

WEMA BANK PLC

**Unaudited IFRS Results
for the period ended 31 March 2018**

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Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Statement of Profit or loss and other Comprehensive Income

In thousands of Nigerian Naira

		Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Interest income	7	12,644,450	53,073,120	12,643,807	52,662,658
Interest expense		(8,307,413)	(33,306,169)	(8,307,413)	(32,887,899)
Net interest income	7	4,337,037	19,766,951	4,336,394	19,774,759
Net impairment loss on financial assets	11	(203,231)	(2,179,798)	(203,231)	(2,179,798)
Net interest income after impairment charge for credit losses		4,133,806	17,587,153	4,133,163	17,594,961
Net gain on HFT investment securities		269,661	185,146	269,661	185,146
Net fee and commission income	8	1,634,057	5,642,142	1,634,057	5,642,142
Net trading income	9	1,405,768	4,799,164	1,405,768	4,799,164
Other income	10	118,497	1,569,259	118,497	1,569,259
		3,427,983	12,195,711	3,427,983	12,195,711
Operating income		7,561,789	29,782,864	7,561,146	29,790,672
Personnel expenses	12	(2,805,655)	(10,009,585)	(2,805,655)	(10,009,585)
Depreciation and amortization	13b	(639,716)	(2,318,008)	(639,716)	(2,318,008)
Other operating expenses	13a	(3,232,471)	(14,446,068)	(3,232,471)	(14,408,206)
Profit before tax		883,947	3,009,203	883,304	3,054,873
Income tax expense	26	(119,246)	(753,715)	(119,246)	(753,715)
Profit for the year		764,701	2,255,488	764,058	2,301,158
<u>Other comprehensive income, net of income tax</u>					
<u>Items that will not be subsequently reclassified to profit or loss</u>					
Re-measurement of defined benefit obligation		-	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or Loss		-	-	-	-
		-	-	-	-
<u>Items that will be subsequently reclassified to profit or loss</u>					
Fair value gain/(loss) on available-for-sale investments		-	140,051	-	140,051
Net change in fair value of investments FVOCI		31,339	-	31,339	-
Income tax relating to items that may be reclassified subsequently to profit or Loss		(3,870)	-	(3,870)	-
Other comprehensive income for the year		27,469	140,051	27,469	140,051
Total comprehensive income for the year		792,170	2,395,539	791,527	2,441,209
Profit attributable to:					
Equity holders of the Bank		764,701	2,255,488	764,058	2,301,158
Total comprehensive income for the year		792,170	2,395,539	791,527	2,441,209
Earnings per share-basic	14	8.0	5.8	8.0	6.0

The notes on pages 7 to 25 are an integral part of these financial statements

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Statement of financial Position


	Notes	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
<i>In thousands of Nigerian Naira</i>					
Cash and cash equivalents	15	35,346,015	22,427,586	35,372,184	22,425,891
Restricted Deposit with CBN	15b	35,878,900	26,495,664	35,878,900	26,495,664
Pledged assets	16	16,580,843	25,420,137	16,580,843	25,420,137
Investment securities:					
Fair value through other comprehensive income	17a	1,389,454	0	1,390,454	0
Held for trading	17b	40,878,424	10,003,842	40,878,424	10,003,842
Available for sale	17a	0	9,565,557	0	9,566,557
Held at amortised cost	17c	30,093,859	0	27,272,206	0
Held to maturity	17c	0	24,897,782	0	22,077,200
Loans and advances to customers	18	215,477,087	215,840,031	215,477,087	215,840,031
Investment properties	19	44,287	45,671	44,287	45,671
Property and equipment	20	17,064,625	17,078,789	17,064,625	17,078,789
Intangible assets	21	697,573	759,092	697,573	759,092
Other assets	23	15,776,566	14,349,673	15,832,622	14,405,728
Deferred tax assets	22	21,269,702	21,269,702	21,269,702	21,269,702
		430,497,333	388,153,526	427,758,905	385,388,304
Deposits from banks	24	10,342,430	26,575,260	10,342,430	26,575,260
Deposits from customers	25	306,086,383	254,460,881	306,112,552	254,487,050
Current tax liabilities	26	482,994	359,878	482,994	359,878
Other liabilities	27	22,884,034	17,682,745	22,874,941	17,646,215
Other borrowed funds	28	40,541,415	39,459,512	37,709,664	36,627,761
Obligations under finance lease	29	-	-	-	-
		380,337,256	338,538,276	377,522,581	335,696,164
EQUITY Share capital Share premium	30	19,287,233	19,287,233	19,287,233	19,287,233
Regulatory risk reserve	30	8,698,230	8,698,230	8,698,230	8,698,230
Retained earnings	30	5,222,681	5,846,943	5,222,681	5,846,943
Other reserves	30	5,231,190	4,089,570	5,307,437	4,166,460
		11,720,743	11,693,274	11,720,743	11,693,274
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		50,160,077	49,615,250	50,236,324	49,692,140
TOTAL LIABILITIES AND EQUITY		430,497,334	388,153,526	427,758,906	385,388,304

The notes on pages 7 to 25 are an integral part of these financial statements

The financial statements were authorized for issue by the directors on



Babatunde Kasali Chairman
FRC/2017/ICAN/00000016973



**Tunde Mabawonku Chief
Financial Officer**
FRC/2013/ICAN/00000002097


**Segun Oloketuyi Segun Oloketuyi Managing
Directo Managing Director** FRC/2013/ICAN/0
FRC/2013/ICAN/00000002099

Wema Bank Plc

Consolidated and Separate Financial Statements
For the year ended 31 March 2018

Group

In thousands of Nigerian naira (000s)

	Share Capital	Share premium	Regulatory risk	Statutory reserve	SMEIES reserve	Fair value reserves	Retained earnings	Total equity
2018								
Balance at 1 January 2018	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,089,570	49,615,250
Capital Reduction		-					-	-
Total comprehensive income:								
Profit or loss	-	-	-	-	-		764,701	764,701
Other comprehensive income								
Re-measurement of defined benefit obligation	-	-	-	-	-	-	-	-
Cumulative gain/loss reclassified from reserve on disposal of AFS investments								-
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	27,469	-	27,469
	19,287,233	8,698,230	5,846,943	11,026,315	526,908	167,520	4,854,271	50,407,420
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Regulatory risk reserve	-	-	(624,261)	-	-	-	376,919	(247,342)
Transfer to Statutory reserve	-	-	-	-	-	-	-	-
Total contribution and distributions to owners	-	-	(624,261)	-	-	-	376,919	(247,342)
Balance at 31 March 2018	19,287,233	8,698,230	5,222,681	11,026,315	526,908	167,520	5,231,190	50,160,077
2017								
Balance at 1 January 2017	19,287,233	48,870,107	8,402,592	10,335,968	526,908	206,692	(39,158,766)	48,470,734
Capital Reduction		(40,171,877)					39,127,546	(1,044,331)
Total comprehensive income:								
Profit or loss	-	-	-	-	-		2,255,488	2,255,488
Other comprehensive income								
Re-measurement of defined benefit obligation	-	-	-	-	-	-	-	-
Cumulative gain/loss reclassified from reserve on disposal of AFS investments						(206,692)		(206,692)
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	140,051	-	140,051
	19,287,233	8,698,230	8,402,592	10,335,968	526,908	140,051	2,224,268	49,615,250
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Regulatory risk reserve	-	-	(2,555,649)	-	-	-	2,555,649	-
Transfer to Statutory reserve	-	-	-	690,347	-	-	(690,347)	-
Total contribution and distributions to owners	-	-	(2,555,649)	690,347	-	-	1,865,302	-
Balance at 31 December 2017	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,089,570	49,615,250

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Bank

In thousands of Nigerian naira (000s)

	Share Capital	Share premium	Regulatory risk reserve	Statutory reserve	SMEIES reserve	Fair value reserves	Retained earnings	Total equity
2018								
Balance at 1 January 2018	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,166,460	49,692,140
Capital Reduction								-
Total comprehensive income:								
Profit or loss	-	-	-	-	-		764,058	764,058
Other comprehensive income								
Re-measurement of defined benefit obligation							-	-
Capital Reduction								-
Cumulative gain/loss reclassified from reserve on disposal of AFS investments								-
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	27,469	-	27,469
Total comprehensive income for the period	19,287,233	8,698,230	5,846,943	11,026,315	526,908	167,520	4,930,518	50,483,667
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Regulatory risk reserve transfer to statutory reserves			(624,261)				376,919	(247,342)
Total contribution and distributions to owners	-	-	(624,261)	-	-	-	376,919	-
Balance at 31 March 2018	19,287,233	8,698,230	5,222,681	11,026,315	526,908	167,520	5,307,437	50,236,324
2017								
Balance at 1 January 2017	19,287,233	48,870,107	8,402,592	10,335,968	526,908	206,692	(39,127,546)	48,501,954
Capital Reduction		(40,171,877)					39,127,546	(1,044,331)
Total comprehensive income:								
Profit or loss	-	-	-	-	-		2,301,158	2,301,158
Other comprehensive income								
Re-measurement of defined benefit obligation							-	-
Capital Reduction								-
Cumulative gain/loss reclassified from reserve on disposal of AFS investments						(206,692)		(206,692)
Fair value reserve (available-for-sale) financial assets	-	-	-	-	-	140,051	-	140,051
Total comprehensive income for the period	19,287,233	8,698,230	8,402,592	10,335,968	526,908	140,051	2,301,158	49,692,140
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Regulatory risk reserve transfer to statutory reserves			(2,555,649)		690,347		2,555,649	(690,347)
Total contribution and distributions to owners	-	-	(2,555,649)	690,347	-	-	1,865,302	-
Balance at 31 December 2017	19,287,233	8,698,230	5,846,943	11,026,315	526,908	140,051	4,166,460	49,692,140

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018 Statement of Prudential Adjustments

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Impairment - IFRS				
Loans and Advances:				
- Collective	1,943,026	1,998,519	1,943,026	1,998,519
- Specific	<u>2,540,317</u>	<u>2,237,482</u>	<u>2,540,317</u>	<u>2,237,482</u>
	<u>4,483,343</u>	<u>4,236,001</u>	<u>4,483,343</u>	<u>4,236,001</u>
Other Financial Assets:				
- Long Term investments	-	339,583	-	339,583
- Other Assets	<u>3,969,378</u>	<u>3,621,834</u>	<u>3,969,378</u>	<u>3,621,834</u>
	<u>3,969,378</u>	<u>3,961,417</u>	<u>3,969,378</u>	<u>3,961,417</u>
Total	<u>8,452,721</u>	<u>8,197,418</u>	<u>8,452,721</u>	<u>8,197,418</u>
Impairment - Prudential Guidelines				
Loans and Advances:				
- General	2,574,620	2,371,170	2,574,620	2,371,170
- Specific	<u>7,131,405</u>	<u>7,711,774</u>	<u>7,131,405</u>	<u>7,711,774</u>
	<u>9,706,025</u>	<u>10,082,944</u>	<u>9,706,025</u>	<u>10,082,944</u>
Other Financial Assets:				
- Long Term investments	-	339,583	-	339,583
- Other assets	<u>3,969,378</u>	<u>3,621,834</u>	<u>3,969,378</u>	<u>3,621,834</u>
	<u>3,969,378</u>	<u>3,961,417</u>	<u>3,969,378</u>	<u>3,961,417</u>
Total	<u>13,675,403</u>	<u>14,044,361</u>	<u>13,675,403</u>	<u>14,044,361</u>
Excess of Prudential impairment over IFRS impairment transferred to regulatory reserve	5,222,681	5,846,943	5,222,681	5,846,943

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

In thousands of Nigerian Naira

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
7 Interest income				
Cash and cash equivalents	80,296	147,436	79,653	145,793
Loans and advances to banks and customers	11,121,977	45,006,638	11,121,977	45,006,638
Investments securities	1,442,177	7,919,046	1,442,177	7,510,227
Total interest income	12,644,450	53,073,120	12,643,807	52,662,658
Interest expense				
Deposits from banks	1,358,621	8,796,540	1,358,621	8,796,540
Deposits from customers	6,731,722	23,391,491	6,731,722	23,391,491
Other borrowed funds	217,070	1,118,138	217,070	699,868
Total interest expense	8,307,413	33,306,169	8,307,413	32,887,899
8 Fees and commission income				
Retail banking customer fees & commissions	1,021,847	3,458,732	1,021,847	3,458,732
Corporate banking customer fees & commissions	256,135	1,137,405	256,135	1,137,405
Other fees and charges	356,075	1,046,005	356,075	1,046,005
Total fee and commission income	1,634,057	5,642,142	1,634,057	5,642,142
9 Net trading income				
Fixed income securities	10,978	9,251.00	10,978	9,251.00
Treasury bills	1,387,150	2,586,114	1,387,150	2,586,114
Foreign exchange trading (note 9.1)	7,640	1,997,107	7,640	1,997,107
Other gains	0	206,692	-	206,692
	1,405,768	4,799,164	1,405,768	4,799,164
9.1 Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value through profit or loss				
10 Other income				
Dividends on available-for-sale equity securities	-	162,876	-	162,876
Gains on disposal of property and equipment	589	59,059	589	59,059
Rental income	9,234	25,687	9,234	25,687
Insurance claim received	-	46,996	-	46,996
Income on contingents	29,512	367,672	29,512	367,672
Income on deposit accounts	21,013	208,105	21,013	208,105
Fund transfer	5,863	5,863	5,863	5,863
FX Revaluation	-	561,942	-	561,942
Swift transactions	18,606	77,212	18,606	77,212
Others	33,680	53,847	33,680	53,847
	118,497	1,569,259	118,497	1,569,259

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

	Group	Group	Bank	Bank
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
11 Impairment loss of financial assets				
<i>In thousands of Nigerian Naira</i>				
Impairment losses on loans and advances				
- specific impairment	-	639,036	-	639,036
- collective impairment	209,023	1,302,149	209,023	1,302,149
- Recoveries on loans	(5,792)	(16,575)	(5,792)	(16,575)
- Write offs	-	-	-	-
Impairment loss on bonds	-	263,149	-	263,149
Impairment loss on other assets	-	(7,961)	-	(7,961)
	203,231	2,179,798	203,231	2,179,798
12 Personnel expenses				
Wages and salaries	2,226,198	8,161,994	2,226,198	8,161,994
Contributions to defined contribution plans	143,249	580,034	143,249	580,034
Gratuity Expenses (note 12.1)	-	410,991	-	410,991
Other staff costs (note 12.2)	436,208	856,566	436,208	856,566
	2,805,655	10,009,585	2,805,655	10,009,585

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Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

	Group	Group	Bank	Bank
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
<i>In thousands of Nigerian Naira</i>				
13a Other operating expenses				
Advertising and marketing	311,658	1,213,127	311,658	1,213,127
AMCON Levy	351,370	2,105,481	351,370	2,105,481
Auditors remuneration	47,742	130,000	47,742	120,000
Business Expenses	68,439	260,618	68,439	260,618
Cash movement expenses	151,699	430,711	151,699	430,711
Diesel Expenses	130,533	549,652	130,533	549,652
Directors Expenses	5,450	76,925	5,450	76,925
Directors fees	0	64,350	0	64,350
Donations	15,175	53,585	15,175	53,585
Electricity	61,043	203,055	61,043	203,055
General administrative expenses	171,238	992,365	171,238	964,503
Insurance	59,308	269,855	59,308	269,855
NDIC Premium	219,342	1,311,727	219,342	1,311,727
Other premises and equipment costs	102,046	450,779	102,046	450,779
PAYE/Withholding expenses	0	473,563	0	473,563
Printing and stationery	123,842	315,167	123,842	315,167
Professional fees	69,635	676,354	69,635	676,354
Repairs and maintenance	363,526	1,715,533	363,526	1,715,533
Security expenses	121,964	471,216	121,964	471,216
Service charge	193,225	736,647	193,225	736,647
SMS Expenses & Others	2,099	18,476	2,099	18,476
Statutory expenses	0	38,756	0	38,756
Technology and alternative channels	543,464	1,505,509	543,464	1,505,509
Transport & Communications	119,673	382,617	119,673	382,617
Wema Homes & Wema Asset cessation taxes	-	-	-	-
	3,232,471	14,446,068	3,232,471	14,408,206
13b Depreciation and amortization				
Property, plants and equipment	540,497	2,041,221	540,497	2,041,221
Investment property	1,384	7,256	1,384	7,256
Intangible assets	97,835	269,531	97,835	269,531
	639,716	2,318,008	639,716	2,318,008

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

14 Earnings per share

Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share as at 31 March 2018 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding :

<i>In thousands</i>	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Weighted average number of ordinary shares - basic,'000	38,574,466	38,574,466	38,574,466	38,574,466
Profit attributable to ordinary shareholders -basic				
Profit for the year attributable to equity holders of the Bank '000	764,701	2,255,488	764,058	2,301,158
Earnings per share -basic (Kobo)	8.0	5.8	8.0	6.0

15 Cash and cash equivalents

In thousands of Nigerian Naira

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Cash and balances with banks	15,900,185	13,268,262	15,926,354	13,266,567
Unrestricted balances with central bank	9,197,330	7,928,915	9,197,330	7,928,915
Money market placements	10,248,500	1,230,409	10,248,500	1,230,409
	35,346,015	22,427,586	35,372,184	22,425,891

15b Restricted Deposit with CBN

This represents mandatory cash deposit held with Central Bank of Nigeria as a regulatory Cash Reserve Requirements (CRR). The CRR rate was increased from 20% to 22.5% for both private and public sector funds in the year 2016 and the rate has been maintained till the date. The balance as at end of March 2018 was N35,878,900,000 (N2017 - N26,495,664,000).

Restricted deposits with Central Bank are not available for use in day to day operations.

16 Pledged assets - Held to maturity

In thousands of Nigerian Naira

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Treasury bills (note 16.1)	6,697,684	9,055,123	6,697,684	9,055,123
Bonds (16.2)	9,883,159	16,365,014	9,883,159	16,365,014
	16,580,843	25,420,137	16,580,843	25,420,137

- 16.1 The treasury bills are pledged for clearing activities with First Bank and as collection bank for government taxes and electronic card transactions with Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS) and Interswitch Nigeria Limited. The bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

16.2 The Bonds are pledged as collateral for interbank takings and intervention credit granted to the Bank by the Bank of Industry for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of N3.44billion (2017: N3.63billion) as disclosed in note 30.

In thousands of Nigerian Naira	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
17 Investment securities	72,361,736	44,467,181	69,541,083	41,647,599
Current	47,568,022	25,983,803	47,568,022	25,983,803
Non-current	24,793,714	18,483,378	21,973,061	15,663,796
17a FVTOCI/AFS investment securities comprise:				
Treasury bills	1,246,570	9,425,212	1,246,570	9,425,212
Equity (see note (i) below)	142,884	140,345	143,884	141,345
	1,389,454	9,565,557	1,390,454	9,566,557
17b Held for trading investment securities comprise:				
Treasury Bills (see (ii) below)	40,878,424	10,003,842	40,878,424	10,003,842
17c Held at amortised cost/HTM investment securities comprise:				
Treasury Bills	5,443,029	6,554,749	5,443,029	6,554,749
FGN Bonds	21,865,444	14,903,704	19,043,791	12,083,122
Other Bonds (see (iii) below)	2,785,386	3,439,329	2,785,386	3,439,329
	30,093,859	24,897,782	27,272,206	22,077,200
(i) Equity				
Quoted Investments:	-	0	-	0
Unquoted Investments:				
Unified Payment Services Limited	7,474	4,935	7,474	4,935
Nigeria Automated Clearing System	18,000	18,000	18,000	18,000
Central Securities System Nigeria Limited	87,928	87,928	87,928	87,928
Nigeria Inter-Bank Settlement System	29,482	29,482	29,482	29,482
WEMA Funding SPV Plc (a)	-	-	1,000	1,000
	142,884	140,345	143,884	141,345
	142,884	140,345	143,884	141,345

(a) Wema Funding SPV PLC was incorporated on 30 June 2016 and commenced operations on 12 October 2016. The principal activity of the company is to raise or borrow money by the issue of bond or debt instruments and invest the money raised or borrowed in securities or any other investments as the company may deem fit.

(ii) This represents Nigerian Treasury Bills with maturity of less than 360 days; a face value of N44,424,248,000 stated at Fair value through profit or loss.

(iii) Other bonds - these are held to maturity securities for state and corporate entities, stated at amortised cost as shown

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

		2018	2017
		N	N
CORPORATE			
1	7YR: DANA Group Bond Series 1	1,492,036	1,492,036
STATE BONDS			
2	EKITI State Govt Bond	436,503	421,707
3	EKITI State Govt Bond Tranche 11	539,946	631,739
5	ONDO State Govt Bond	316,900	893,847
		<u>1,293,350</u>	<u>1,947,293</u>
		<u>2,785,386</u>	<u>3,439,329</u>

18 Loans and advances to customers at amortised cost

	Key	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
<i>In thousands of Nigeria Naira</i>					
Overdrafts	18.1	19,627,277	19,125,728	19,627,277	19,125,728
Term Loans	18.2	199,582,451	199,722,372	199,582,451	199,722,372
Advances under finance lease	18.3	750,702	1,227,933	750,702	1,227,933
		<u>219,960,430</u>	<u>220,076,033</u>	<u>219,960,430</u>	<u>220,076,033</u>
Gross loans and receivables					
Less Allowances for Impairment					
Specific Allowances for impairment	18q	(2,540,317)	(2,237,482)	(2,540,317)	(2,237,482)
Collective allowances for impairment	18a	(1,943,026)	(1,998,519)	(1,943,026)	(1,998,519)
		<u>(4,483,343)</u>	<u>(4,236,001)</u>	<u>(4,483,343)</u>	<u>(4,236,001)</u>
Net loans and advances to customers		215,477,087	215,840,032	215,477,087	215,840,032
Overdrafts					
Gross Overdrafts		19,627,277	19,125,728	19,627,277	19,125,728
Less Allowances for Impairment					
Specific Allowances for impairment		(516,451)	(523,261)	(516,451)	(523,261)
Collective allowances for impairment		(219,454)	(267,019)	(219,454)	(267,019)
		<u>(735,904)</u>	<u>(790,279)</u>	<u>(735,904)</u>	<u>(790,279)</u>
Net Overdrafts		18,891,373	18,335,448	18,891,373	18,335,448
Term Loans					
Gross Term Loans		199,582,451	199,722,372	199,582,451	199,722,372
Less Allowances for Impairment					
Specific Allowances for impairment		(2,003,844)	(1,689,620)	(2,003,844)	(1,689,620)
Collective allowances for impairment		(1,715,205)	(1,721,173)	(1,715,205)	(1,721,173)
		<u>(3,719,049)</u>	<u>(3,410,793)</u>	<u>(3,719,049)</u>	<u>(3,410,793)</u>
Net Term Loans		195,863,402	196,311,579	195,863,402	196,311,579

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For the year ended 31 March 2018****Notes to the Financial Statements**

Advance Under Finance Lease <i>In thousands of Nigerian Naira</i>	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
Gross Advance	750,702	1,227,933	750,702	1,227,933
Less Allowances for Impairment				
Specific Allowances for impairment	(20,022)	(24,601)	(20,022)	(24,601)
Collective Allowances for impairment	(8,368)	(10,328)	(8,368)	(10,328)
	<u>(28,390)</u>	<u>(34,929)</u>	<u>(28,390)</u>	<u>(34,929)</u>
Net advances	<u>722,312</u>	<u>1,193,004</u>	<u>722,312</u>	<u>1,193,004</u>
Total Loans and Advances				
Current	117,303,522	117,419,124	117,303,522	117,419,124
Non-current	102,656,908	102,656,908	102,656,908	102,656,908
	<u>219,960,430</u>	<u>220,076,032</u>	<u>219,960,430</u>	<u>220,076,032</u>
Contingent Liabilities & Commitments:				
Financial guarantee	41,923,715	33,441,018	41,923,715	33,441,018
Other contingent	13,414,184	14,859,486	13,414,184	14,859,486
	<u>55,337,899</u>	<u>48,300,504</u>	<u>55,337,899</u>	<u>48,300,504</u>

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

Notes to the Financial Statements

19 Investment properties	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
<i>In thousands of Nigeria Naira</i>				
Carrying amount at the beginning of year	45,671	361,798	45,671	361,798
Cost	80,633	404,058	80,633	404,058
Accumulated Depreciation	(34,962)	(42,260)	(34,962)	(42,260)
Additions				
Disposals	-	(108,871)	-	(108,871)
Cost	-	(123,425)	-	(123,425)
Depreciation	-	14,554	-	14,554
Capital Reduction	-	(200,000)	-	(200,000)
Depreciation charge for the year	(1,384)	(7,256)	(1,384)	(7,256)
Carrying amount at the end of the year	44,287	45,671	44,287	45,671
Cost	80,633	80,633	80,633	80,633
Accumulated depreciation	(36,346)	(34,962)	(36,346)	(34,962)

(i) Investment properties represent land and buildings that are not substantially occupied by the bank but held for investment purposes. Investment properties are carried at cost less accumulated depreciation and impairment losses in accordance with the cost model. Investment properties are depreciated over a useful life of 50 years with a nil residual value. Had investment property been carried at fair value, the fair value as at 31 March 2018 would have been N103,305,825.08 (31 December 2017: N104,457,596.43). The valuations were provided by Messrs Diya Fatimilehin & Co. chartered surveyors and valuers (FRC/2013/NIESV/00000000754).

(ii) On 19 December, 2013 the Central Bank of Nigeria issued a circular that all deposit money banks should dispose off all the investment properties in their books on or before 30 June, 2014. The directors are aware of this directive and all necessary efforts is being made to ensure compliance. Although the directors are committed to a plan to sell the asset as directed by the Central bank of Nigeria; the active programme to locate a buyer and complete the plan has not been initiated. Hence, the sale is not expected to qualify for recognition as a completed sale within one year from the date of classification.

Consequently, the assets were not classified as Held for sale as the stipulated criteria in IFRS 5 regarding this has not been met.

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

20 Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)

	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2018	1,225,581	14,697,341	6,090,524	1,952,289	6,378,768	1,372,248	31,716,751
Additions		5,132	95,847	29,025	147,554	250,272	527,829
Reclassification from WIP							-
Transfer to software (note 21)							-
Transfer to prepaid expenses							-
Disposals			(3,263)	(25,850)	(273)		(29,385)
Balance at 31 March 2018	1,225,581	14,702,473	6,183,108	1,955,465	6,526,049	1,622,520	32,215,195
Accumulated depreciation and impairment							
Balance at 1 January 2018	-	4,362,690	4,299,245	1,485,545	4,490,482	-	14,637,962
Charge for the year	-	70,869	151,855	59,795	257,979	-	540,499
Disposals	-		(3,084)	(24,535)	(271)	-	(27,890)
Transfer to Capital Reduction (note 30.1)	-					-	-
Balance at 31 March 2018	-	4,433,559	4,448,015	1,520,806	4,748,190	-	15,150,570
Carrying amounts							
Balance at 1 January 2018	1,225,581	10,334,651	1,791,279	466,744	1,888,286	1,372,248	17,078,789
Balance at 31 March 2018	1,225,581	10,268,914	1,735,092	434,659	1,777,859	1,622,520	17,064,625

Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)

	Land	Buildings	Furniture Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2017	1,188,034	14,265,937	5,448,061	1,904,305	5,677,335	587,160	29,070,832
Additions	37,547	260,181	525,086	42,323	632,189	1,532,050	3,029,376
Reclassification from WIP	-	203,322	127,094	169,544	71,897	(571,857)	-
Transfer to software (note 21)	-	-	-	-	-	(164,115)	(164,115)
Transfer to prepaid expenses	-	-	-	-	-	(10,990)	(10,990)
Disposals	-	(32,099)	(9,717)	(163,883)	(2,653)	-	(208,352)
Balance at 31 December 2017	1,225,581	14,697,341	6,090,524	1,952,289	6,378,768	1,372,248	31,716,751
Accumulated depreciation and impairment							
Balance at 1 January 2017	-	3,892,888	3,678,839	1,362,131	3,522,509	-	12,456,367
Charge for the year	-	276,575	554,838	239,927	969,881	-	2,041,221
Disposals	-	(6,773)	(8,040)	(116,513)	(1,908)	-	(133,234)
Transfer to Capital Reduction (note 30.1)	-	200,000	73,608	-	-	-	273,608
Balance at 31 December 2017	-	4,362,690	4,299,245	1,485,545	4,490,482	-	14,637,962
Carrying amounts							
Balance at 1 January 2017	1,188,034	10,373,049	1,769,222	542,174	2,154,826	587,160	16,614,465
Balance at 31 December 2017	1,225,581	10,334,651	1,791,279	466,744	1,888,286	1,372,248	17,078,789

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In thousands of Nigerian Naira

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
21 Intangible assets				
Cost				
Cost 1 January, 2018	3,619,870	2,920,541	3,619,870	2,920,541
Additions	36,316	535,214	36,316	535,214
Transfer from property and equipment (note 20)	-	164,115	-	164,115
Transfer to computer equipment	-	-	-	-
At 31 March, 2018	3,656,186	3,619,870	3,656,186	3,619,870
Amortization and impairment losses				
Cost 1 January, 2018	2,860,778	2,520,524	2,860,778	2,520,524
Amortization for the year	97,835	269,524	97,835	269,524
Transfer to Capital Reduction (note 30i)	-	70,730	-	70,730
At 31 March, 2018	2,958,613	2,860,778	2,958,613	2,860,778
Carrying amounts	697,573	759,092	697,573	759,092

- (a) The intangible assets have got finite lives and are amortised over the higher of 3 years or the contractual licensing period. No impairment losses were recognised against intangible assets.
- (b) The authorised and contracted capital commitments as at the balance sheet date was nil (31 December 2017: nil)
- (c) There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 December 2017: nil)

22 Deferred tax assets and liabilities

- (a) Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira

	Group 31 March 2018	Group 31 December 2017	Bank 31 March 2018	Bank 31 December 2017
At 1 January 2018	21,269,702	22,169,702	21,269,702	22,169,702
Write down	-	(400,000)	-	(400,000)
Capital Reduction (note 30i)	-	(500,000)	-	(500,000)
At 31 March 2018	21,269,702	21,269,702	21,269,702	21,269,702

Wema Bank Plc

Consolidated and Separate Financial Statements For the year ended 31 March 2018

<i>In thousands of Nigerian Naira</i>		Group	Group	Bank	Bank
		31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
23	Other assets				
	Accounts receivables	3,376,830	3,272,912	3,432,886	3,328,967
	Prepayments	3,160,126	1,511,795	3,160,126	1,511,795
	Stock	371,867	359,926	371,867	359,926
	Collateralised Placement	52,917	52,917	52,917	52,917
	Clearing Balance	215,069	589,423	215,069	589,423
	Fraud & Burglary	532,054	548,683	532,054	548,683
	CBN Special Reserve (see 23.1 below)	10,677,214	10,677,214	10,677,214	10,677,214
	Card Receivables	1,311,101	907,605	1,311,101	907,605
	Others	48,766	51,032	48,766	51,032
		<u>19,745,944</u>	<u>17,971,507</u>	<u>19,802,000</u>	<u>18,027,562</u>
	Specific impairment on other assets	<u>(3,969,378)</u>	<u>(3,621,834)</u>	<u>(3,969,378)</u>	<u>(3,621,834)</u>
		<u>15,776,566</u>	<u>14,349,673</u>	<u>15,832,622</u>	<u>14,405,728</u>
	At 1 January 2018	3,621,834	3,621,834	3,621,834	3,694,646
	Allowance made during the year	-	(7,961)	-	(7,961)
	Transfer from investment	347,544	7,961	347,544	(64,851)
		<u>3,969,378</u>	<u>3,621,834</u>	<u>3,969,378</u>	<u>3,621,834</u>
	At 31 March 2018	<u>3,969,378</u>	<u>3,621,834</u>	<u>3,969,378</u>	<u>3,621,834</u>

23.1 CBN Special Reserve

The balance represents amount debited to the bank's current account with CBN as eligibility contribution to the Special Intervention Reserve for the Real Sector Support Facility (RSSF). The RSSF will be used to support start-ups and expansion financing needs of priority sectors of the economy to expand the industrial base and consequently diversify the economy. Draw down will be subject to banks contribution to the Special Intervention Reserve (SIR) with the CBN. The Facility shall be administered at an all-in interest rate/charge of 9 per cent per annum payable on quarterly basis. The CBN shall release the fund to DMBs at 1% interest rate.

<i>In thousands of Nigeria Naira</i>		Group	Group	Bank	Bank
		31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
24	Deposits from banks				
	Money market deposits (Items in course of collection)	<u>10,342,430</u>	<u>26,575,260</u>	<u>10,342,430</u>	<u>26,575,260</u>
25	Deposits from customers				
25a	Retail customers:				
	Term deposits	47,365,377	31,146,060	47,365,377	31,146,060
	Current deposits	15,738,798	12,468,199	15,738,798	12,468,199
	Savings	52,376,865	49,830,433	52,376,865	49,830,433
	Corporate customers:				
	Term deposits	112,975,581	90,579,009	112,975,581	90,579,009
	Current deposits	70,454,598	62,530,153	70,480,767	62,556,322
	Others	7,175,164	7,907,027	7,175,164	7,907,027
		<u>306,086,383</u>	<u>254,460,881</u>	<u>306,112,552</u>	<u>254,487,050</u>
25b	The maturity profile of customers' deposit is as follows:				
	Under 3 months	158,570,261	143,770,947	158,596,430	143,797,116
	3 - 6months	35,903,820	17,116,515	35,903,820	17,116,515
	6 - 12months	29,572,077	19,540,395	29,572,077	19,540,395
	Over 12months	82,040,225	74,033,024	82,040,225	74,033,024
		<u>306,086,383</u>	<u>254,460,881</u>	<u>306,112,552</u>	<u>254,487,050</u>

At 31 March 2018 N82.04billion (31 December 2017: N74.03billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

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	Group 31 March 2017	Group 31 December 2016	Bank 31 March 2017	Bank 31 December 2016
In thousands of Nigerian Naira				
26 Taxation				
26.1 Income tax expense				
Company income tax	123,116	328,348	123,116	328,348
Education Tax	-	-	-	-
NITDA Levy	-	31,530	-	31,530
Capital Gains Tax	-	-	-	-
(Over) / Under provision	-	(6,163)	-	(6,163)
	<hr/>	<hr/>	<hr/>	<hr/>
Current Income Tax expense	123,116	353,715	123,116	353,715
Deferred tax expenses	-	400,000	-	400,000
	<hr/>	<hr/>	<hr/>	<hr/>
	123,116	753,715	123,116	753,715

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Group 31 March 2017	Group 31 December 2016	Bank 31 March 2017	Bank 31 December 2016
Profit before tax from continuing operations	883,947	3,009,203	883,304	3,054,873
Income tax expense calculated at 30% (2017:30%)	264,991	916,462	264,991	916,462
Effect of income that is exempt from taxation	(522,625)	(522,625)	(522,625)	(522,625)
Effect of expenses that are not deductible in determining taxable profit	-	-	-	-
Education tax at 2% of assessable profit	-	-	-	-
Effect of concessions and other allowances)	-	-	-	-
Minimum tax adjustment	328,348	328,348	328,348	328,348
Information technology tax levy adjustment	31,530	31,530	31,530	31,530
	<hr/>	<hr/>	<hr/>	<hr/>
	102,244	753,715	102,244	753,715
	<hr/>	<hr/>	<hr/>	<hr/>
26.2 Current tax liabilities				
At 1 January	359,878	349,245	359,878	349,245
Payment during the year	-	(343,082)	-	(343,082)
Charge for the year	123,116	353,715	123,116	353,715
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	482,994	359,878	482,994	359,878

The charge for taxation is based on the provision of the Company Income Tax Act Cap C21 LFN 2004. Education Tax is based on 2% of the assessable profit for the year in accordance with the Education Tax Act CAP E4 LFN 2004. NITDA levy is based on 1% of profit before tax in accordance with NITDA levy Act 2007

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27 Other liabilities

<i>In thousands of Nigerian Naira</i>	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
<i>Financial Liabilities</i>				
Creditors and accruals	140,167	151,385	140,167	151,385
Other current liabilities	366,682	436,086	357,589	399,556
Accounts payable	1,074,659	665,111	1,074,659	665,111
Certified cheques	1,739,911	1,516,148	1,739,911	1,516,148
Customer deposits for letters of credit	8,522,583	5,484,782	8,522,583	5,484,782
Discounting Line	7,294,097	7,691,621	7,294,097	7,691,621
Pension Contribution (see note (ii) below)	70,000	10,838	70,000	10,838
FBN Settlement	31,860	15,308	31,860	15,308
Other Settlements	474,567	593,187	474,567	593,187
Remittances	379,418	580,174	379,418	580,174
	20,093,944	17,144,640	20,084,851	17,108,110
<i>Non-Financial Liabilities</i>				
Litigation claims provision (i)	76,435	76,435	76,435	76,435
Other payables	2,713,655	461,670	2,713,655	461,670
	22,884,034	17,682,745	22,874,941	17,646,215

(i) Movement in litigation claims provision

Opening balance	76,435	101,848	76,435	101,848
Additions	-	-	-	-
Payment	-	(4,918)	-	(4,918)
Provision no longer required	-	(20,495)	-	(20,495)
	76,435	76,435	76,435	76,435

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<i>In thousands of Nigerian Naira</i>			Group	Group	Bank	Bank
	Key		31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
28 Other borrowed funds						
Due to CBN			-	-	0	-
Due to BOI (see (i) below)	30.6		3,435,050	3,672,566	3,435,050	3,672,566
Osun Bailout Fund (see ii below)	30.8		9,494,226	9,549,597	9,494,226	9,549,597
CBN Agric. loan (see iii below)	30.7		989,046	992,906	989,046	992,906
CBN MSMEDF (see iv below)	30.5		120,880	108,005	120,880	108,005
Wema SPV (see v below)	30.2		6,159,270	6,328,205	3,327,519	3,496,454
Debt Securities (see vi below)	30.3		12,989,807	15,557,870	12,989,807	15,557,870
National Housing Fund	30.4		100,587	104,047	100,587	104,047
Shelter Afrique (see vii below)	30.9		7,252,549	3,146,316	7,252,549	3,146,316
			40,541,415	39,459,512	37,709,664	36,627,761

- (i) The amount represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facilities are secured by Nigerian Government Securities worth N8,934,491,000 and have 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% per annum. 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.

- (ii) Amount represents salary credit bail out facility from Central Bank of Nigeria. It has a moratorium of twenty years at bank's interest rate of 9%. The corresponding entry is in loans and advances and the bank is expected to provide Central Bank of Nigeria with periodic progress on the facility. The principal repayment is by bullet payment at the expiration of the moratorium granted.
- (iii) This represents CBN intervention funds to some of the Bank's customers in the agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility is 7 years.
- (iv) This represents CBN intervention funds to some bank's customers in Small & Medium Scale sector. The fund is administered at a maximum interest rate of 9% per annum and maximum tenor of 5 years.
- (v) The debt securities of 2018: N6,159,270,000 (2017: N6,328,205,000) represents amortized cost of the fixed rate unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N6,295,000,000 (principal) was issued on 12 October 2016 for a period of 7 years at 18.5% per annum with interest payable semi-annually and principal payable at maturity in October 2023.
- (vi) The debt securities of 2018: N12,989,807,000 (2017: N15,557,870,000) represents amortized cost of the fixed rate commercial paper issued by Wema Bank Plc on 3rd October, 2017 for a period of 182days and 270days at 19% and 19.5% respectively per annum with interest payable upfront and face value (N17,022,715,000) payable at maturity in March and June 2018 respectively.
- (vii) This amount represents the bank's foreign facility from Shelter Afrique, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+6.5% (Libor plus 6.5%)

	Group	Group	Bank	Bank
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
At 1 January	39,459,511	32,093,404	36,627,760	29,282,289
Additions	4,599,750	15,867,870	4,599,750	15,867,870
Changes in accrued interest	0	(7,089)	0	(7,089)
Effect of exchange rate changes [loss/(profit)]	-	10,000	-	10,000
Payments made	(3,517,846)	(8,504,673)	(3,517,846)	(8,525,309)
At 31 December	40,541,415	39,459,512	37,709,664	36,627,761

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29 Obligations under finance leases

Leasing arrangements

The bank leased certain of its motor vehicles and equipment under finance leases. The average lease term is 4 years. The Bank has acquired automatic ownership on full settlement of all related lease as installments are completed at the end of the lease terms.

The Bank's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 15% to 24% per annum.

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	31-Mar-18 N'000	31-Dec-17 N'000	31-Mar-18 N'000	31-Dec-17 N'000
Not later than one year	-	932	-	932
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	932	-	932
Future finance charges	-	(932)	-	(932)
Present value of minimum lease payments	-	-	-	-
	Group	Group	Bank	Bank
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17

In thousands of Nigerian Naira

30 Share capital and Reserves

(a) The share capital comprises:

(i) Authorised - 40,000,000 Ordinary shares (2017 - 40,000,000,000) Ordinary shares of 50k each (2017 - 50k)	20,000,000	20,000,000	20,000,000	20,000,000
(ii) Issued and fully paid - 38,574,466,000 Ordinary shares (2017-38,574,466,000) shares of 50k each (2017 - 50k)	19,287,233	19,287,233	19,287,233	19,287,233

b Share Premium

At 1 January, 2018	8,698,230	48,870,107	8,698,230	48,870,107
Capital Reduction (Note 30i)	-	(40,171,877)	-	(40,171,877)
At 31 March, 2018	8,698,230	8,698,230	8,698,230	8,698,230

Share premium is the excess paid by shareholders over the nominal value for their shares

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(c) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, 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.

(d) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(e) SMEIES Reserve

The SMEIES reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

The Bank has suspended further appropriation to SMEIES (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN. In prior year, 10% of profit after taxation was transferred to SMEIES reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005."

(f) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

<i>In thousands of Nigeria Naira</i>	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
At 1 January	4,089,570	(39,158,766)	4,166,460	(39,127,546)
Profit or loss	764,701	2,255,488	764,058	2,301,158
Transfer to Regulatory risk reserve	376,919	2,555,649	376,919	2,555,649
Transfer to Statutory Reserve	-	(690,347)	-	(690,347)
Transfer to Capital Reduction	-	39,127,546	-	39,127,546
Re-measurement of defined benefit contribution	-	-	-	-
At 31 December 2017	<u>5,231,190</u>	<u>4,089,570</u>	<u>5,307,437</u>	<u>4,166,460</u>

(g) Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment on loans and advances computed under the Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines compared with the incurred loss model used in calculating the impairment under IFRSs.

30 (i) Capital Reduction

	Group 31-Mar-18	Group 31-Dec-17	Bank 31-Mar-18	Bank 31-Dec-17
At 1 January				
Transfer from PPE (note 20)	-	(273,608)	-	(273,608)
Transfer from Investment Properties (note 19)	-	(200,000)	-	(200,000)
Transfer from Intangible Assets (note 21)	-	(70,730)	-	(70,730)
Transfer from Retained Earnings (note 30f)	-	(39,127,546)	-	(39,127,546)
Transfer from Deferred tax assets (note 22)	-	(500,000)	-	(500,000)
Transfer to Share Premium (note 20b)	-	40,171,884	-	40,171,884
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In line with shareholders' approval of 30th June 2016 to pursue a capital reduction scheme, the bank obtained approvals from all relevant regulatory agencies. Consequent to this, a special resolution of members was obtained at an extra-ordinary meeting held on October 10, 2017 and confirmation petition was filed with the Federal High Court for an order confirming the reduction. The order sanctioning the scheme and the reduction was filed with the Corporate Affairs Commission. This is in accordance with section 105 – 107 of the Companies and Allied Matters Act.

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31 Contingencies

(i) Litigation and claims

There are litigation claims against the Bank as at 31 March 2018 amounting to N15,486,102,002.61 (31 December 2017: N15,928,111,094.67). These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims; other than as recognised in these financial statements.

(ii) Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

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

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk

	Group	Group	Bank	Bank
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
In thousands of Nigerian naira				
Contingent liabilities:				
Guarantees and indemnities	40,764,058	30,506,624	40,764,058	30,506,624
Bonds	1,159,657	2,934,394	1,159,657	2,934,394
Clean-line facilities & irrevocable letters of credit	13,414,184	14,859,486	13,414,184	14,859,486
	55,337,899	48,300,504	55,337,899	48,300,504