
Investment securities	22,569,849	25,964,977	143,444,758	12,162,767	13,814,099	5,825,144	223,781,594
Other assets	-	-	-	-	-	87,543,423	87,543,423
Total	**158,932,491**	**132,775,497**	**271,119,239**	**267,179,985**	**354,300,074**	**414,202,987**	**1,598,510,273**
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**	**415,521,515**	**1,599,828,801**
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	-	-	-	-	-	43,433,162	43,433,162
Long term debt	-	329,625	81,481	70,104,122	-	-	70,515,228
Total	**202,099,722**	**252,296,686**	**61,360,141**	**140,660,775**	**262,926,860**	**554,872,258**	**1,474,216,442**
Derivative liabilities						740,724	740,724
Total financial liabilities	**202,099,722**	**252,296,686**	**61,360,141**	**140,660,775**	**262,926,860**	**555,612,982**	**1,474,957,166**
Total interest rate gap	**(43,167,231)**	**(119,521,189)**	**209,759,098**	**126,519,210**	**91,373,214**	**(140,091,467)**	**124,871,635**

Bank

31 December 2016 In thousands of naira	Interest Bearing Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
Financial assets							
Non derivative assets							
Cash and balances with central banks	7,503,689	-	-	-	-	282,159,816	289,663,505
Financial assets held for trading	640,903	650,507	5,380,837	197,988	-	-	6,870,235
Assets pledged as collateral	15,409,377	22,287,708	75,643,716	25,446,802	31,836,214	-	170,623,817
Loans to banks	58,036,276	-	-	-	-	30,516,875	88,553,151
Loans and advances to customers	108,421,561	124,321,665	72,309,785	214,742,093	284,840,537	-	804,635,641
Investment securities	22,523,557	24,930,820	81,285,312	15,123,202	10,737,266	5,710,700	160,310,857
Other assets	-	-	-	-	-	40,850,848	40,850,848
Total	**212,535,363**	**172,190,700**	**234,619,650**	**255,510,085**	**327,414,017**	**359,238,239**	**1,561,508,054**
Derivative Assets	**-**	**-**	**-**	**-**	**-**	**1,925,777**	**1,925,777**
Total financial assets	**212,535,363**	**172,190,700**	**234,619,650**	**255,510,085**	**327,414,017**	**361,164,016**	**1,563,433,831**
Financial liabilities							
Non derivative liabilities							
Deposits from banks	7,002,624	-	-	-	-	6,362,690	13,365,314
Deposits from customers	173,351,031	90,784,517	34,064,772	6,910,104	242,633,175	587,117,867	1,134,861,466
Borrowings	39,635,942	2,846,688	66,745,332	62,365,625	26,051,355	-	197,644,942
Other liabilities	-	-	-	-	-	36,220,137	36,220,137
Long term debt	-	30,784,666	15,273,186	-	15,250,000	-	61,307,852
Total non derivative liabilities	**219,989,597**	**124,415,871**	**116,083,290**	**69,275,729**	**283,934,530**	**629,700,694**	**1,443,399,711**
Derivative liabilities	-	-	-	-	-	2,126,386	2,126,386
Total financial liabilities	**219,989,597**	**124,415,871**	**116,083,290**	**69,275,729**	**283,934,530**	**631,827,080**	**1,445,526,097**
Total interest rate gap	**(7,454,234)**	**47,774,829**	**118,536,360**	**186,234,356**	**43,479,487**	**(270,663,064)**	**117,907,734**

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 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
	26,779,523	**828,874**	**(828,874)**

Interest sensitivity analysis - 31 December 2016
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	(57,845,886)	554,356	(554,356)
1-3 months	55,332,160	(461,101)	461,101
3-12 months	178,655,715	(669,959)	669,959
	176,141,989	**(576,704)**	**576,704**

Bank

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 sensitivity analysis - 31 December 2016
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	(7,454,234)	71,437	(71,437)
1-3 months	47,774,829	(398,124)	398,124
3-12 months	118,536,360	(444,511)	444,511
	158,856,955	**(771,198)**	**771,198**

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 available for sale 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 2017

Assets	**Fixed**	**Floating**	**Total**
In thousands of naira			
Cash and balances with central banks	7,505,548	-	7,505,548
Financial assets held for trading	38,333,109	-	38,333,109
Assets pledged as collateral	95,488,267	-	95,488,267
Loans to bank	10,642,229	-	10,642,229
Loans and advances to customers	650,999,498	104,503,664	755,503,162
Investment securities	218,196,668	-	218,196,668
	1,021,165,319	**104,503,664**	**1,125,668,983**

Liabilities	**Fixed**	**Floating**	**Total**
Deposits from banks	36,585	-	36,585
Deposits from customers	663,138,682	-	663,138,682
Borrowing	98,487,933	62,809,279	161,297,212
Long term debt	16,867,083	53,648,145	70,515,227
	778,530,283	**116,457,424**	**894,987,707**

31 December 2016

Assets	**Fixed**	**Floating**	**Total**
In thousands of naira			
Cash and balances with central banks	7,503,688	-	7,503,688
Financial assets held for trading	6,870,235	-	6,870,235
Assets pledged as collateral	221,898,226	-	221,898,226
Loans to bank	65,796,228	-	65,796,228
Loans and advances to customers	881,923,516	113,410,602	995,334,118
Investment securities	220,353,290	-	220,353,290
	1,404,345,183	**113,410,602**	**1,517,755,785**

Liabilities	**Fixed**	**Floating**	**Total**
Deposits from banks	95,678,720	-	95,678,720
Deposits from customers	698,548,592	-	698,548,592
Borrowing	83,155,938	86,026,341	169,182,279
Long term debt	15,550,662	45,773,185	61,323,847
	892,933,912	**131,799,526**	**1,024,733,438**

Bank

Exposure to fixed and variable interest rate risk

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 held for trading	38,333,109	-	38,333,109
Assets pledged as collateral	116,357,892	-	116,357,892
Loans to bank	48,666,229	-	48,666,229
Loans and advances to customers	650,984,394	104,503,664	755,488,058
Investment 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
Borrowing	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**

31 December 2016

Assets	Fixed	Floating	Total
In thousands of naira			
Cash and balances with central banks	7,503,689	-	7,503,689
Financial assets held for trading	6,870,235	-	6,870,235
Assets pledged as collateral	170,623,817	-	170,623,817
Loans to bank	58,036,276	-	58,036,276
Loans and advances to customers	692,871,723	111,763,918	804,635,641
Investment securities	154,600,157	-	154,600,157
	1,090,505,897	**111,763,918**	**1,202,269,815**

Liabilities	Fixed	Floating	Total
Deposits from banks	7,002,624	-	7,002,624
Deposits from customers	547,743,599	-	547,743,599
Borrowing	83,155,934	114,489,008	197,644,942
Long term debt	15,534,667	45,773,185	61,307,852
	653,436,824	**160,262,193**	**813,699,017**

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 held for trade and available for sale. 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 held for trading investments is on the income statement while the impact of available for sale instruments is on the statement of other comprehensive income.

GROUP

31 December 2017	Carrying Value	Impact of 100 basis points decrease in yields	Impact of 100 basis points increase in yields
Held for trading	38,333,109	172,275	(170,438)
Available for sale investments	142,454,228	897,150	(924,392)
Total	**180,787,337**	**1,069,425**	**(1,094,830)**

31 December 2016	Carrying Value	Impact of 100 basis points decrease in yields	Impact of 100 basis points increase in yields
In thousands of naira			
Held for trading	6,870,235	36,960	(37,946)
Available for sale investments	17,379,826	258,607	(251,887)
Total	**24,250,061**	**295,567**	**(289,833)**

BANK

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			
Held for trading	38,333,109	172,275	(170,438)
Available for sale investments	142,214,010	896,556	(924,392)
Total	**180,547,119**	**1,068,831**	**(1,094,830)**

31 December 2016	Carrying Value	Impact of 100 basis points decrease in yields	Impact of 100 basis points increase in yields
In thousands of naira			
Held for trading	6,870,235	36,960	(37,946)
Available for sale investments	3,458,348	55,020	(52,921)
Total	**10,328,583**	**91,980**	**(90,867)**

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 2017	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Derivative assets	20	-	1,318,528	-	1,318,528
Financial assets held for trading	19				
- Debt securities		38,333,109	-	-	38,333,109
Available for sale financial assets	24				
- Investment securities - debt		142,454,228	-	-	142,454,228
- Investment securities - unlisted equities		-		5,675,283	5,675,283
Total assets		**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**

31 December 2016
In thousands of Naira

	Note	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Derivative assets	21	-	2,088,208	-	2,088,208
Financial assets held for trading	20				
- Debt securities		6,870,235	-	-	6,870,235
Available for sale financial assets	25				
- Investment securities - debt		17,379,826	-	-	17,379,826
- Investment securities - unlisted equities		-		5,659,342	5,659,342
		24,250,061	**2,088,208**	**5,659,342**	**31,997,611**
Financial liabilities					
Derivative liability	35		2,187,779		2,187,779
Total liabilities		**-**	**2,187,779**	**-**	**2,187,779**

Bank

In thousands of Naira

31 December 2017	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Derivative assets	20	-	1,318,528	-	1,318,528
Financial assets held for trading					
- Debt securities	19	38,333,109	-	-	38,333,109
Available for sale financial assets					
- Investment securities - debt	24	142,214,010	-	-	142,214,010
- Investment securities - unlisted equities	25	-	-	5,675,283	5,675,283
Total assets		**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**

In thousands of Naira

31 December 2016	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Derivative assets	21	-	1,925,777	-	1,925,777
Financial assets held for trading					
- Debt securities	20	6,870,235	-	-	6,870,235
Available for sale financial assets					
- Investment securities - debt	25	3,458,348	-	-	3,458,348
- Investment securities - unlisted equities	25	-	-	5,659,342	5,659,342
Total assets		**10,328,583**	**1,925,777**	**5,659,342**	**17,913,702**
Financial liabilities					
Derivative liability	35	-	2,126,386		2,126,386
Total liabilities		**-**	**2,126,386**	**-**	**2,126,386**

Reconciliation of items in level 3

In thousands of Naira	**Group**		**Bank**	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening balance	5,659,342	4,264,415	5,659,342	4,264,415
Fair value gain in OCI	15,941	1,394,927	15,941	1,394,927
Closing balance	5,675,283	5,659,342	5,675,283	5,659,342

(b) Fair valuation methods and assumptions

	Methodology	Key assumptions
Trading securities		
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 classified as available for sale are measured at fair value using the following methods:	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.
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.	
AFS Unquoted Equities	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.	The fair value of the Bank's holdings are representative of the value of Bank's portion of the net asset of the Fund, based on the relevant valuation of the Fund as at the reporting date. It is assumed to be the price at which market participants will be willing to exchange holdings in the Fund.
Derivative liability		
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 NIFEX 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. 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

	Methodology	Key assumptions
Derivative liability (contd.)		
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 The Group modeled the evolution of the stock price using a binomial stock price tree 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 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 2017**					**31 December 2016**				
	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	299,397,460	-	299,397,460	-	299,397,460	329,906,916	-	329,906,916	-	329,906,916
- Cash in hand	41,600,417	-	41,600,417	-	41,600,417	41,577,206	-	41,577,206	-	41,577,206
- Balances with central banks other than mandatory reserve deposits	31,749,188	-	31,749,188	-	31,749,188	43,979,305	-	43,979,305	-	43,979,305
					-					-
- Mandatory reserve deposits with central banks	226,047,855	-	226,047,855	-	226,047,855	244,350,405	-	244,350,405	-	244,350,405
Loans to banks	35,155,501	-	35,155,501	-	35,155,501	100,342,964	-	100,342,964	-	100,342,964
- Current balances with banks within Nigeria	-		-			-		-		
- Currrent balances with banks outside Nigeria	24,513,272	-	24,513,272	-	24,513,272	34,546,737	-	34,546,737	-	34,546,737
- Placements with banks and discount houses	10,642,229	-	10,642,229	-	10,642,229	65,796,227	-	65,796,227	-	65,796,227
Loans and advances to customers	755,503,162	-	755,503,162	-	755,503,162	995,334,118	-	995,334,118	-	995,334,118
- Overdrafts	74,340,760	-	74,340,760	-	74,340,760	68,832,455	-	68,832,455	-	68,832,455
- Term loans	673,149,929	-	673,149,929	-	673,149,929	913,616,189	-	913,616,189	-	913,616,189
- Staff loans	4,862,905	-	4,862,905	-	4,862,905	4,870,426	-	4,870,426	-	4,870,426
- Commercial papers	-	-	-	-	-	4,814,516	-	4,814,516	-	4,814,516
- Advances under finance lease	3,149,568	-	3,149,568	-	3,149,568	3,200,532	-	3,200,532	-	3,200,532
Asset pledged as collateral	95,488,267	90,113,032	1,067,781	-	91,180,813	221,898,226	139,706,281	72,694,417	-	212,400,698
Other assets	88,103,182	-	88,103,182	-	88,103,182	58,215,378	-	58,215,378	-	58,215,378
Investment securities	75,892,301	74,939,937	-	149,861	75,089,798	212,496,343	150,444,473	61,303,176	51,358	211,799,007
- Held to maturity	75,742,440	74,939,937	-	-	74,939,937	212,444,985	150,444,473	61,303,176	-	211,747,649
- Available for sale financial assets -unlisted equities	149,861	-	-	149,861	149,861	51,358	-	-	51,358	51,358
Total financial assets	**1,349,539,873**	**165,052,969**	**1,179,227,086**	**149,861**	**1,344,429,916**	**1,918,193,946**	**290,150,754**	**1,617,796,970**	**51,358**	**1,907,999,082**
Financial liabilities										
Deposits from banks	10,958,909	-	10,958,909	-	10,958,909	103,409,297	-	103,409,297	-	103,409,297
- Items in the course of collection	10,922,324		10,922,324		10,922,324	7,730,577		7,730,577		7,730,577
- Interbank takings	36,585		36,585		36,585	95,678,720		95,678,720		95,678,720
Deposits from customers	1,161,594,129	-	1,161,594,129	-	1,161,594,129	1,424,689,527	-	1,424,689,527	-	1,424,689,527
- Current	498,455,447	-	498,455,447	-	498,455,447	726,140,935	-	726,140,935	-	726,140,935
- Savings	400,382,385	-	400,382,385	-	400,382,385	499,763,987	-	499,763,987	-	499,763,987
- Term	262,756,297	-	262,756,297	-	262,756,297	198,784,605	-	198,784,605	-	198,784,605
Other liabilities	44,460,729	-	44,460,729	-	44,460,729	53,356,255	-	53,356,255	-	53,356,255
Long term debt	70,515,228	-	70,515,228	-	70,515,228	61,323,847	-	61,323,847	-	61,323,847
Borrowings	161,297,212	-	169,182,279	-	169,182,279	169,182,279	-	169,182,279	-	169,182,279
Total financial liabilities	**1,448,826,207**	**-**	**1,456,711,274**	**-**	**1,456,711,274**	**1,811,961,205**	**-**	**1,811,961,205**	**-**	**1,811,961,205**
Off-balance sheet financial instruments	**43,257,262**	-	**43,257,262**	**-**	**43,257,262**	**98,542,290**	**-**	**98,542,290**	**-**	**98,542,290**
Performance bonds and guarantees	22,038,160		22,038,160	-	22,038,160	51,936,277		51,936,277		51,936,277
Unconfirmed and unfunded Letters of Credit	21,219,102	-	21,219,102	-	21,219,102	46,606,013	-	46,606,013	-	46,606,013

Bank

In thousands of Naira	31 December 2017					31 December 2016				
	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	299,395,467	-	299,395,467	-	299,395,467	289,663,505	-	289,663,505	-	289,663,505
- Cash	41,598,424		41,598,424		41,598,424	31,408,946		31,408,946		31,408,946
- Balances with central banks other than mandatory reserve deposits	31,749,188		31,749,188		31,749,188	24,844,938		24,844,938		24,844,938
- Mandatory reserve deposits with central bank	226,047,855		226,047,855		226,047,855	233,409,621		233,409,621		233,409,621
Loans to banks	77,610,730		77,610,730		77,610,730	88,553,151		88,553,151		88,553,151
- Current balances with banks within Nigeria	-					-				
- Currrent balances with banks outside Nigeria	28,944,501		28,944,501		28,944,501	30,516,876		30,516,876		30,516,876
- Placements with banks and discount houses	48,666,229		48,666,229		48,666,229	58,036,275		58,036,275		58,036,275
Loans and advances to customers	755,488,058	-	755,488,058	-	755,488,058	804,635,641	-	804,635,641	-	804,635,641
- Overdrafts	74,340,760		74,340,760		74,340,760	56,394,853		56,394,853		56,394,853
- Term loans	673,149,929		673,149,929		673,149,929	740,867,726		740,867,726		740,867,726
- Staff loans	4,847,801		4,847,801		4,847,801	4,172,530		4,172,530		4,172,530
- Advances under finance lease	3,149,568		3,149,568		3,149,568	3,200,532		3,200,532		3,200,532
Asset pledged as collateral	116,357,892	90,113,032	21,937,406		112,050,438	170,623,817	139,706,281	21,420,008		161,126,289
Other assets	88,021,390		88,021,390		88,021,390	40,850,848		40,850,848		40,850,848
Investment securities	75,892,301	74,939,937	149,861	-	75,089,798	151,193,167	150,444,473	51,358	-	150,495,831
- Held to maturity	75,742,440	74,939,937	-	-	74,939,937	151,141,809	150,444,473	-	-	150,444,473
- Available for sale financial assets -unlisted equities	149,861	-	149,861	-	149,861	51,358	-	51,358	-	51,358
Total financial assets	**1,412,765,838**	**165,052,969**	**1,242,602,912**	**-**	**1,407,655,881**	**1,545,520,129**	**290,150,754**	**1,245,174,511**	**-**	**1,535,325,265**
Financial liabilities										
Deposits from banks	25,861,109	-	25,861,109	-	25,861,109	13,365,314	-	13,365,314	-	13,365,314
- Items in the course of collection	10,922,324		10,922,324		10,922,324	6,362,690		6,362,690		6,362,690
- Interbank takings	14,938,785		14,938,785		14,938,785	7,002,624		7,002,624		7,002,624
Deposits from customers	1,164,726,773	-	1,164,726,773	-	1,164,726,773	1,134,861,466	-	1,134,861,466	-	1,134,861,466
- Current	500,516,772		500,516,772		500,516,772	587,117,867		587,117,867		587,117,867
- Savings	400,382,385		400,382,385		400,382,385	404,284,897		404,284,897		404,284,897
- Term	263,827,616		263,827,616		263,827,616	143,458,702		143,458,702		143,458,702
Other liabilities	44,449,077		44,449,077		44,449,077	36,220,137		36,220,137		36,220,137
Long term debt	70,515,228		70,515,228		70,515,228	61,307,852		61,307,852		61,307,852
Borrowings	169,680,170		169,680,170		169,680,170	197,644,942		197,644,942		197,644,942
Total financial liabilities	**1,475,232,357**	**-**	**1,475,232,357**	**-**	**1,475,232,357**	**1,443,399,711**	**-**	**1,443,399,711**	**-**	**1,443,399,711**
Off-balance sheet financial instruments	**43,257,262**	**-**	**43,257,262**	**-**	**43,257,262**	**64,289,122**	**-**	**64,289,122**	**-**	**64,289,122**
Performance bonds and guarantees	22,038,160	-	22,038,160	-	22,038,160	31,434,768	-	31,434,768	-	31,434,768
Unconfirmed and unfunded Letters of Credit	21,219,102	-	21,219,102	-	21,219,102	32,854,354	-	32,854,354	-	32,854,354

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.

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

Cretit 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 2017 and 31 December 2016. During those years, the Bank complied with the externally imposed capital requirements.

Basel II Basis

In thousands of naira	Note	Bank 31 December 2017
Tier 1 capital		
Share capital	38	11,580,195
Share premium	39	134,532,974
Statutory reserves	39	23,423,258
SMEIS reserve	39	3,966,628
Retained earnings	39	5,139,548
Less: Deferred tax, intangible assets and goodwill	30,29	(8,820,765)
Less: Investment in subsidiaries		(1,000,000)
Total qualifying Tier 1 capital		**168,821,838**
Tier 2 capital		
Fair value reserve	39	3,858,800
Foreign currency translation reserve	39	
Subordinated debt		22,139,551
Less: Investment in subsidiaries		(1,000,000)
Less: Unsecured Lending to Subsidiary		-
Total qualifying Tier 2 capital		**24,998,351**
Total regulatory capital		**193,820,189**
Risk-weighted assets:		
Credit Risk		
On-balance sheet		876,982,889
Off-balance sheet		24,254,986
Regulatory risk reserves		(31,062,558)
Total on balance sheet assets and off balance sheet exposures		**870,175,316**
Operational risk exposures		273,002,992
Market risk exposures		14,304,221
Total risk-weighted assets		**1,157,482,529**
Risk-weighted Capital Adequacy Ratio (CAR)		16.74%

Basel II Basis

In thousands of naira		**Bank 31 December 2016**
Tier 1 capital		
Share capital	39	11,580,195
Share premium	40	134,532,974
Statutory reserves	40	23,292,842
SMEIS reserve	40	3,966,628
Retained earnings	40	6,364,510
Less: Deferred tax, intangible assets and goodwill	31,30	(9,505,577)
Less: Investment in subsidiaries		(7,920,941)
Less: Unsecured Lending to Subsidiary		(1,520,706)
Total qualifying Tier 1 capital		**160,789,925**
Tier 2 capital		
Fair value reserve	40	2,501,189
Foreign currency translation reserve	40	
Subordinated debt	38	34,245,123
Convertible option		
Less: Investment in subsidiaries		(7,920,941)
Less: Unsecured Lending to Subsidiary		(1,520,706)
Less: Unsecured Lending to Subsidiary		
Total qualifying Tier 2 capital		**27,304,665**
Total regulatory capital		**188,094,590**
Risk-weighted assets:		
Credit Risk		
On-balance sheet		976,217,885
Off-balance sheet		34,456,228
Regulatory risk reserves		(29,098,571)
Total on balance sheet assets and off balance sheet exposures		**981,575,542**
Operational risk exposures		269,272,637
Market risk exposures		1,873,361
Total risk-weighted assets		**1,252,721,540**
Risk-weighted Capital Adequacy Ratio (CAR)		15.01%

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

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Note 2.10- identification and measurement of impairment on financial assets.

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether a specific impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger. The trigger may include observable data indicating that the borrower is unable to fulfil the repayment obligations as per contractual terms e.g significant financial difficulty being experienced by the borrower, occurrence of default/delays in interest or principal repayments, restructuring of the credit facilities by giving extraordinary concessions to borrower or national or local economic conditions that correlate with defaults on assets in the Bank. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. In estimating these future cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit function.
A collective component of the total allowances is established for:

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

The collective allowance for groups of homogenous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statisitical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is an objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical expeirence and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

(b) Impairment of available-for-sale equity investments

Investment in equity securities are evaluated for impairment on the basis described in Note 2.10. The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement relating to the period over which the losses occur. Significant loses occuring in three or more consecutive years is considered significant. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, decline in quoted market price that has lasted for 3 years, industry and sector performance, changes in technology, and operational and financing cash flows.

In making an assessment of whether an investment in debt securities issued by the Federal and State Governments is impaired, the Group considers the following factors;

- The market's assessment of creditworthiness as reflected in the bond yields
- The rating agencies' assessment 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 mechanism in place to provide the necessary support as 'lenders of last resort' to that country as well as the intention, reflected in public statements, about governments' and agencies' willingness 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 fulfill the required criteria

(c) 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.

(d) Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 2017.

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.

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.

5 Operating segments (Continued)
Information about operating segments

PROFIT OR LOSS

Group
31 December 2017
In thousands of Naira

	Treasury	Business Banking	Retail Business	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	148,437,383	27,242,436	175,679,819
Interest income derived from other segments	11,005,273	13,918,281	86,130,991	8,050,061	119,104,606	-	119,104,606
Total interest income	**67,334,894**	**33,524,175**	**92,817,534**	**73,865,386**	**267,541,989**	**27,242,436**	**294,784,426**
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)	(106,072,207)	-	(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**	**177,352,905**
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**	**(1,825,864)**	**47,818,516**	**2,146,016**	**49,964,533**

31 December 2016

In thousands of Naira	Treasury	Business Banking	Retail Business	Corporate banking	Total continuing operations	Discontinued operations	Total
Interest income derived from external customers	39,133,899	22,234,797	11,814,953	51,518,456	124,702,105	21,754,720	146,456,825
Interest income derived from other segments	1,226,198	7,320,968	44,848,963	3,166,190	56,562,319	-	56,562,319
Total interest income	**40,360,097**	**29,555,765**	**56,663,916**	**54,684,646**	**181,264,424**	**21,754,720**	**203,019,144**
Interest paid to external customers	(9,233,708)	(2,928,142)	(15,050,321)	(1,997,679)	(29,209,850)	(11,074,524)	(40,284,374)
Interest paid to other segments	(28,671,258)	(6,688,651)	(389,344)	(30,801,510)	(66,550,763)	-	(66,550,763)
Total interest expenses	**(37,904,966)**	**(9,616,793)**	**(15,439,665)**	**(32,799,189)**	**(95,760,613)**	**(11,074,524)**	**(106,835,137)**
Other Income	9,882,460	6,813,062	25,835,710	7,724,434	50,255,666	6,481,915	56,737,581
Operating income	**12,337,591**	**26,752,034**	**67,059,961**	**29,609,891**	**135,759,477**	**17,162,111**	**152,921,588**
Impairment charges for credit losses	92,933	(15,919,153)	(7,315,033)	(8,503,537)	(31,644,790)	(2,920,259)	(34,565,049)
Operating expenses	(4,077,132)	(9,553,858)	(57,682,597)	(4,911,192)	(76,224,779)	(13,245,476)	(89,470,255)
Operating profit before tax	**8,353,392**	**1,279,023**	**2,062,331**	**16,195,162**	**27,889,908**	**996,376**	**28,886,284**

Reconciliation of segment results of operations to consolidated results of operations

Group	**31 December 2017**			**31-Dec-16**		
	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)	267,541,989	27,242,436	294,784,425	181,264,424	21,754,720	203,019,144
Interest expense (See (b) below)	(150,600,465)	(12,452,095)	(163,052,560)	(95,760,613)	(11,074,524)	(106,835,137)
Impairment charge for credit losses (See (c) below)	(40,511,368)	(2,485,313)	(42,996,681)	(31,644,790)	(2,920,259)	(34,565,049)
Other operating income (See (d) below)	38,398,906	7,222,133	45,621,039	50,255,666	6,481,915	56,737,581
Operating expenses (See (e) below)	(67,010,545)	(17,381,145)	(84,391,690)	(76,224,779)	(13,245,476)	(89,470,255)
Operating profit	**47,818,516**	**2,146,016**	**49,964,532**	**27,889,908**	**996,376**	**28,886,284**

Reconciliation of segment results of operations to consolidated results of operations

31 December 2017 *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/(loss)	**49,964,532**	**(61,511,484)**	**(11,546,952)**
Taxation	-	**(1,349,575)**	**(1,349,575)**

31 December 2016 *In thousands of naira*	Total management reporting	Differences	Total consolidated
Interest income from external customers	203,019,144	(53,447,710)	149,571,434
Interest expense	(106,835,137)	64,488,875	(42,346,262)
Impairment charge for credit losses	(34,565,049)	(24,459,687)	(59,024,736)
Other operating income	56,737,581	(17,386,244)	39,351,337
Net trading income	-	13,484,169	13,484,169
Net gain from other financial instruments through profit or loss	-	1,051,066	1,051,066
Operating expenses	(89,470,255)	(7,582,616)	(97,052,871)
Share of loss from profit	-		
Operating profit	**28,886,284**	**(23,852,147)**	**5,034,137**
Taxation	-	**(1,535,172)**	**(1,535,172)**

(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 2017	31 December 2016
Total interest income earned by reportable segment		294,784,425	203,019,144
Consolidation and adjustments			
- Due to differences in accounting policies		(30,357,215)	3,114,609
- Due to elimination of inter-segment revenue		(119,104,606)	(56,562,319)
Total consolidated interest income	7	145,322,604	149,571,434

(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 2017**	**31 December 2016**
In thousand of naira			
Total interest expense incurred by reportable segments		163,052,560	106,835,137
Consolidation and adjustments			
- Due to differences in accounting policies		(9,941,939)	2,061,888
- Due to elimination of inter-segment costs		(106,072,207)	(66,550,763)
Total consolidated interest expense	**8**	47,038,414	42,346,262

(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

In thousands of naira	**Note**	**31 December 2017**	**31 December 2016**
Total impairment charges reported by reportable segments		42,996,681	34,565,049
Consolidation and adjustments			
- Due to differences in accounting policies		25,053,305	35,679,262
- Due to unallocated impairment charges		(11,219,575)	(11,219,575)
Total consolidated impairment charges	**9**	56,830,411	59,024,736

(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 held for trading

Financial assets held for trading is not a financial instrument category under the operating segments report and there is no authoritative guidance available. Under IFRS, a financial asset is held for trading 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 held for trading financial instruments, which have been reclassified under IFRS as net gains/(losses) from financial assets held for trading.

(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
In thousands of naira

	31 December 2017	**31 December 2016**
Total operating expenses incurred by reportable segments	84,391,690	89,470,255
Consolidation and adjustments		
- Due to differences in accounting policies	(25,350,435)	(1,123,786)
- Due to unallocated expenses	29,805,817	8,706,402
Total consolidated operating expenses	88,847,072	97,052,871

BALANCE SHEET

Group
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	918,881,947
Loans to banks/Investments in treasury bills and bonds	393,337,118	-	-	92,535,235	485,872,353	383,648,505	869,520,859
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**	**1,143,917,506**	**596,607,921**	**1,740,525,428**

31 December 2016
In thousands of Naira

	Treasury	Business Banking	Retail Business	Corporate banking	Total
Segment assets					
Loans to customers	-	116,448,364	64,038,139	745,243,231	925,729,733
Loans to banks/Investments in treasury bills and bonds	426,358,060	-	-	500,930,847	927,288,907
Total assets	**426,358,060**	**116,448,364**	**64,038,139**	**1,246,174,078**	**1,853,018,640**
Segment liabilities					
Deposit from customers	82	150,979,004	726,555,125	350,567,040	1,228,101,251
Takings and treasury bills sold - others	13,365,314	-	-	404,335,816	417,701,130
Total liabilities	**13,365,396**	**150,979,004**	**726,555,125**	**754,902,856**	**1,645,802,381**

Reconciliation of segment assets and liabilities to consolidated statement of financial position

Group *In thousands of naira*	**31 December 2017**			**31 December 2016**
	Total continuing operations	**Discontinued operations**	**Total**	
Segment assets	1,154,090,193	634,312,613	1,788,402,806	1,853,018,641
Total consolidated assets	1,622,879,081	91,928,185	1,714,807,266	2,049,798,756
Difference	**468,788,888.28**	**(542,384,428)**	**(73,595,539.84)**	**196,780,115**
Segment liabilities	1,143,917,506	596,607,921	1,740,525,428	1,645,802,381
Total consolidated liabilities	1,455,630,104	35,864,205	1,491,494,309	1,823,090,793
Difference	**311,712,598**	**(560,743,716)**	**(249,031,119)**	**177,288,412**

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 loans and receivables, held-to-maturity assets 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 2017	**Nigeria**	**Rest of West Africa**	**Europe**	**Total continuing operations**	**Discontinued operations**	**Total**
In thousands of Naira						
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 expenses	**(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
Operating income	**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	1,122,980,551	-	-	1,122,980,551	-	1,122,980,551
Other unallocated assets	-	-	-	-	-	-
Total assets	**1,122,980,551**	**-**	**-**	**1,122,980,551**	**-**	**1,122,980,551**
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**

31 December 2016	**Nigeria**	**Rest of West Africa**	**Europe**	**Total continuing operations**	**Discontinued operations**	**Total**
In thousands of Naira						
Interest revenue derived from external customers	124,702,105	-	-	124,702,105	21,754,720	146,456,825
Interest revenue derived from other segments	56,562,319	-	-	56,562,319	-	56,562,319
Total interest revenue	**181,264,424**	**-**	**-**	**181,264,424**	**21,754,720**	**203,019,144**
Interest paid to external customers	(29,209,850)	-	-	(29,209,850)	(11,074,524)	(40,284,374)
Interest paid to other segments	(66,550,763)	-	-	(66,550,763)	-	(66,550,763)
Total interest expenses	**(95,760,613)**	**-**	**-**	**(95,760,613)**	**(11,074,524)**	**(106,835,137)**
Other Income	50,255,666	-	-	50,255,666	6,481,915	56,737,581
Operating income	**135,759,477**	**-**	**-**	**135,759,477**	**17,162,111**	**152,921,588**
Impairment charges for credit losses	(31,644,790)	-	-	(31,644,790)	(2,920,259)	(34,565,049)
Operating expenses	(76,224,779)	-	-	(76,224,779)	(13,245,476)	(89,470,255)
Operating profit before tax	**27,889,908**	**-**	**-**	**27,889,908**	**996,376**	**28,886,284**

	Nigeria	**Rest of West Africa**	**Europe**	**Total**
Segment assets	1,161,336,395	597,115,395	94,566,851	1,853,018,641
Other unallocated assets	-	-	-	-
Total assets	**1,161,336,395**	**597,115,395**	**94,566,851**	**1,853,018,641**
Segment liabilities	954,120,135	597,115,395	94,566,851	1,645,802,381
Other unallocated liabilities	-	-	-	-
Total liabilities	**954,120,135**	**597,115,395**	**94,566,851**	**1,645,802,381**

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

The table below provides a reconciliation between line items in the statement of financial position and categories of financial instruments

Group

In thousands of Naira

		Financial assets				Financial liabilities		
31 December 2017	**Note**	**Fair value through profit or loss**	**Available-for-sale**	**Held to maturity**	**Loans and receivables**	**Fair value through profit or loss**	**Other financial liabilities**	**Total Carrying amount**
Financial assets								
Cash and balances with central banks	18	-	-	-	299,397,460	-	-	299,397,460
Financial assets held for trading	19	38,333,109	-	-	-	-	-	38,333,109
Derivative assets	20	1,318,528	-	-	-	-	-	1,318,528
Assets pledged as collateral	21	-	-	94,420,486	1,067,781	-	-	95,488,267
Loans to banks	22	-	-	-	35,155,501	-	-	35,155,501
Loans 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	32	-	-	-	88,103,182	-	-	88,103,182
Total financial assets		**39,651,637**	**148,279,372**	**170,162,926**	**1,179,227,086**	**-**	**-**	**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		-	-	-	-	-	44,460,729	44,460,729
Borrowings	36	-	-	-	-	-	161,297,212	161,297,212
Long term debt	37	-	-	-	-	-	70,515,228	70,515,228
Total financial liabilities		**-**	**-**	**-**	**-**	**740,724**	**1,448,826,207**	**1,449,566,931**

Group
In thousands of Naira

31 December 2016	Note	Financial assets: Fair value through profit or loss	Financial assets: Available-for-sale	Financial assets: Held to maturity	Financial assets: Loans and receivables	Financial liabilities: Fair value through profit or loss	Financial liabilities: Other financial liabilities	Total Carrying amount
Financial assets								
Cash and balances with central banks	19	-	-	-	329,906,916	-	-	329,906,916
Financial assets held for trading	20	6,870,235	-	-	-	-	-	6,870,235
Derivative assets	21	2,088,208	-	-	-	-	-	2,088,208
Assets pledged as collateral	22	-	-	220,855,113	1,043,113	-	-	221,898,226
Loans to banks	23	-	-	-	100,342,964	-	-	100,342,964
Loans and advances to customers	24	-	-	-	995,334,118	-	-	995,334,118
Investment securities	25	-	23,119,904	212,444,985	-	-	-	235,564,889
Other assets	32	-	-	-	58,215,378	-	-	58,215,378
Total financial assets		**8,958,443**	**23,119,904**	**433,300,098**	**1,484,842,489**	**-**	**-**	**1,950,220,934**
Financial liabilities								
Deposits from banks	33	-	-	-	-	-	103,409,297	103,409,297
Deposit from customers	34	-	-	-	-	-	1,424,689,527	1,424,689,527
Derivative liability	35	-	-	-	-	2,187,779	-	2,187,779
Other liabilities		-	-	-	-	-	53,356,255	53,356,255
Borrowings	37	-	-	-	-	-	169,182,279	169,182,279
Long term debt	38	-	-	-	-	-	61,323,847	61,323,847
Total financial liabilities		**-**	**-**	**-**	**-**	**2,187,779**	**1,811,961,205**	**1,814,148,984**

Bank
In thousands of Naira

		Financial assets				Financial liabilities		
31 December 2017	**Note**	**Fair value through profit or loss**	**Available for sale**	**Held to maturity**	**Loans and receivables**	**Fair value through profit or loss**	**Other financial liabilities**	**Total Carrying amount**
Financial assets								
Cash and balances with central banks	18	-	-	-	299,395,467	-	-	299,395,467
Financial assets held for trading	19	38,333,109	-	-	-	-	-	38,333,109
Derivative assets	20	1,318,528	-	-	-	-	-	1,318,528
Assets pledged as collateral	21	-	-	94,420,486	21,937,406	-	-	116,357,892
Loans to banks	22	-	-	-	77,610,730	-	-	77,610,730
Loans 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	32	-	-	-	88,021,390	-	-	88,021,390
Total financial assets		**39,651,637**	**148,039,154**	**170,162,926**	**1,242,453,051**	**-**	**-**	**1,600,306,768**
Financial liabilities								
Deposits from banks	32	-	-	-	-	-	25,861,109	25,861,109
Deposits from customers	33	-	-	-	-	-	1,164,726,773	1,164,726,773
Derivative liability	34	-	-	-	-	740,724	-	740,724
Other liabilities		-	-	-	-	-	44,449,077	44,449,077
Borrowings	36	-	-	-	-	-	169,680,170	169,680,170
Long term debt	37	-	-	-	-	-	70,515,228	70,515,228
Total financial liabilities		**-**	**-**	**-**	**-**	**740,724**	**1,475,232,357**	**1,475,973,081**

Bank
In thousands of Naira

31 December 2016		Financial assets: Fair value through profit or loss	Financial assets: Available for sale	Financial assets: Held to maturity	Financial assets: Loans and receivables	Financial liabilities: Fair value through profit or loss	Financial liabilities: Amortised cost	Total Carrying amount
Financial assets								
Cash and balances with central banks	18	-	-	-	289,663,505	-	-	289,663,505
Financial assets held for trading	19	6,870,235	-	-	-	-	-	6,870,235
Derivative assets	20	1,925,777	-	-	-	-	-	1,925,777
Assets pledged as collateral	21	-	-	149,348,032	21,275,785	-	-	170,623,817
Loans to banks	22	-	-	-	88,553,151	-	-	88,553,151
Loans and advances to customers	23	-	-	-	804,635,641	-	-	804,635,641
Investment securities	24(a)	-	9,169,048	151,141,809	-	-	-	160,310,857
Other assets	32	-	-	-	40,850,848	-	-	40,850,848
Total financial assets		**8,796,012**	**9,169,048**	**300,489,841**	**1,244,978,930**	**-**	**-**	**1,563,433,831**
Financial liabilities								
Deposits from banks	33	-	-	-	-	-	13,365,314	13,365,314
Deposits from customers	34	-	-	-	-	-	1,134,861,466	1,134,861,466
Derivative liability	35	-	-	-	-	2,126,386	-	2,126,386
Other liabilities		-	-	-	-	-	36,220,137	36,220,137
Borrowings	37	-	-	-	-	-	197,644,942	197,644,942
Long term debt	38	-	-	-	-	-	61,307,852	61,307,852
Total financial liabilities		**-**	**-**	**-**	**-**	**2,126,386**	**1,443,399,711**	**1,445,526,097**

7 Interest income

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Loans and advances to customers	96,935,618	90,812,518	97,098,310	90,944,875
Loans to banks	2,489,165	168,144	4,465,366	3,103,713
Investment securities				
- Asset pledged as collateral	12,207,210	17,696,964	12,207,210	17,696,965
- Held to maturity	10,348,469	17,909,517	9,792,407	17,909,517
- Available for sale	18,386,223	409,796	18,386,223	409,796
- Held for trading	4,955,919	814,087	4,955,919	814,087
Total interest income	**145,322,604**	**127,811,026**	**146,905,435**	**130,878,953**

Interest income for the year ended 31 December 2017 includes N1.40 billion (December 2016: 2.43 billion) accrued on impaired loans and advances to customers.

8 Interest expense

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Deposits from customers	29,340,782	20,931,930	29,353,176	21,142,175
Deposits from banks	6,163	2,062,653	237,300	2,062,653
Borrowings	9,704,021	2,676,519	9,704,021	5,757,809
Long term debt	7,987,448	5,596,655	7,987,448	5,579,695
Total interest expense	**47,038,414**	**31,267,757**	**47,281,945**	**34,542,332**

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 Net impairment loss on financial assets

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Loans and advances to customers:				
Collective impairment (credit)/charge on loans and advances to customers (see Note 24.1)	(2,072,244)	2,780,673	(2,072,244)	2,780,673
Specific impairment charge on loans and advances to customers (see Note 24.1)	59,469,325	51,790,196	59,469,325	51,790,196
Recoveries on loans previously written off	(4,093,899)	(3,867,993)	(4,093,899)	(3,867,993)
Loans written off as uncollectible	1,127,184	663,205	1,127,184	663,205
	54,430,366	51,366,081	54,430,366	51,366,081
Other loans and receivables:				
Specific impairment charge on other loans and receivables (see Note 24(b)(i))	-	2,922,942	-	2,922,942
Investment securities:				
Impairment (reversal)/charge on available for sale equities (See Note 25.1)	(15,612)	2,692,124	(15,612)	2,692,124
Investment in associates:				
Impairment charge on investments in associates (See Note 27)	-	-	-	-
Other assets:				
Impairment charge on other assets (See Note 32)	2,415,657	34,327	2,415,657	34,327
	56,830,411	**57,015,474**	**56,830,411**	**57,015,474**

10 Net fee and commission income

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Service fees and charges	6,953,619	6,073,055	6,541,807	5,721,913
Card fees and charges	4,937,517	5,703,993	4,937,517	5,703,993
DBA product fees	7,779,927	7,061,380	7,779,927	7,061,380
Account maintenance fee	3,957,648	3,619,010	3,957,648	3,619,010
Letters of credit commission	1,439,801	3,158,406	1,439,801	3,549,213
Advisory fees	52,482	408,425	52,482	408,425
Funds transfer commissions	5,604,577	5,485,445	5,604,577	5,485,445
Short term loan processing fee	4,692,082	8,653,724	4,692,082	8,653,724
Other fees and commissions	1,650,769	1,269,415	1,630,295	1,269,415
Total fee and commission income	37,068,422	41,432,853	36,636,136	41,472,518
Fee and commission expense (see (a) below)	(8,453,192)	(8,835,277)	(8,672,485)	(9,226,084)
Net fee and commission income	**28,615,230**	**32,597,576**	**27,963,651**	**32,246,434**

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 N464,209,000 (2016: N337,278,000) 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 2017	Group 2016	Bank 2017	Bank 2016
Visa expenses	5,275,381	4,552,432	5,275,381	4,552,432
ATM fees	1,738,485	1,527,794	1,738,485	1,527,794
Bank charges	942,938	427,615	942,938	427,615
Fees on borrowings	340,959	2,046,453	340,959	2,437,260
Other fee expenses	155,429	280,983	374,722	280,983
Total fee and commission expense	8,453,192	8,835,277	8,672,485	9,226,084

11 Net trading income/(Loss)

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Foreign exchange income	3,161,331	13,188,637	3,161,331	13,188,637
Financial assets held for trading	739,103	(761,643)	739,103	(761,643)
Net trading income	**3,900,434**	**12,426,994**	**3,900,434**	**12,426,994**

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 2017	Group 2016	Bank 2017	Bank 2016
Net gain on sale of available-for-sale equity securities	-	947,675	-	947,675
Dividends on available-for-sale equity securities	47,209	71,761	47,209	186,827
Gain/(loss) on disposal of property and equipment	(161,351)	212,934	(161,351)	212,934
Fair value gain/(loss) on investment properties held for sale	75,023	(792,012)	70,023	(792,012)
Gain on disposal of subsidiary (See note 47(c))	2,264,367	-	14,845,667	-
Other income	327,017	894,060	327,018	894,060
	2,552,265	**1,334,418**	**15,128,566**	**1,449,484**

13 Net gain from other financial instruments through profit or loss

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Fair value loss on currency swap (see Note 20)	(1,005,468)	-	(1,005,468)	-
Fair value gain on convertible option (see Note 34)	-	1,051,066	-	1,051,066
Fair value gain on non-deliverable forwards	626,598	-	626,598	-
Fair value gain on FX forward with Afrexim (see Note 20)	1,157,282	-	1,157,282	-
	778,412	**1,051,066**	**778,412**	**1,051,066**

14 Personnel expenses

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Wages and salaries	22,731,041	24,438,640	22,602,646	24,307,842
Contributions to defined contribution plans (See (a) below)	701,447	728,929	698,136	725,453
Other personnel benefits *(See (b) below)*	355,021	1,711,419	321,893	1,711,419
	23,787,509	**26,878,988**	**23,622,675**	**26,744,714**

(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 2017	Group 2016	Bank 2017	Bank 2016
General administrative expenses	6,771,695	4,497,467	6,687,631	4,432,858
Advertising and promotion expenses	2,999,511	2,986,238	2,994,557	2,972,009
Cash - in- transit expense	950,297	899,702	950,297	899,702
Channels Service Expenses	1,655,926	930,309	1,655,926	930,309
Contributions and Donations	518,986	353,666	518,986	353,666
I.T.F Levy	294,600	236,764	292,901	236,764
Medical Expenses	628,583	647,450	628,583	647,450
Office Stationery and Supplies	755,609	725,267	749,680	712,121
Customer Address Verification Exercise	305,109	420,754	305,109	420,754
Insurance Expense	606,583	632,546	603,561	632,546
Leased Circuits And Hosting Fees	1,101,750	1,411,594	1,101,750	1,411,594
Motor Vehicle Running Expenses	684,342	673,788	683,801	668,886
NDIC premium	5,570,351	5,011,810	5,570,351	5,011,810
Service staff salaries	6,792,812	5,589,882	6,749,093	5,574,401
Security and power	5,464,585	4,690,334	5,448,016	4,677,659
AMCON resolution fund	8,312,544	7,775,915	8,312,544	7,775,915
Repairs and maintenance	7,606,598	5,727,425	7,590,389	5,716,578
Professional fees	3,691,683	3,607,335	3,657,844	3,597,163
Business travels	707,143	805,233	701,345	797,816
Directors and emoluments	271,290	262,624	224,379	226,820
Auditors remuneration	220,000	180,353	214,000	175,000
	55,909,997	**48,066,456**	**55,640,743**	**47,871,821**

(b) Operating lease expenses

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
	1,022,071	1,030,809	1,012,564	1,020,793

16 Taxation

For the year ended 31 December *In thousands of Naira*	Group 2017	Group 2016	Bank 2017	Bank 2016
Minimum tax	1,310,230	1,287,864	1,299,774	1,287,864
Income tax expense				
Corporate income tax	9,918	80,436	-	-
Tertiary education tax	1,910	-	-	-
NITDA levy	27,517	-	21,692	32,579
	39,345	80,436	21,692	32,579
Deferred tax expense				
Deferred tax charge	-	-	-	-
Total income tax expense	39,345	80,436	21,692	32,579
Total tax expense	**1,349,575**	**1,368,300**	**1,321,466**	**1,320,443**

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

	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Balance, beginning of year	2,027,948	1,697,816	1,598,861	1,599,970
Tax paid	(1,756,573)	(1,205,040)	(1,327,914)	(1,321,552)
Tax expense	1,349,575	1,535,172	1,321,466	1,320,443
Exchange difference	-	-	-	-
Balance, end of year	1,620,950	2,027,948	1,592,413	1,598,861

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Naira*		Group 2017		Group 2016
Profit before income tax		(11,546,952)		5,034,137
Income tax using the domestic corporation tax rate	30%	(3,464,087)	30%	1,510,241
Effect of tax rates in foreign jurisdictions	0%	(182)	-6%	(308,367)
Non-deductible expenses	-10%	1,175,405	24%	1,231,671
NITDA levy	0%	19,217	0%	22,805
Minimum tax	-11%	1,310,230	25%	1,276,262
Tax exempt income	133%	(15,348,866)	-232%	(11,660,474)
Unrecognized deferred taxation	-153%	17,657,858	188%	9,463,034
Total income tax expense in income statement	-13%	1,349,575	29%	1,535,172

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Naira*		Bank 2017		Bank 2016
Profit before income tax		2,190,907		3,290,487
Income tax using the domestic corporation tax rate	30%	657,272	30%	987,146
NITDA levy	1%	15,185	1%	22,805
Non-deductible expenses	54%	1,175,405	37%	1,231,671
Tax exempt income	-889%	(19,484,028)	-354%	(11,660,474)
Minimum tax	59%	1,299,774	39%	1,276,262
Unrecognized deferred taxation	806%	17,657,858	288%	9,463,033
Total income tax expense in income statement	61%	1,321,466	40%	1,320,443

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 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

For the year ended 31 December	Group 2017	Group 2016	Bank 2017	Bank 2016
(Loss)/profit attributable to equity holders of the Bank (Basic) from continuing operations	(12,896,527)	2,000,278	869,441	1,970,044
(Loss)/profit attributable to equity holders of the Bank (Basic) from total operations	(9,011,214)	3,498,965	869,441	1,970,044
Weighted average number of ordinary shares in issue (in thousand)	23,160,389	23,160,389	23,160,389	23,160,389
Basic (loss)/ earnings per share (expressed in Kobo per share) from continuing operations	(56)	9	4	9
Basic (loss)/ earnings per share (expressed in Kobo per share) from total operations	(39)	15	4	9

(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.

For the year ended 31 December	Group 2017	Group 2016	Bank 2017	Bank 2016
(Loss)/profit attributable to equity holders of the Bank (Basic) from continuing operations	(12,896,527)	2,000,278	869,441	1,970,044
(Loss)/profit attributable to equity holders of the Bank (Basic) from total operations	(9,011,214)	3,498,965	869,441	1,970,044
Effect of conversion of potential ordinary shares	3,323,089	2,090,639	3,323,089	2,090,639
(Loss)/profit attributable to equity holders of the Bank (diluted) from continuing operations	(9,573,438)	4,090,917	4,192,530	4,060,683
(Loss)/profit attributable to equity holders of the Bank (diluted) from total operations	(5,688,125)	5,589,604	4,192,530	4,060,683
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	5,600,579	5,405,283	5,600,579
Weighted average number of ordinary shares in issue (in million)	28,565,672	28,760,968	28,565,672	28,760,968
Diluted earnings per share (expressed in Kobo per share) from continuing operations	(56)	9	4	9
Diluted earnings per share (expressed in Kobo per share) from total operations	(39)	15	4	9

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 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Cash on hand	41,600,417	41,577,206	41,598,424	31,408,946
Balances with central banks other than mandatory deposits	31,749,188	43,979,305	31,749,188	24,844,938
Included in cash and cash equivalents (Note 44)	73,349,605	85,556,511	73,347,612	56,253,884
Mandatory reserve deposits with central banks	186,099,896	204,402,446	186,099,896	193,461,662
Special intervention reserve deposits with central bank	39,947,959	39,947,959	39,947,959	39,947,959
	299,397,460	329,906,916	299,395,467	289,663,505

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.
The Special Intervention Reserve deposit represents the Bank's contribution to the CBN's Real Sector Support Facility (RSSF) programme.
For the purposes of the statement of cashflow, these balances are excluded from cash and cash equivalents.

19 Financial assets held for trading

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Treasury bills	37,688,365	6,660,368	37,688,365	6,660,368
Government bonds	644,744	209,867	644,744	209,867
	38,333,109	6,870,235	38,333,109	6,870,235
Current	38,333,109	6,870,235	38,333,109	6,870,235
Non-current			-	-
	38,333,109	6,870,235	38,333,109	6,870,235

20 Derivative assets

Group	2017		2016	
In thousands of Naira	Asset	Liabilities	Asset	Liabilities
Foreign exchange contracts (See (a) below))	1,157,282	-	162,431	-
OTC Futures contracts (See (b) below))	161,246	-	1,925,777	-
	1,318,528	-	2,088,208	-

Bank	2017		2016	
In thousands of Naira	Asset	Liabilities	Asset	Liabilities
FX Forward contracts (See (a) below))	1,157,282	-	-	-
OTC Futures contracts (See (b) below))	161,246	-	1,925,777	-
	1,318,528	-	1,925,777	-

Notional Contract Amount *In thousands of Naira*	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
FX forwards	64,302,000	-	64,302,000	-
OTC Futures contracts	39,963,000	9,143,363	39,963,000	9,143,363
	104,265,000	9,143,363	104,265,000	9,143,363

(a) The Group usesFX 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 NIFEX 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 classified as either loans and receivables or held to maturity and are subsequently measured at amortized cost.

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

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Government bonds	59,145,969	129,780,178	59,145,969	58,273,097
Treasury Bills	35,274,517	91,074,935	35,274,517	91,074,935
Placements with other banks	1,067,781	1,043,113	21,937,406	21,275,785
	95,488,267	221,898,226	116,357,892	170,623,817

Assets pledged as collateral include N84.1 billion pledged as collateral for borrowings from financial institutions (December 2016:145.65 billion).

As at 31 December 2017, the Bank held no collateral which it was permitted to sell or repledge in the absence of default by the owner of the collateral (December 2016: nil).

Current	36,342,298	92,118,048	57,211,923	112,350,720
Non-current	59,145,969	129,780,178	59,145,969	58,273,097
	95,488,267	221,898,226	116,357,892	170,623,817

22 Loans to banks

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Current balances with other banks	-	-	-	-
Currrent balances with banks outside Nigeria	24,513,272	34,546,737	28,944,501	30,516,876
Placements with banks and discount houses	10,642,229	65,796,227	48,666,229	58,036,275
	35,155,501	100,342,964	77,610,730	88,553,151
Current	35,155,501	100,342,964	77,610,730	88,553,151
Non-current	-	-	-	-
	35,155,501	100,342,964	77,610,730	88,553,151

23 Loans and advances to customers

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Loans and advances to customers (see note (a) below)	755,503,162	995,334,118	755,488,058	804,635,641
Other loans and receivables (see note (b) below)	-	-	-	-
	755,503,162	995,334,118	755,488,058	804,635,641

(a) Loans and advances to customers

Group

In thousands of Naira	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2017					
Overdrafts	79,355,859	(3,166,021)	(1,849,078)	(5,015,099)	74,340,760
Term loans	726,944,823	(50,765,186)	(3,029,708)	(53,794,894)	673,149,929
Staff loans	4,862,905	-	-	-	4,862,905
Commercial papers ('CP')	-	-	-	-	-
	811,163,587	(53,931,207)	(4,878,786)	(58,809,993)	752,353,594
Advances under finance lease (Note 24.2)	3,203,908	-	(54,340)	(54,340)	3,149,568
	814,367,495	**(53,931,207)**	**(4,933,126)**	**(58,864,333)**	**755,503,162**

Group

In thousands of Naira	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2016					
Overdrafts	85,878,539	(14,859,453)	(2,186,631)	(17,046,084)	68,832,455
Term loans	952,825,208	(26,514,519)	(12,694,500)	(39,209,019)	913,616,189
Staff loans	5,224,975	(345,117)	(9,432)	(354,549)	4,870,426
Commercial papers ('CP')	4,814,516	-	-	-	4,814,516
	1,048,743,238	(41,719,089)	(14,890,563)	(56,609,652)	992,133,586
Advances under finance lease (Note 24.2)	4,055,831	-	(855,299)	(855,299)	3,200,532
	1,052,799,069	**(41,719,089)**	**(15,745,862)**	**(57,464,951)**	**995,334,118**

Bank

In thousands of Naira	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2017					
Overdrafts	79,355,859	(3,166,021)	(1,849,078)	(5,015,099)	74,340,760
Term loans	726,944,823	(50,765,186)	(3,029,708)	(53,794,894)	673,149,929
Staff loans	4,847,801	-	-	-	4,847,801
	811,148,483	(53,931,207)	(4,878,786)	(58,809,993)	752,338,490
Advances under finance lease (Note 24.2)	3,203,908	-	(54,340)	(54,340)	3,149,568
	814,352,391	**(53,931,207)**	**(4,933,126)**	**(58,864,333)**	**755,488,058**

Bank

In thousands of Naira	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2016					
Overdrafts	67,670,780	(9,426,849)	(1,849,078)	(11,275,927)	56,394,853
Term loans	780,076,745	(26,514,519)	(12,694,500)	(39,209,019)	740,867,726
Staff loans	4,527,079	(345,117)	(9,432)	(354,549)	4,172,530
	852,274,604	(36,286,485)	(14,553,010)	(50,839,495)	801,435,109
Advances under finance lease (Note 24.2)	4,055,831	-	(855,299)	(855,299)	3,200,532
	856,330,435	**(36,286,485)**	**(15,408,309)**	**(51,694,794)**	**804,635,641**

	Group 2017	Group 2016	Bank 2017	Bank 2016
Current	282,204,859	559,905,087	282,189,755	414,789,474
Non-current	473,298,303	435,429,031	473,298,303	389,846,167
	755,503,162	995,334,118	755,488,058	804,635,641

23.1 Reconciliation of impairment allowance on loans and advances to customers:

Specific allowances for impairment on loans and advances to customers

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Balance, beginning of year	41,719,089	34,487,591	36,286,485	31,610,148
Impairment loss for the year (see Note 9):				
- Charge for the year	59,469,325	53,805,898	59,469,325	51,790,196
- Write back of impairment charge	-	-	-	-
Net impairment for the year	59,469,325	53,805,898	59,469,325	51,790,196
Write-offs	(50,227,540)	(47,113,860)	(50,227,540)	(47,113,859)
Disposal of susidiary	(5,990,017)			
Exchange difference	557,413	539,460	-	-
Reclassification from collective impairment	8,402,937		8,402,937	
Balance end of year	53,931,207	41,719,089	53,931,207	36,286,485

Total specific allowances for impaired loans and advances are analysed as follows:

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Individually significant impaired loans	50,272,313	35,019,148	50,272,313	31,664,058
Individually insignificant impaired loans	3,658,894	6,120,328	3,658,894	4,622,427
	53,931,207	41,139,476	53,931,207	36,286,485

Collective allowances for impairment on loans and advances to customers

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Balance beginning of year	15,745,862	17,795,467	15,408,310	17,188,129
Impairment loss for the year (see Note 9):				
- Charge for the year	(2,072,244)	2,780,673	(2,072,244)	2,780,673
- Write back of impairment charge	-	-	-	-
Net impairment for the year	(2,072,244)	2,780,673	(2,072,244)	2,780,673
Write-offs	-	(4,560,492)	-	(4,560,492)
Disposal of subsidiary	(437,988)	-	-	-
Exchange difference	100,433	(269,786)	-	-
Reclassified to specific impairment	(8,402,937)		(8,402,937)	
Balance end of year	4,933,126	15,745,862	4,933,129	15,408,310

23.2 Advances under finance lease may be analysed as follows:

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Gross investment				
- No later than 1 year	1,234,068	1,657,709	1,234,068	1,657,709
- Later than 1 year and no later than 5 years	1,969,840	2,398,122	1,969,840	2,398,122
- More than 5 years	-	-	-	-
	3,203,908	4,055,831	3,203,908	4,055,831
Allowance for advances under finance lease	(54,340)	(855,299)	(54,340)	(855,299)
Net investment	3,149,568	3,200,533	3,149,568	3,200,532

23.3 The net investment may be analysed as follows:

	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
- No later than 1 year	1,211,064	1,641,081	1,211,064	1,641,081
- Later than 1 year and no later than 5 years	1,938,504	1,559,452	1,938,504	1,559,452
	3,149,568	3,200,533	3,149,568	3,200,532

(b) Other loans and receivables

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Other loans and receivables	7,535,232	7,535,232	7,535,232	7,535,232
Less specific allowance for impairment (see Note b(i) below)	(7,535,232)	(7,535,232)	(7,535,232)	(7,535,232)
	-	-	-	-

b(i) The reconciliation of specific impairment allowance for other loans and receivables is as follows:

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Balance, beginning of year	7,535,232	4,612,290	7,535,232	4,612,290
Impairment charge for the year (see Note 9):	-	2,922,942	-	2,922,942
Balance, end of year	7,535,232	7,535,232	7,535,232	7,535,232

24 Investment securities

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
(a) Available-for-sale investments				
Treasury bills	140,968,940	12,078,752	140,728,722	2,607,231
Government bonds	1,485,288	851,117	1,485,288	851,117
Other bonds	-	4,449,957	-	-
Debt securities	142,454,228	17,379,826	142,214,010	3,458,348
Equity securities – at fair value:				
- Listed	-	29,378	-	-
- Unlisted	5,675,283	5,659,342	5,675,283	5,659,342
Equity securities – at cost:				
- Unlisted	5,016,848	4,933,957	5,016,848	4,933,957
Specific impairment for unlisted equity securities at cost	(4,866,987)	(4,882,599)	(4,866,987)	(4,882,599)
Equity securities	5,825,144	5,740,078	5,825,144	5,710,700
Total available for sale investments	148,279,372	23,119,904	148,039,154	9,169,048

(b) Held to maturity investments

Treasury bills (see Note 25.2)	48,142,679	139,033,488	48,142,679	118,126,576
Government bonds	25,643,399	70,809,033	25,643,399	30,412,769
Corporate bonds	-	515,361	-	515,361
Other bonds	1,956,362	2,087,103	1,956,362	2,087,103
Total held to maturity investments	75,742,440	212,444,985	75,742,440	151,141,809
Total investment securities	224,021,812	235,564,889	223,781,594	160,310,857
Current	189,111,619	151,112,241	188,871,401	120,733,807
Non-current	34,910,193	84,452,648	34,910,193	39,577,050
	224,021,812	235,564,889	223,781,594	160,310,857

24.1 The reconciliation of the allowance account for losses on securities classified as available for sale is as follows:

Available for sale- unlisted equity securities	**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Balance, beginning of year	4,882,599	2,190,475	4,882,599	2,190,475
Write back of impairment charge	-	-	-	-
Charge for the year	(15,612)	2,692,124	(15,612)	2,692,124
Net impairment for the year	(15,612)	2,692,124	(15,612)	2,692,124
Allowance written off	-	-	-	-
Balance, end of year	4,866,987	4,882,599	4,866,987	4,882,599

24.2 For the purposes of the statement of cash flow, the following investment securities have been included as cash and cash equivalents (see Note 43):

	Group 31 December 2017	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Held to Maturity investments				
Treasury Bills (with original maturity of 3 months or less)	-	9,102,939	-	9,102,939

25 Investment in subsidiaries

In thousands of Naira	**31 December 2017**	**31 December 2016**
Diamond Bank du Benin (S.A)	-	5,865,622
Diamond Pension Fund Custodian Ltd (DPFC)	2,000,000	2,000,000
Diamond Bank UK	-	7,976,260
Diamond Bank B.V.	-	-
	2,000,000	15,841,882

The subsidiary companies comprise the following:

				Ownership interest (%)	
	Nature of business	**Country of Incorporation**	**Year End**	**31 December 2017**	**31 December 2016**
Diamond Pension Fund Custodian Ltd (DPFC) (see (a) below)	Pension Fund Custody	Nigeria	31 December	100.00	100.00
Diamond Finance B.V. (see (b) below)	Structured Entity	Netherlands	30 March	-	-
Diamond Bank du Benin (S.A) (see (c) below)	Banking	Benin	31 December	-	97.07
Diamond Bank UK (see (d) below)	Banking	United Kingdom	31 December	100.00	100.00

(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.

(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) Diamond Bank du Benin (S.A) has 100% holding in Diamond Bank Togo, Diamond Bank Senegal, and Diamond Bank Cote d'iviore.
In order to align the Group's business operations to its long term goal of capitalizing on the significant opportunities in the Nigerian market, the Bank divested its interest in Diamond Bank du Benin (SA) in November 2017. See note 47(c) for details of the divestment.

(d) The Group is in the process of divesting its investment in Diamond Bank UK. During the year, 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).

(e) 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 N92 billion and N36 billion respectively (2016:N496 billion and N467 billion respectively).

(a) 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)	-	(88,373,236)	(455,191)	(18,646)
Net impairment on financial assets	(56,830,411)	-	(56,830,411)	-	-
Profit before tax	(11,546,952)	(14,322,683)	2,190,906	582,994	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 operations	(12,896,527)	(14,322,683)	869,440	555,251	1,462
Profit from discontinued operations (net of tax)	3,885,313	-	-	-	-
Profit for the year	(9,011,214)	(14,322,683)	869,440	555,251	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 held for trading	38,333,109	-	38,333,109	-	-
Derivative assets	1,318,528	-	1,318,528	-	-
Assets 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		-			
-Available-for-sale	148,279,372	-	148,039,154	240,218	-
-Held to maturity	75,742,440	-	75,742,440	-	-
Investment in subsidiaries	-	(2,000,000)	2,000,000	-	-
Investments 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:					
Deposits from banks	10,958,909	(14,902,200)	25,861,109	-	-
Deposits 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

(b) Condensed results of consolidated entities
The condensed financial data of the consolidated entities as at 31 December 2016, are as follows:

Condensed profit or loss

	31 December 2016						
In thousands of Naira	**Group balances**	**Elimination entries**	**Diamond Bank Plc**	**Diamond Bank du Benin**	**Diamond Pension Fund Custodian**	**Diamond Bank UK**	**Diamond Finance B.V.**
Operating income	161,111,744	(132,026)	143,510,599	14,319,288	560,887	2,839,132	13,864
Operating expenses	(97,052,871)	18,405	(83,204,638)	(11,329,005)	(370,589)	(2,154,594)	(12,449)
Net impairment on financial assets	(59,024,736)	-	(57,015,474)	(2,009,262)	-	-	-
Profit before tax	5,034,137	(113,621)	3,290,487	981,021	190,298	684,538	1,415
Minimum tax	(1,287,864)	-	(1,287,864)	-	-	-	-
Taxation	(247,308)	-	(32,579)	(69,954)	(47,574)	(96,918)	(283)
Profit for the period	3,498,965	(113,621)	1,970,044	911,067	142,724	587,620	1,132

Condensed financial position

	31 December 2016						
In thousands of Naira	**Group balances**	**Elimination entries**	**Diamond Bank Plc**	**Diamond Bank du Benin**	**Diamond Pension Fund Custodian**	**Diamond Bank UK**	**Diamond Finance B.V.**
Assets							
Cash and balances with central ba	329,906,916	-	289,663,505	36,769,721	16	3,473,674	-
Financial assets held for trading	6,870,235	-	6,870,235	-	-	-	-
Derivative assets	2,088,208	-	1,925,777	-	-	162,431	-
Assets pledged as collateral	221,898,226	(20,232,672)	170,623,817	71,507,081	-	-	-
Loans to banks	100,342,964	(89,319,848)	88,553,151	29,517,443	2,918,160	53,119,213	15,554,845
Loans and advances to customer	995,334,118	(3,154,239)	804,635,641	170,433,049	19,585	23,400,082	-
Investment securities							-
-Available-for-sale	23,119,904	-	9,169,048	29,378	-	13,921,478	-
-Held to maturity	212,444,985	-	151,141,809	61,303,176	-	-	-
Investment in subsidiaries	-	(15,841,882)	15,841,882	-	-	-	-
Investments in associates	-	-	-	-	-	-	-
Investment properties held for sale	3,870,200	-	3,701,500	-	168,700	-	-
Property and equipment	67,146,137	-	60,948,266	6,028,827	37,510	131,535	-
Intangible assets	5,646,005	870,973	4,521,189	171,197	27,523	55,122	-
Deferred taxation	4,984,388	-	4,984,388	-	-	-	-
Other assets	76,146,470	-	49,928,617	25,779,627	73,517	364,709	-
	2,049,798,756	(127,677,668)	1,662,508,825	401,539,499	3,245,011	94,628,244	15,554,845
Financed by:							
Deposits from banks	103,409,297	(64,492,416)	13,365,314	73,431,000	-	81,105,399	-
Deposits from customers	1,424,689,527	(1,045,809)	1,134,861,466	290,680,341	-	193,529	-
Derivative liability	2,187,779	-	2,126,386	-	-	61,393	-
Current income tax liability	2,027,948	-	1,598,861	327,871	47,574	52,998	643
Deferred taxation	6,958	-	-	-	6,958	-	-
Other liabilities	60,263,158	(3)	40,267,095	19,676,615	34,321	285,130	-
Borrowings	169,182,279	(28,462,663)	197,644,942	-	-	-	-
Long term debt	61,323,847	(18,688,906)	61,307,852	3,154,239	-	-	15,550,662
Equity and reserves	226,707,963	(14,987,871)	211,336,909	14,269,433	3,156,157	12,929,795	3,540
	2,049,798,756	(127,677,669)	1,662,508,825	401,539,499	3,245,010	94,628,244	15,554,845

26 Investments in associates

The gross investment in associates is shown below.

In thousands of Naira	% Holding	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Flavours Foods Limited	40.0%	50,000	50,000	50,000	50,000
PCI Resins Limited	7.6%	52,500	52,500	52,500	52,500
PCI Paints Limited	33.0%	35,000	35,000	35,000	35,000
Savannah Chum Chum & Fries Limited	41.3%	45,000	45,000	45,000	45,000
Pek Industries Limited	34.0%	34,000	34,000	34,000	34,000
Credit Ref. Company Nigeria Limited	7.6%	96,661	96,661	96,661	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
		3,231,161	3,231,161	3,231,161	3,231,161
Cumulative impairment		(3,231,161)	(3,231,161)	(3,231,161)	(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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Balance, beginning of year	3,870,200	4,409,085	3,701,500	4,240,385
Additional expenditure	16,477	253,127	16,477	253,127
Fair value gain/(loss)	75,023	(792,012)	70,023	(792,012)
Balance, end of year	3,961,700	3,870,200	3,788,000	3,701,500

Property held for sale of N3.79 billion (December 2016: N3.70 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 22 December 2017, 5 December 2017 and 13 December 2017 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 2017 (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.	460,000	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.	N443 million - N470 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	178,000	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	N170 million - N250 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

In thousands of Naira	Work in progress	Land	Leasehold improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
Cost									
Balance at 1 January 2017	13,890,439	17,920,022	9,885,576	24,632,759	7,860,512	21,522,088	8,167,158	2,449,891	106,328,445
Additions	6,211,786	-	418,723	923,361	1,121,651	3,210,113	1,265,475	206,776	13,357,885
Reclassified from Intangible Assets	-	-	-	-	-	330,658	32,856	-	363,514
Reclassifications	(5,077,943)	2,698,805	39,272	1,724,048	4,859	561,808	20,957	28,194	-
Disposals	(71,164)	-	(112,066)	(50,081)	(902,972)	(287,032)	(38,285)	(103,741)	(1,565,341)
Disposal of subsidiary	(3,071,421)	(83,282)	(5,705,216)	(1,084,138)	(1,661,837)	(457,836)	(2,783,710)	(890,481)	(15,737,921)
Reclassified to assets held for sale	-	-	(161,912)	-	-	-	(544,520)	(96,601)	(803,033)
Balance at 31 December 2017	11,881,697	20,535,545	4,364,377	26,145,949	6,422,213	24,879,799	6,119,931	1,594,038	101,943,549
Accumulated depreciation									
Balance at 1 January 2017	-	757,614	5,920,076	5,532,755	5,373,748	13,370,782	6,208,331	2,019,003	39,182,309
Charge for the year	-	10,991	797,773	1,008,610	1,090,391	3,367,340	1,269,923	279,982	7,825,010
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-	-	(81,829)	(18,958)	(571,176)	(275,762)	(32,645)	(85,434)	(1,065,804)
Disposal of subsidiary		-	(3,033,426)	16,872	(926,777)	(368,758)	(1,994,258)	(851,907)	(7,158,254)
Reclassified to assets held for sale		-	(143,654)	-	-	-	(448,421)	(88,414)	(680,489)
Balance at 31 December 2017	-	768,605	3,458,940	6,539,279	4,966,186	16,093,602	5,002,930	1,273,230	38,102,772
Cost									
Balance at 1 January 2016	12,420,919	17,109,520	7,520,837	22,514,457	6,812,329	19,531,576	6,446,745	1,969,115	94,325,498
Additions	7,811,447	94,995	788,645	214,070	1,461,170	1,446,226	1,028,900	220,107	13,065,561
Reclassified from Intangible Assets	(881,768.30)	(168,063.00)	(17,335)	-	(229,617)	(53,032)	(71,541)	(8,890)	(1,430,246)
Reclassifications	(5,785,167)	733,627	(7,278)	2,131,892	30,906	1,165,178	165,674	118,908	(1,446,261)
Disposals	-	(10,996)	-	(227,660)	(695,460)	(705,222)	(124,197)	(98,977)	(1,862,512)
Write - offs	-	-	-	-	-	-	-	-	-
Exchange difference	325,008	160,939	1,600,707	-	481,184	137,362	721,577	249,628	3,676,405
At 31 December 2016	13,890,439	17,920,022	9,885,576	24,632,759	7,860,512	21,522,088	8,167,158	2,449,891	106,328,445
Accumulated depreciation									
Balance at 1 January 2016	-	740,478	4,543,214	4,732,672	4,525,199	11,200,264	4,788,576	1,399,014	31,929,417
Charge for the year	-	-	943,381	945,108	1,385,517	2,800,661	1,108,675	267,647	7,450,990
Reclassification	-	-	(32,772)	-	(205,828)	(48,047)	(64,858)	(8,495)	(360,000)
Disposals	-	(861)	(2,298)	(103,973)	(598,776)	(676,883)	(132,229)	(82,515)	(1,597,536)
Exchange differences	-	17,997	468,551	(41,052)	267,636	94,786	508,167	443,352	1,759,437
Balance at 31 December 2016	-	757,614	5,920,076	5,532,755	5,373,748	13,370,782	6,208,331	2,019,003	39,182,309
Carrying amounts :									
Balance at 31 December 2017	**11,881,697**	**19,766,940**	**905,437**	**19,606,670**	**1,456,027**	**8,786,197**	**1,117,001**	**320,808**	**63,840,777**
Balance at 31 December 2016	**13,890,439**	**17,162,408**	**3,965,500**	**19,100,004**	**2,486,764**	**8,151,307**	**1,958,827**	**430,888**	**67,146,136**

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2016 : nil).
The amount of contractual commitments for the acquisition of property and equipment as at 31 December 2017 is N3.95 billion (December 2016: N5.11 billion)

28 Property and equipment
BANK
(a) Reconciliation of carrying amount

In thousands of Naira	Work in progress	Land	Leasehold improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
Cost									
Balance at 1 January 2017	12,931,866	17,836,742	4,280,663	24,265,567	6,152,676	21,080,159	5,230,975	1,547,380	93,326,028
Additions	4,168,510	-	42,247	206,416	804,513	3,165,418	798,932	72,820	9,258,856
Reclassified to others	(140,734)	-	-	-	-	-	-	-	(140,734)
Reclassified from intangibles	-	-	-	-	-	330,658	32,856	-	363,514
Reclassifications from WIP	(5,077,943)	2,698,805	39,272	1,724,048	4,859	561,808	20,957	28,194	-
Disposals	-	-	(61,413)	(50,081)	(595,139)	(286,997)	(34,021)	(63,611)	(1,091,262)
Write - offs	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	11,881,699	20,535,547	4,300,769	26,145,950	6,366,909	24,851,046	6,049,699	1,584,783	101,716,402
Accumulated depreciation									
Balance at 1 January 2017	-	739,617	3,238,818	5,549,627	4,484,038	13,067,622	4,162,968	1,135,072	32,377,762
Charge for the year	-	-	218,233	1,008,610	827,812	3,280,307	823,141	184,962	6,343,065
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-		(61,412)	(18,958)	(378,352)	(275,762)	(31,222)	(53,659)	(819,365)
Balance at 31 December 2017	-	739,617	3,395,639	6,539,279	4,933,498	16,072,167	4,954,887	1,266,375	37,901,462
Cost									
Balance at 1 January 2016	11,734,264	17,109,521	4,199,772	22,159,865	5,849,877	19,223,871	4,706,220	1,410,102	86,393,494
Additions	6,147,037	4,590	52,890	201,470	967,354	1,393,019	459,960	116,507	9,342,826
Reclassified from Intangible Assets	(542,931)	-	28,001	-	-	(4,135)	-	-	(519,065)
Reclassifications	(4,406,504)	733,627	-	2,131,892	30,905	1,172,626	188,992	120,461	(28,001)
Disposals	-	(10,996)	-	(227,660)	(695,460)	(705,222)	(124,197)	(99,690)	(1,863,226)
Write - offs		-	-	-	-	-	-	-	-
Balance at 31 December 2016	12,931,866	17,836,742	4,280,663	24,265,567	6,152,676	21,080,159	5,230,975	1,547,380	93,326,028
Accumulated depreciation									
Balance at 1 January 2016	-	740,478	3,021,833	4,718,588	3,964,466	10,985,379	3,499,801	1,029,270	27,959,815
Charge for the year	-	-	216,985	935,013	1,118,335	2,759,613	780,073	187,257	5,997,276
Reclassifications	-	-	-	-	-	(626)	-	-	(626)
Disposals	-	(861)		(103,974)	(598,763)	(676,744)	(116,906)	(81,455)	(1,578,703)
Balance at 31 December 2016	-	739,617	3,238,818	5,549,627	4,484,038	13,067,622	4,162,968	1,135,072	32,377,762
Net book value at 31 December 2017	**11,881,699**	**19,795,930**	**905,130**	**19,606,671**	**1,433,411**	**8,778,879**	**1,094,812**	**318,408**	**63,814,940**
Net book value at 31 December 2016	**12,931,866**	**17,097,125**	**1,041,845**	**18,715,940**	**1,668,638**	**8,012,537**	**1,068,007**	**412,308**	**60,948,266**

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 2016 : nil).
The amount of contractual commitments for the acquisition of property and equipment as at 31 December 2017 is N3.95 billion (December 2016: N5.11 billion)

29 (a) Intangible assets

		Group			Bank		
In thousands of Naira	**Goodwill**	**Purchased Software**		**Total**	**Purchased Software**		**Total**
		Assets under Construction *	**Completed**		**Assets under Construction ***	**Completed**	
Cost							
31 December 2017							
Balance 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 differences	-	-	-	-			-
Balance at 31 December 2017	-	1,276,927	10,388,216	11,665,143	1,276,926	10,264,206	11,541,132
31 December 2016							
Balance at 1 January 2016	870,974	928,044	8,386,473	10,185,491	993,982	7,558,518	8,552,500
Additions	-	1,204,064	1,014,074	2,218,138	1,138,126	843,629	1,981,755
Reclassification	-	(69,586)	22,686	(46,900)	(69,586)	29,647	(39,939)
Reclassified to Property and Equipment	-	(22,560)	-	(22,560)	(22,560)		(22,560)
Write-offs	-	-		-	-	-	-
Translation differences	-	-	337,807	337,807	-	-	-
	-	-	-		-	-	-
Balance at 31 December 2016	870,974	2,039,962	9,761,040	12,671,976	2,039,962	8,431,794	10,471,756
Amortisation and impairment losses							
31 December 2017							
Balance 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
Disposals	-	-		-			
Reclassification	-	-	(11)	(11)	-	-	-
Disposal of subsidiary	-	-	(842,312)	(842,312)			
Reclassified to assets held for sale	-	-	(238,181)	(238,181)			
Translation differences	-	-	-	-	-	-	-
				-			-
Balance at 31 December 2017	-	-	7,757,617	7,757,617	-	7,704,755	7,704,755
31 December 2016							
Balance at 1 January 2016	-	-	5,063,191	5,063,191	-	4,380,533	4,380,533
Charge for the year	-	-	1,691,320	1,691,320	-	1,570,034	1,570,034
Reclassification	-	-	(2,210)	(2,210)	-	-	-
Translation differences			207,731	207,731			
Balance at 31 December 2016			6,960,032	6,960,032	-	5,950,567	5,950,567
Carrying amounts:							
Balance at 31 December 2017	**-**	**1,276,927**	**2,630,599**	**3,907,526**	**1,276,926**	**2,559,451**	**3,836,377**
Balance at 31 December 2016	**870,974**	**2,039,962**	**2,801,008**	**5,646,005**	**2,039,962**	**2,481,227**	**4,521,189**

There were no capitalised borrowing costs related to the internal development of software during the year. (December 2016: 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% (2016: 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 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

In thousands of Naira	Group			Bank		
	Deferred tax assets	**Deferred tax liabilities**	**Net**	**Deferred tax Assets**	**Deferred tax liabilities**	**Net**
31 December 2016						
Allowance for loan losses	1,743,561	-	1,743,561	1,743,561	-	1,743,561
Tax losses carried forward	3,458,881	-	3,458,881	3,458,881	-	3,458,881
Property and equipment	1,280,573	(6,958)	1,273,615	1,280,573	-	1,280,573
Investment property held for sale	72,932	-	72,932	72,932	-	72,932
Other temporary difference	(1,577,287)	-	(1,577,287)	(1,577,287)	-	(1,577,287)
Derivative liability	5,728	-	5,728	5,728	-	5,728
Deferred tax assets/(liabilitites) before set off	4,984,388	(6,958)	4,977,430	4,984,388	-	4,984,388
Set off of deferred tax	-	-	-	-	-	-
Deferred tax assets/(liabilities)	4,984,388	(6,958)	4,977,430	4,984,388	-	4,984,388

(b) Reconciliation for recognized deferred tax assets

In thousands of Naira	**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Deferred tax asset (net) at the beginning of the year	4,984,388	4,984,544	4,984,388	4,984,388
Origination/(reversal)of temporary differences				
Allowance for loan losses	(263,624)	-	(263,624)	-
Tax losses carried forward	778,079	(1,498,086)	778,079	(1,498,086)
Property and equipment	-	-	-	-
Investment property held for sale	(7,002)	(79,201)	(7,002)	(79,201)
Other temporary differences	(328,384)	1,577,131	(328,384)	1,577,287
Derivative transactions	(179,069)	-	(179,069)	
Closing balance	4,984,388	4,984,388	4,984,388	4,984,388

30 Deferred taxation

(b) Movement in deferred tax balances

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Net balance at 1 January	4,977,430	4,977,430	4,984,388	4,984,388
Recognized in profit or loss	1,909	-	-	-
Net balance at 31 December	4,979,339	4,977,430	4,984,388	4,984,388

(c) Recognition of deferred tax assets of N4.98 billion (2016: N4.98 billion) was based on the Bank's profit forecasts, 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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Allowance for loan losses	-	2,878,931	-	2,878,931
Tax losses carried forward	37,391,660	21,175,238	37,391,660	21,175,238
Property and equipment, and software	5,783,730	3,616,267	5,783,730	3,616,267
Derivative liabilities	-	7,109	-	7,109
Net balance at 31 December	43,175,390	27,677,545	43,175,390	27,677,545

31 Other assets

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Non-financial asset				
Prepayments	8,863,669	17,931,092	8,851,820	9,077,769
Financial assets:				
Accounts receivable (See (a) below)	87,004,855	59,202,335	86,951,968	42,172,273
Other receivables	4,127,076	1,825,152	4,095,638	1,456,768
	91,131,931	61,027,488	91,047,606	43,629,041
Specific allowances for impairment on other assets	(3,028,749)	(2,812,110)	(3,026,216)	(2,778,193)
	88,103,182	58,215,378	88,021,390	40,850,848
	96,966,851	**76,146,470**	**96,873,210**	**49,928,617**

(a) Account receivable balance includes N64.3 billion for the Group and Bank, which represents the Naira value of expected dollar receivable from the Central Bank of Nigeria. The receivable is in respect of a forward transaction which the Bank entered into in order to access foreign exchange for repayment of maturing obligations on its $175 million liability to Afrexim (see note 37(c)). The Bank had deposited the Naira exchange value of the forward transaction with the CBN, and had recognized a corresponding dollar receivable on the transaction.

Specific allowance for impairment on other assets				
Balance, beginning of year	2,812,110	3,321,564	2,778,193	3,307,589
Impairment charge during the year	2,415,657	1,322,507	2,415,657	496,170
Impairment write back during the year	-	(461,844)	-	(461,844)
Net impairment charge during the year (see Note 10)	2,415,657	860,663	2,415,657	34,326
Allowance written off	(2,167,634)	(563,724)	(2,167,634)	(563,722)
Exchange difference	-	(806,393)	-	-
Balance, end of year	3,028,749	2,812,110	3,026,216	2,778,193
Current	96,966,851	45,313,057	96,873,210	36,459,734
Non-current		30,833,414	-	13,468,883
	96,966,851	76,146,471	96,873,210	49,928,617

32 Deposits from banks

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Items in the course of collection	10,922,324	7,730,577	10,922,324	6,362,690
Interbank Takings	36,585	95,678,720	14,938,785	7,002,624
	10,958,909	103,409,297	25,861,109	13,365,314

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

Current	10,958,909	103,409,297	25,861,109	13,365,314
Non-current	-	-	-	-
	10,958,909	103,409,297	25,861,109	13,365,314

33 Deposits from customers

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Demand deposits	498,455,447	726,140,935	500,516,772	587,117,867
Term deposits	262,756,297	198,784,605	263,827,616	143,458,702
Savings deposits	400,382,385	499,763,987	400,382,385	404,284,897
	1,161,594,129	1,424,689,527	1,164,726,773	1,134,861,466
Current	898,837,832	1,225,904,922	900,899,157	991,402,764
Non-current	262,756,297	198,784,605	263,827,616	143,458,702
	1,161,594,129	1,424,689,527	1,164,726,773	1,134,861,466

34 Derivative liabilities

The table below analyses derivative liabilities by type of instrument

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Cross Currency Swap (See (a) below)	534,155	61,393	534,155	-
Option in Convertible Debt - IFC (See (b) below)	157,774	157,818	157,774	157,818
Option in Convertible Debt-Kunnoch Holdings (See (c) below)	48,795	42,791	48,795	42,791
OTC futures contracts (See (d) below)	-	1,925,777	-	1,925,777
	740,724	2,187,779	740,724	2,126,386
Current	534,155	1,987,170	534,155	1,925,777
Non-current	206,569	200,609	206,569	200,609
	740,724	2,187,779	740,724	2,126,386

(a) Cross Currency Swap

In thousands of Naira	Group 31 December 2017	Group 31 December 2016
Cross Currency Swap	534,155	61,393
	534,155	61,393

In thousands of Naira	Group 31 December 2017	Group 31 December 2016
Notional Contract Amount	39,963,000	6,180,803
	39,963,000	6,180,803

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 2017	Group 31 December 2016
Within 1 year	534,155	61,393
	534,155	61,393

(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 N157.8million (2016: N157.8 million).

Movement in Option in Convertible Debt - IFC

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening Balance	157,818	1,075,088	157,818	1,075,088
Fair value gain/(loss)	(44)	(917,270)	(44)	(917,270)
	157,774	157,818	157,774	157,818

(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 N48.8million (2016: N42.8 million) as at reporting date.

Movement in Option in Convertible Debt - Kunnoch Holdings

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance	42,791	176,587	42,791	176,587
Fair value gain	6,004	(133,796)	6,004	(133,796)
	48,795	42,791	48,795	42,791

(d) OTC futures contracts

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
OTC futures contracts	-	1,925,777	-	1,925,777
	-	1,925,777	-	1,925,777

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Notional Contract Amount	-	9,143,363	-	9,143,363
	-		-	9,143,363

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 NIFEX foreign exchange rates.

35 Other liabilities

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Customers deposit for letters of credit (note 32)	19,150,111	28,369,272	19,150,111	19,016,113
Accounts payable	15,244,672	12,524,303	15,240,307	9,744,575
Accruals	4,437,174	6,906,903	4,429,098	4,046,958
Legal perfection charges	695,562	655,390	695,562	655,390
Unclaimed items	4,031,985	4,086,738	4,031,985	4,086,738
Deferred income	16,796	88,625	9,509	9,509
Settlement accounts	3,110,878	5,872,727	3,110,878	948,609
Sundry Funds transfer	1,217,123	48,316	1,217,123	48,316
Other current liabilities	993,602	1,710,883	993,602	1,710,887
	48,897,903	60,263,158	48,878,175	40,267,095
Current	48,897,903	60,263,158	48,878,175	40,267,095
Non-current	-	-	-	-
	48,897,903	60,263,158	48,878,175	40,267,095

36 Borrowings

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Borrowings comprise:				
Bank of Industry (CBN Intervention Fund) (see note (a))	24,174,662	27,662,802	24,174,662	27,662,802
CBN Commercial Agricultural Credit Scheme (see (b))	1,337,376	1,667,557	1,337,376	1,667,557
MSME Development Fund	355,122	627,838	355,122	627,838
Foreign financial institutions (see (c))	129,076,934	114,489,008	129,076,934	114,489,008
Refinanced letters of credit (see (d))	6,353,118	24,735,074	14,736,076	53,197,737
	161,297,212	169,182,279	169,680,170	197,644,942
Current	78,525,003	24,735,074	78,525,003	53,197,737
Non-current	82,772,209	144,447,205	91,155,167	144,447,205
	161,297,212	169,182,279	169,680,170	197,644,942

(a) The amount of N24.17billion 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 N1.34 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.The facility is for a maximum tenor of 7 years at a zero percent interest rate to the Bank. The principal amount is repayable on a quarterly basis over the tenor of the borrowing which will expire in September 2025.

(c) The amount of N129.08 billion represents the outstanding balances on the Bank's Euro bond liability of N66.3 billion, and borrowings from Afrexim of N62.3 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%, while the Afrexim borrowings represents a USD175 million short-term borrowing from Afrexim at a rate of 5.5% plus 3 months LIBOR. The borrowing from Afrexim will mature in May 2018 while the eurobond has maturity date of May 2019. The borrowings are 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, HSBC South Africa and Standard Chartered Bank (SCB) London. The transactions were refinanced at interest rates ranging from 3% to 7.5% 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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
African Export-Import Bank (see Note (a))	33,136,542	30,511,434	33,136,542	30,511,434
International Finance Corporation (see Note (b))	18,314,063	13,349,310	18,314,063	13,349,310
Kunnoch Holdings (see (c) below)	2,197,540	1,912,441	2,197,540	1,912,441
Anambra State Government (see (d) below)	16,867,083	15,550,662	-	-
Diamond Finance B.V (see (d) below)	-	-	16,867,083	15,534,667
	70,515,228	61,323,847	70,515,228	61,307,852

Company	Tenor (yrs)	Interest Rate
African Export-Import Bank (see (a) below)	7	5.75% + 3M LIBOR
International Finance Corporation (see (b) below)	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 borrowing 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 (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 2017	31 December 2016
Long term debt measured at amortized cost (see (a)(i) below)	18,314,063	13,349,310
Derivative liability measured at fair value (see 35(b))	157,774	157,818
Carrying value	18,471,837	13,507,128

(b)(i) Movement in Debt Portion of Convertible subordinated loan with IFC

In thousands of Naira	31 December 2017	31 December 2016
Opening balance	13,349,310	7,283,523
Interest expense	4,091,909	2,883,074
Interest paid	(1,378,829)	(1,050,980)
Exchange difference	2,251,673	4,233,693
Closing balance	18,314,063	13,349,310

(c) Convertible subordinated loan with Kunnoch Holdings

The Bank obtained a loan of $7.15 million (N2.19 billion) from Kunnoch Holdings. The loan was obtained 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 2017	31 December 2016
Long term debt measured at amortized cost (see Note (b)(i) below)	2,197,540	1,912,441
Derivative liability measured at fair value (see Note 35(c))	48,795	42,791
Carrying value	2,246,335	1,955,232

(c)(i) Movement in Debt portion of Convertible subordinated loan with Kunnoch Holdings

In thousands of Naira	31 December 2017	31 December 2016
Opening balance	1,912,441	1,193,820
Interest expense	223,368	176,421
Interest paid	(140,892)	(107,392)
Exchange difference	202,623	649,592
Closing balance	2,197,540	1,912,441

(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 2017.

38 Share capital

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Authorised				
30 billion ordinary shares of 50k each (2016: 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 (2016: 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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Movement in share capital during the year:				
Balance, beginning of year	11,580,195	11,580,195	11,580,195	11,580,195
New issues during the year	-	-	-	-
Balance, end of year	11,580,195	11,580,195	11,580,195	11,580,195

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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
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.

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	Group 31 December 2017	Group 31 December 2016
Diamond Bank du Benin	-	421,568
Diamond Finance BV	5,958	3,540
	5,958	425,108

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 held for trading*

In thousands of Naira	Note	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	19	6,870,235	13,116,843	6,870,235	13,116,843
Fair value (gains)/losses recognised in profit or loss	11	739,103	700,675	739,103	761,643
Closing balance for the year	19	(38,333,109)	(6,870,235)	(38,333,109)	(6,870,235)
Total changes in financial assets held for trading		(30,723,771)	6,947,283	(30,723,771)	7,008,251

(ii) *Net changes in loans and advances to customers*

In thousands of Naira	**Note**	**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Opening balance for the year	23	995,334,118	763,634,827	804,635,641	648,971,379
Specific impairment on loans and advances to customers	9	(59,469,325)	(51,790,196)	(59,469,325)	(51,790,196)
Specific impairment on other loans and advances	9	-	(2,922,942)	-	(2,922,942)
Collective impairment on loans and advances to customers	9	2,072,244	(2,780,673)	2,072,244	(2,780,673)
Net matured letters of credit recognized during the year		-	13,508,338	-	15,344,027
Write offs	9	(1,127,184)	(663,205)	(1,127,184)	(663,205)
Closing balance for the year	23	(755,503,162)	(995,334,118)	(755,488,058)	(804,635,641)
Total changes in loans and advances to customers		181,306,691	(276,347,969)	(9,376,682)	(198,477,251)

(iii) *Net changes in other assets*

In thousands of Naira		**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Opening balance for the year	31	76,146,470	38,698,711	49,928,617	26,729,647
Impairment charges recognised in profit or loss	9	(2,415,657)	(860,664)	(2,415,657)	(34,327)
Reclassifications/write off	28	-	563,723	140,734	563,723
Closing balance for the year	31	(96,966,851)	(76,146,470)	(96,873,210)	(49,928,617)
Total changes in other assets		(23,236,038)	(37,744,700)	(49,219,516)	(22,669,574)

(iv) *Net changes in deposits from customers*

In thousands of Naira		**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Opening balance for the year	33	1,424,689,527	1,233,591,063	1,134,861,466	1,075,622,532
Interest expense	8	29,340,782	20,931,930	29,353,176	21,142,175
Interest paid		(26,674,549)	(34,980,651)	(26,674,549)	(34,980,651)
Closing balance for the year	33	(1,161,594,129)	(1,424,689,527)	(1,164,726,773)	(1,134,861,466)
Total changes in deposits from customers		265,761,631	(205,147,185)	(27,186,680)	(73,077,410)

(v) *Net changes in deposits from banks*

In thousands of Naira		**Group 31 December 2017**	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Opening balance for the year	32	103,409,297	115,819,590	13,365,314	57,175,088
Closing balance for the year	32	(10,958,909)	(103,409,297)	(25,861,109)	(13,365,314)
Total changes in deposits from banks		92,450,388	12,410,293	(12,495,795)	43,809,774

(vi) *Net changes in investments*

		Group 31 December 2017	**Group 31 December 2016**	**Bank 31 December 2017**	**Bank 31 December 2016**
Opening balance for the year	24	23,119,904	26,803,076	9,169,048	19,164,422
Fair value changes on AFS recognised in OCI		1,429,955	1,357,791	1,357,611	1,290,481
Impairment write back/(allowance) recognised in profit or loss	9	15,612	(2,692,124)	15,612	(2,692,124)
Closing balance for the year	24	(148,279,372)	(23,119,904)	(148,039,154)	(9,169,048)
Total changes in AFS instruments		(123,713,901)	2,348,839	(137,496,883)	8,593,731
Opening balance for the year		212,444,985	240,534,130	151,141,809	213,991,141
Treasury bills with original maturity of 3 months or less reclassified to cash (see note 25.2)		-	9,102,939	-	9,102,939
Closing balance for the year (Per SoFP)	24	(75,742,440)	(212,444,985)	(75,742,440)	(151,141,809)
Net closing balance for the year		(75,742,440)	(203,342,046)	(75,742,440)	(142,038,870)
Total changes in HTM instruments		136,702,545	37,192,084	75,399,369	71,952,271
Net (purchase)/sale of investment securities recognised in statement of cashflows		12,988,644	39,540,923	(62,097,514)	80,546,002

(vii) *Net changes in assets pledged as collateral*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	21	221,898,226	172,100,785	170,623,817	159,390,905
Closing balance for the year	21	(95,488,267)	(221,898,226)	(116,357,892)	(170,623,817)
Total changes in assets pledged as collateral		126,409,959	(49,797,441)	54,265,925	(11,232,912)

(viii) *Net changes in mandatory reserve deposits*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	18	204,402,446	206,108,925	193,461,662	199,739,793
Closing balance for the year	18	(186,099,896)	(204,402,446)	(186,099,896)	(193,461,662)
Total changes in mandatory reserve deposits		18,302,550	1,706,479	7,361,766	6,278,131

(ix) *Net changes in derivative assets*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	20	2,088,208	161,622	1,925,777	157,493
Fair value gain on OTC futures contracts		-	1,925,777	-	1,925,777
Closing balance for the year	20	(1,318,528)	(2,088,208)	(1,318,528)	(1,925,777)
Total changes in derivative assets		769,680	(809)	607,249	157,493

(x) *Net changes in derivative liabilities*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	34	2,187,779	1,349,595	2,126,386	1,251,675
Net loss on derivatives	13	(778,412)	(1,051,066)	(778,412)	(1,051,066)
Fair value loss on OTC futures contracts		-	1,925,777	-	1,925,777
Closing balance for the year	34	(740,724)	(2,187,779)	(740,724)	(2,126,386)
Total changes in derivative liabilities		668,643	36,527	607,250	-

(xi) *Net changes in other liabilities*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	35	60,263,158	44,673,003	40,267,095	31,481,835
Closing balance for the year	35	(48,897,903)	(60,263,158)	(48,878,175)	(40,267,095)
Total changes in other liabilities		11,365,255	(15,590,155)	(8,611,080)	(8,785,260)

(xii) *Proceeds from sale of property and equipment*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
(Loss)/Gain on sale of property and equipment	12	(161,351)	212,934	(161,351)	212,934
Cost of property and equipment disposed	28	1,565,341	1,862,512	1,091,262	1,863,226
Accumulated depreciation of property and equipment disposed	28	(1,065,804)	(1,597,536)	(819,365)	(1,578,703)
Proceeds from sale of property and equipment		338,186	477,910	110,546	497,457

(xiii) *Proceeds from disposal of investment in subsidiary*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
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 borrowings*

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Proceeds from CBN Agricultural Credit Scheme	120,000	262,297	120,000	262,297
Proceeds from CBN Micro Small and Medium Enterprises Development Fund	-	331,698	-	331,698
Proceeds from AFREXIM and other borrowings	-	45,750,000	-	45,750,000
Proceeds from BOI On Lending	-	312,320	-	312,321
Proceeds from borrowings	120,000	46,656,315	120,000	46,656,316

(xv) *Repayment of borrowings*

In thousands of Naira	Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Repayment of principal on borrowings	3,753,587	17,039,393	3,753,587	17,039,393
Repayment of interest on borrowings	6,079,512	5,757,809	6,079,512	5,757,809
Impact of exchange rate change	(7,230,071)	-	(10,613,101)	-
Movement in refinanced LCs	18,381,956	(13,508,336)	38,461,661	-
Net repayment of borrowings	20,984,984	9,288,866	37,681,659	22,797,202

(xvi) *Repayment of long term debts*

In thousands of Naira		Group 31 December 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Opening balance for the year	37	61,323,847	38,577,527	61,307,852	38,577,527
Interest expense during the year	8	7,987,448	5,596,655	7,987,448	5,579,695
Exchange difference		6,286,041	20,998,089	6,286,041	20,998,089
Closing balance for the year	37	(70,515,228)	(61,323,847)	(70,515,228)	(61,307,852)
Net repayment of long term debts		5,082,108	3,848,424	5,066,113	3,847,459

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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Cash and balances with central banks (less mandatory reserves)	18	73,349,605	85,556,511	73,347,612	56,253,884
Loans to banks	22	35,155,501	100,342,964	77,610,730	88,553,151
Treasury bills (with original maturity of 3 months or less)	24.2	-	9,102,939	-	9,102,939
		108,505,106	195,002,414	150,958,342	153,909,974

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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Within one year	266,753	589,800	260,006	273,199
Between one and five years	1,154,333	1,637,160	1,154,333	760,353
More than five years	418,629	8,047,925	418,629	477,360
	1,839,715	10,274,885	1,832,968	1,510,911

45 Contingent liabilities and commitments

45.1 Claims and litigations

The Bank, in its ordinary course of business, is presently involved in 975 (December: 614) cases as a defendant and 283(December 2016: 88) cases as a plaintiff. The total amount claimed in the 283 cases instituted by the Bank is estimated at N154,182,466,002 (December 2016: N155,721,929,731) while the total amount claimed in the 968 cases instituted against the Bank is N129,738,574,539 (December 2016: N211,944,409,760) for which provisions amounting to N473,101,698 (December 2016: N190,211,842) 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 2017	Group 31 December 2016	Bank 31 December 2017	Bank 31 December 2016
Performance bonds and guarantees	22,038,160	51,936,277	22,038,160	31,434,768
Letters of credit	21,219,102	46,606,013	21,219,102	32,854,354
	43,257,262	98,542,290	43,257,262	64,289,122
Current	26,744,470	65,941,581	26,744,470	32,587,095
Non Current	16,512,792	32,600,709	16,512,792	31,702,027
	43,257,262	98,542,290	43,257,262	64,289,122

The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

45.3 Fiduciary Activities

The Group carries out custodial activities through Diamond Pension Fund Custodian Limited. The amount of N317,432,182,000 (December 2016: N219,885,777,380) 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 2017 is N1,328,924,000 (31 December 2016: N1,350,500,000)
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 2017, the funds were invested by Diamond Securities Limited as follows:

In thousands of Naira	31 December 2017	31 December 2016
Unclaimed dividend managed by Diamond Securities Limited	1,328,924	1,350,500
Interest accrued	28,423	24,269
Total value of unclaimed dividend fund with Diamond Securities Limited	1,328,924	1,350,500
Unclaimed dividend balance with Centurion Registrars Limited	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	December 2017	December 2016
Loans and advances to entities related to key management personnel	45,821,588	49,291,841
Loans and advances to key management personnel	519,176	256,755
Deposits	2,931,881	3,443,746

The secured loans granted to directors during the year are collaterised mostly by salary domiciliation. As at year end, the Bank did not recognize specific impairment on loans granted to key management personnel and their immediate family members (December 2016 : Nil).

46.1 Details of loans to related parties

Included in loans and advances is an amount of N45.82 billion (31 December 2016: N48.93 billion) representing credit facilities to certain Directors and companies in which certain Directors have interests. The balances as at 31 December 2017 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	45,726,110,906	IMPAIRED	MORTGAGE DEBENTURE MANAGED BY FIRST TRUSTEE
2	ALUM. EXTRUSION IND. PLC	OVERDRAFT	DIRECTOR	UZOMA DOZIE	01-06-2016	01-08-2018	155,000,000	89,503,305	NEITHER PAST DUE NOR IMPAIRED	ALL ASSET DEBENTURE
3	MEDIA MONITORING SERV NIG LTD	LEASE	DIRECTOR	PROFESSOR CHRIS OGBECHIE	10-Jun-16	10-Jun-18	19,600,000	5,973,534	NEITHER PAST DUE NOR IMPAIRED	CHARGE OVER ASSET FINANCED
	TOTAL						**49,534,049,673**	**45,821,587,745**		

47 Discontinued operations

During the year, the Directors committed to a plan to dispose of the Group's investment in one of its subsidiaries, Diamond Bank UK, as part of their oveall recapitalization plan and strategy realignment. Accordingly, the subsidiary has been presented as a disposal group held for sale. Efforts to sell the Group has been on-going and a sale is expected by year 2018.

No impairment losses have been recognized with respect to the assets of the disposal group held for sale.
Further to this, the Group, in November 2017, disposed of its investment in Diamond Bank Du Benin

(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 2017.
At 31 December 2017, the disposal group was stated at carrying amount and comprised the following assets and liabilities:

	Group			Bank
	Diamond Bank UK	**Intragroup Adjustments**	**Group balance**	
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
Available-for-sale investments	16,843,567		16,843,567	-
Property, plant 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	-		-	-
Curent 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**	**-**

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.

(b) *Results of Discontinued operation*

Included in discontinued operations are the results of Diamond Bank UK for the whole year, and Diamond Bank Du Benin (up to 30 November 2017).

In thousands of Naira	Group 31 December 2017	Group 31 December 2016
Gross earnings	**33,399,128**	**27,955,483**
Interest and similar income	27,011,299	21,760,407
Interest expense	(10,312,680)	(11,078,504)
Net interest income	**16,698,619**	**10,681,903**
Fee and commission income	5,236,269	5,137,901
Fee and commission expense	(65,077)	(118,928)
Net fee and commission income	**5,171,193**	**5,018,973**
Provision for losses	(2,485,313)	(2,009,262)
Net trading income	1,151,559	1,057,175
Other operating income	732,485	400,370
Net operating income	**21,268,542**	**15,149,159**
Personnel expenses	(7,933,017)	(5,656,093)
Depreciation & Amortization	(1,575,604)	(1,549,291)
Operating lease expenses	(185,059)	(124,267)
Other operating expenses	(7,687,465)	(6,153,949)
Total operating expenses	**(17,381,145)**	**(13,483,600)**
Profit before income tax	**3,887,397**	**1,665,559**
Income tax expense	(2,084)	(166,872)
Profit for the year	**3,885,313**	**1,498,687**
Other comprehensive income		
Foreign currency translation differences	4,744,879	7,242,299
Fair value gains on available for sale investments	72,106	67,310
Total other comprehensive income	4,816,985	7,309,609
Total comprehensive income for the year	8,702,298	8,808,296

(c) The gain on sale of the investment in Diamond Bank Du Benin has been determined as follows:

	Group 31 December 2017	Bank 31 December 2017
Fair value of the consideration received	22,234,282	22,234,282
Expenses incurred on disposal of subsidiary	(1,522,993)	(1,522,993)
Net value of consideration received	20,711,289	20,711,289
Carrying amount of NCI in subsidiary as at disposal	557,040	-
Less:		
Net assets of the subsidiary as at 31 December 2016	(14,261,775)	(5,865,622)
Total comprehensive income by the subsidiary- 30 November 2017	(4,742,167)	-
Net gain on disposal of subsidiary	2,264,387	14,845,667

(d) Condensed results of discontinued operations

The condensed financial data of the discontinued operations are as follows:

	As at 31 December 2017			
	Diamond Bank UK	Diamond Bank WAMU	Intragroup Ajustments	Group Total
In thousands of Naira				
Statement of comprehensive income				
Gross earnings	**4,914,905**	**28,934,653**	**(450,430)**	**33,399,128**
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**	**4,987,561**	**(166,896)**	**5,171,193**
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)**
Loss before income 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**

(e) Cash flows from/(used in) discontinued operations

In thousands of Naira	**31 Dec 2017**
Net cash from operating activities	23,892,287
Net cash used in investing activities	(2,996,562)
Net cash from financing activities	9,559,572
Impact of foreign exchange differences	2,695,228
Net cash flows for the year	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 2017**	**31 December 2016**
Directors' Fees	155,216	169,740
Sitting allowances	30,915	32,950
Short term employee benefits:		
• Executive compensation	96,927	87,777
• Other allowances	38,248	24,130
• Post-employment benefits	11,166	9,604
	332,472	**324,201**

Fees and other emoluments disclosed above include amounts paid to:

Chairman	29,430	29,800
Highest paid director	35,317	33,555

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number	
	31 December 2017	**31 December 2016**
Below N1,600,000	-	-
N3,400,001 and above	16	16
	16	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 (2016: Nil). Mortgage loans amounting to N are secured by salary domiciliation and underlying assets (December 2016: 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 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Executive directors	5	4	5	4
Management	110	134	108	113
Non-management	3,184	4,233	3,167	3,438
	3,299	4,371	3,280	3,555

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 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
N300,000 - N2,000,000	3	91	-	-
N2,000,001 - N2,800,000	15	323	8	9
N2,800,001 - N3,500,000	897	1,825	896	1,707
N3,500,001 - N4,000,000	7	69	6	-
N4,000,001 - N5,500,000	1,023	647	1,022	564
N5,500,001 - N6,500,000	773	26	773	-
N6,500,000 - N7,800,000	243	684	241	664
N7,800,001 - N9,000,000	2	257	1	247
N9,000,001 and above	330	449	326	364
	3,293	**4,371**	**3,273**	**3,555**

50 Statement of Prudential Adjustments

	Note	Group 31 December 2017	Group 31 December 2016
Loans and advances to customers			
Specific impairment allowance on loans to customers	23(a)	53,931,207	41,719,089
Collective impairment allowance on loans to customers	23(a)	4,933,126	15,745,862
Specific impairment allowance on other loans and receivables	23(b)	7,535,232	7,535,232
Total impairment allowance on loans to customers (a)		66,399,565	65,000,183
Other financial assets:			
Specific impairment allowance on unlisted equity securities	24	4,866,987	4,882,599
Specific impairment allowance on investment in associates	26	3,231,161	3,231,161
Specific impairment allowance on other assets	31	3,028,749	2,812,110
Total impairment allowance on other financial assets (b)		11,126,897	10,925,870
Total impairment allowance c = a + b		**77,526,462**	**75,926,053**
Total impairment based on prudential guidelines (d)		**108,589,020**	**105,024,624**
Difference (e) = c - d		**(31,062,558)**	**(29,098,571)**

	Note	Bank 31 December 2017	Bank 31 December 2016
Specific impairment allowance on loans to customers	23(a)	53,931,207	36,286,485
Collective impairment allowance on loans to customers	23(a)	4,933,126	15,408,309
Specific impairment allowance on other loans and receivables	23(b)	7,535,232	7,535,232
Total impairment allowance on loans to customers (a)		66,399,565	59,230,026
Other financial assets:			
Specific impairment allowance on unlisted equity securities	24	4,866,987	4,882,599
Specific impairment allowance on investment in associates	26	3,231,161	3,231,161
Specific impairment allowance on other assets	31	3,026,216	2,778,193
Total impairment allowance on other financial assets (b)		11,124,364	10,891,953
Total impairment allowance c = a + b		**77,523,929**	**70,121,979**
Total impairment based on prudential guidelines (d)		**108,586,487**	**99,220,550**
Difference (e) = c - d		**(31,062,558)**	**(29,098,571)**

As the impairment based on IFRS is lower than the provisions based on prudential guidelines, the additional provision per prudential guidelines has been reclassified to regulatory risk reserve.

51 Compliance with banking regulations

During the year, the Bank was penalised by the Central Bank of Nigeria (CBN) for the following infractions;

Contraventions	Penalties
• Exceptions raised against the bank for contravention noted during the Foreign Exchange Supervisory Examination as at September 30, 2016	8,000,000
• Exceptions on risk-based supervision report as at June 2015	6,000,000
• Exceptions raised against the bank for contravention noted during the Foreign Exchange Supervisory Examination as at March 31, 2017	6,000,000
• Monthly Report on Transactions of Political Exposed Person (PEPS) July to September 2016	4,000,000
• Non compliance with KYC regulation	2,000,000
• Exception raised on Diamond bank for non compliance with the know you customer regulations	2,000,000
• Litigation Case/Failure to promptly respond to regulatory directives	2,000,000
• Late rendition of daily returns on 4 January 2017	25,000
	30,025,000

52 Events after the end of the reporting period

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements

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 2017.

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 2017 were

	Description of Non Audit Services	Fee Paid N
i	Corporate governance compliance review	15,000,000
ii	Diamond Bank Xtra draw verification	12,000,000
iii	Remuneration survey	1,050,000
iii	Expatriate support services	1,000,000
iv	Assurance service - Certification of compliance with loan covenants	1,500,000

OTHER NATIONAL DISCLOSURES

Value added statement

For the year ended 31 December *In thousands of Naira*	**Group 2017**	%	**Group 2016**	%	**Bank 2017**	%	**Bank 2016**	**%**
Gross earnings	189,622,137		184,056,357		203,348,983		187,279,015	
Interest expense	(47,038,414)		(31,267,757)		(47,281,945)		(34,542,332)	
	142,583,723		152,788,600		156,067,038		152,736,683	
Net impairment loss on financial assets	(56,830,411)		(57,015,474)		(56,830,411)		(57,015,474)	
Bought-in-materials and services (local)	(61,499,947)		(56,433,854)		(65,325,792)		(58,118,698)	
Value added	24,253,365		39,339,272		33,910,835		37,602,511	
Distribution of Value Added		%		%		%		%
To Employees:								
Employees costs	23,787,509	98	26,878,988	68	23,622,675	70	26,744,714	64
To government								
Government as taxes	1,349,575	6	1,368,300	1	1,278,082	4	1,320,443	-
Retained in business:								
- For replacement of property and equipment	6,369,384	26	6,017,546	16	6,343,065	19	5,997,276	14
- For replacement of intangible assets	1,758,111	7	1,575,472	4	1,754,188	5	1,570,034	4
- To (deplete)/augment reserve	(9,011,214)	(37)	3,498,965	26	869,441	3	1,970,044	8
	24,253,365	101	39,339,272	115	33,867,451	100	37,602,511	90

Financial summary

Group *In thousands of Naira*	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Assets					
Cash and balances with central banks	299,397,460	329,906,916	361,166,936	301,393,080	228,322,128
Financial assets held for trading	38,333,109	6,870,235	13,116,843	3,481,299	3,428,848
Derivative assets	1,318,528	2,088,208	161,622	50,012	70,254
Loans to banks	35,155,501	100,342,964	60,103,340	296,098,561	129,362,340
Loans and advances to customers	755,503,162	995,334,118	763,634,827	791,094,667	689,168,335
Investment securities					
-Available-for-sale investments	148,279,372	23,119,904	26,803,076	10,312,395	11,091,462
-Held to maturity investments	75,742,440	212,444,985	240,534,130	332,522,242	272,157,812
Assets pledged as collateral	95,488,267	221,898,226	172,100,785	103,397,647	96,461,777
Investments in associates	-	-	-	2,918,000	2,918,000
Investment properties held for sale	3,961,700	3,870,200	4,409,085	4,333,658	4,313,492
Property and equipment	63,840,777	67,146,137	62,396,081	55,062,140	49,827,333
Intangible assets	3,907,526	5,646,005	5,122,300	3,538,556	2,842,870
Deferred taxation	4,984,388	4,984,388	4,984,544	4,987,386	6,745,979
Other assets	96,966,851	76,146,470	38,698,711	23,933,731	22,145,801
	1,622,879,081	**2,049,798,756**	**1,753,232,280**	**1,933,123,374**	**1,518,856,431**
Assets classified as held for sale	91,928,185	-	-	-	-
Total assets	1,714,807,266	2,049,798,756	1,753,232,280	1,933,123,374	1,518,856,431
Liabilities					
Deposits from banks	10,958,909	103,409,297	115,819,590	68,760,427	54,579,471
Deposits from customers	1,161,594,129	1,424,689,527	1,233,591,063	1,493,081,203	1,206,044,003
Derivative liabilities	740,724	2,187,779	1,349,595	12,608,232	14,658,250
Current income tax liability	1,620,950	2,027,948	1,697,816	2,448,756	2,466,927
Deferred tax liabilities	5,049	6,958	194,660	194,660	194,660
Other liabilities	48,897,903	60,263,158	44,673,003	40,509,537	33,664,294
Borrowings	161,297,212	169,182,279	102,719,571	74,637,231	47,514,160
Long term debt	70,515,228	61,323,847	38,577,527	31,858,561	20,880,966
	1,455,630,104	**1,823,090,793**	**1,538,622,825**	**1,724,098,607**	**1,380,002,731**
Liabilities classified as held for sale	35,864,205	-	-	-	-
Total liabilities	1,491,494,309	1,823,090,793	1,538,622,825	1,724,098,607	1,380,002,731
Equity					
Share capital	11,580,195	11,580,195	11,580,195	11,580,195	7,237,622
Share premium	134,532,974	134,532,974	134,532,974	134,532,974	89,629,324
Retained earnings	8,239,777	12,042,517	48,220,596	35,240,967	17,483,423
Other components of equity	68,954,053	68,127,170	20,011,027	27,452,591	24,349,815
Non controlling interest	5,958	425,107	264,663	218,040	153,516
Total equity	223,312,957	226,707,963	214,609,455	209,024,767	138,853,700
Total liabilities and equity	1,714,807,266	2,049,798,756	1,753,232,280	1,933,123,374	1,518,856,431
Commitments and contingents	43,257,262	98,542,290	121,707,463	237,982,530	238,779,642

Group Financial Summary	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Gross earnings	189,622,137	184,056,357	217,091,803	208,402,153	181,154,780
Profit/(loss) before taxation	(11,546,952)	3,368,578	7,092,731	28,101,232	32,079,982
Profit from continuing operations	(12,896,527)	2,000,278	5,656,623	25,485,219	28,544,492
Discontinued operations					
Profit from discontinued operations (net of tax)	3,885,313	1,498,687	-	-	-
Profit for the year	(9,011,214)	3,498,965	5,656,623	25,485,219	28,544,492
Non controlling interest	73,759	27,826	41,033	76,523	(31,331)
Profit attributable to equity holders	(9,084,973)	3,471,139	5,615,590	25,408,696	28,575,823
Earnings per share- total operations					
Basic (loss)/earnings per share (kobo)	(39)	15	24	166	197
Diluted (loss)/earnings per share (kobo)	(39)	15	23	143	170
Earnings per share- continuing operations					
Basic (loss)/earnings per share (kobo)	(56)	9	24	166	197
Diluted (loss)/earnings per share (kobo)	(56)	9	23	143	170

Financial Summary

Bank *In thousands of Naira*	**31 December 2017**	**31 December 2016**	**31 December 2015**	**31 December 2014**	**31 December 2013**
Assets					
Cash and balances with central banks	299,395,467	289,663,505	319,168,003	288,953,932	205,286,149
Financial assets held for trading	38,333,109	6,870,235	13,116,843	3,481,299	3,428,848
Derivative Assets	1,318,528	1,925,777	157,493	-	-
Assets pledged as collateral	116,357,892	170,623,817	159,390,905	109,775,177	82,275,434
Loans to banks	77,610,730	88,553,151	66,820,934	214,538,349	104,891,633
Loans and advances to customers	755,488,058	804,635,641	648,971,379	712,064,692	585,953,062
Investment securities					
-Available-for-sale investments	148,039,154	9,169,048	19,164,422	6,965,670	9,742,112
-Held to maturity investments	75,742,440	151,141,809	213,991,141	316,650,635	270,966,001
Investments in subsidiaries	2,000,000	15,841,882	15,841,882	15,841,882	15,841,882
Investments in associates	-	-	-	2,918,000	2,918,000
Investment Properties held for sale	3,788,000	3,701,500	4,240,385	4,164,958	4,153,492
Property and equipment	63,814,940	60,948,266	58,433,678	51,551,080	46,501,546
Intangible assets	3,836,377	4,521,189	4,171,967	2,579,750	1,839,709
Deferred taxation	4,984,388	4,984,388	4,984,388	4,984,388	6,741,732
Other assets	96,873,210	49,928,617	26,729,647	15,800,611	14,391,271
Assets classified as held for sale	7,976,260	-	-	-	-
Total assets	1,695,558,553	1,662,508,825	1,555,183,067	1,750,270,423	1,354,930,871
Liabilities					
Deposits from banks	25,861,109	13,365,314	57,175,088	9,686,315	5,744,996
Deposits from customers	1,164,726,773	1,134,861,466	1,075,622,532	1,354,814,914	1,093,784,492
Derivative liability	740,724	2,126,386	1,251,675	12,608,232	14,658,250
Current income tax liability	1,592,413	1,598,861	1,599,970	2,189,956	2,427,389
Provisions	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Other liabilities	48,878,175	40,267,095	31,481,835	30,085,267	25,933,787
Borrowings	169,680,170	197,644,942	141,398,056	103,366,411	53,197,767
Long term debt	70,515,228	61,307,852	38,577,527	31,858,561	20,880,966
Total liabilities	1,481,994,592	1,451,171,916	1,347,106,683	1,544,609,656	1,216,627,647
Equity					
Share capital	11,580,195	11,580,195	11,580,195	11,580,195	7,237,622
Share premium	134,532,974	134,532,974	134,532,974	134,532,974	89,629,324
Retained earnings/(accumulated deficit)	5,139,548	6,364,510	44,043,684	32,845,896	18,439,851
Other components of equity	62,311,244	58,859,230	17,919,531	26,701,702	22,996,427
Total equity	213,563,961	211,336,909	208,076,384	205,660,767	138,303,224
Total liabilities and equity	1,695,558,553	1,662,508,825	1,555,183,067	1,750,270,423	1,354,930,871
Commitments and contingents	43,257,262	64,289,122	130,258,939	204,109,107	199,323,057

Bank **Financial Summary** *In thousands of Naira*	**31 December 2017**	**31 December 2016**	**31 December 2015**	**31 December 2014**	**31 December 2013**
Gross earnings	203,348,983	187,279,015	196,867,016	190,952,742	168,015,252
Profit/(loss) before taxation	2,190,907	3,290,487	5,171,592	24,413,014	33,250,472
Profit/(loss) after taxation	869,441	1,970,044	3,833,749	22,057,198	29,754,520
Total comprehensive income	2,227,052	3,260,525	4,731,656	22,453,893	30,986,809
Basic earnings per share (kobo)	4	9	17	144	206
Diluted earnings per share (kobo)	4	9	16	125	177