

FSDH Merchant Bank Limited
Group Management Accounts
for period ended 30 June 2017

FSDH MERCHANT BANK LIMITED
INCOME STATEMENT
FOR PERIOD ENDED 30 JUNE 2017

	Notes	Group Actual June 2017 N '000	Bank Actual June 2017 N '000
Interest similar income	1.	9,423,512	9,086,098
Interest expense	2.	(5,836,101)	(5,836,097)
Net interest income		3,587,411	3,250,001
Impairment charge for credit losses	4.	(92,199)	(92,199)
Impairment credit/(charge) on assets held for sale		(15,138)	(15,138)
Net interest income after impairment charge for credit losses		3,480,074	3,142,664
Fee and commission income	3.	2,447,194	472,821
Net gains on financial instruments	5.	350,860	302,044
Dividend Income		1,902	644,316
Other income	6.	330,170	302,458
Net Income		6,610,200	4,864,303
Operating expenses	7.	(3,270,040)	(1,906,845)
Profit before tax		3,340,160	2,957,458
Income tax (expense)/credit	8.	(716,918)	(444,191)
Profit after tax		2,623,242	2,513,267
Other comprehensive income:			
- Net Unrealised net gains/(losses) arising during the period		1,024,656	1,127,655
Other comprehensive (loss)/income for the period, net of tax		1,024,656	1,127,655
Total comprehensive income for the year		3,647,898	3,640,922
Profit after tax attributable to:			
Equity holders of the parent entity		2,358,329	2,513,267
Non-controlling interest		264,913	-
		2,623,242	2,513,267
Total comprehensive income attributable to:			
Equity holders of the parent entity		3,382,985	3,640,922
Non-controlling interest		264,913	-
		3,647,898	3,640,922

FSDH MERCHANT BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Group Actual 2017 N '000	Bank Actual 2017 N '000
ASSETS			
Cash and bank balances	9.	16,381,276	16,161,655
Loans to banks	10.	20,048,996	17,944,262
Financial instruments held for trading	11.	7,193,259	7,185,047
Loans and advances to customers	12.	39,024,089	38,649,131
Investment securities	13.	28,380,781	26,552,559
Pledged assets	14.	25,786,116	25,786,116
Other assets	15.	2,587,602	1,482,038
Investment in subsidiaries	16.	-	961,377
Retirement benefit asset	17.	257,567	223,516
Deferred tax asset	18.	3,610,646	3,629,720
Intangible assets	19.	142,631	51,582
Property and equipment	20.	949,620	572,126
		144,362,583	139,199,129
Assets for Sale	21.	104,025	104,025
Total assets		144,466,608	139,303,154
LIABILITIES			
Due to banks	22.	14,475,598	14,472,034
Due to customers	23.	49,968,042	49,797,440
Short term debt instruments	24.	12,712,040	12,712,040
Other Borrowings	25	23,884,926	23,884,926
Current income tax liability	8.	1,635,939	759,290
Other liabilities	26	11,691,710	11,225,116
Total liabilities		114,368,255	112,850,846
EQUITY			
Share capital	27.	2,794,794	2,794,794
Share premium		1,539,587	1,539,587
Retained earnings		20,086,731	18,145,286
Statutory reserve		5,579,308	5,077,345
Available for sale reserve		(1,727,009)	(1,700,874)
Credit risk reserve		596,170	596,170
		28,869,580	26,452,308
Non-controlling interest in equity		1,228,773	-
Total equity		30,098,353	26,452,308
Total equity and liabilities		144,466,608	139,303,154

FSDH MERCHANT BANK LIMITED
CHANGE IN EQUITY & RESERVES

FOR PERIOD ENDED 30 JUNE 2017

**Attributable to equity holders
of the parent**

GROUP	Attributable to equity holders of the parent							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Statutory reserve	Available for sale reserve	Credit risk reserve			
At 1 January 2017	2,794,794	1,539,587	-	17,728,400	5,579,308	(2,751,665)	596,170	25,486,595	1,341,161	26,827,755
Profit after tax for the year	-	-	-	2,358,329	-	-	-	2,358,329	264,913	2,623,242
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	1,024,656	-	1,024,656	-	1,024,656
	2,794,794	1,539,587	-	20,086,731	5,579,308	(1,727,009)	596,170	28,869,581	1,606,073	30,475,653
Dividend paid	-	-	-	-	-	-	-	-	(377,300)	(377,300)
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Transfer from credit risk reserves	-	-	-	-	-	-	-	-	-	-
Unconsolidated entities - FSDH Staff Cooperative	-	-	-	-	-	-	-	-	-	-
Difference in retained earnings	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	2,794,794	1,539,587	-	20,086,731	5,579,308	(1,727,009)	596,170	28,869,581	1,228,773	30,098,353

BANK	Attributable to equity holders of the parent							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Statutory reserve	Available for sale reserve	Credit risk reserve			
At 1 January 2017	2,794,794	1,539,587	-	15,632,019	5,077,345	(2,828,529)	596,170	22,811,386	-	22,811,386
Profit after tax for the year	-	-	-	2,513,267	-	-	-	2,513,267	-	2,513,267
Unrealised net gains/(losses) arising during the period	-	-	-	-	-	1,127,655	-	1,127,655	-	1,127,655
Net reclassification adjustment for realised gains	-	-	-	-	-	-	-	-	-	-
Difference in retained earnings	-	-	-	-	-	-	-	-	-	-
	2,794,794	1,539,587	-	18,145,287	5,077,345	(1,700,874)	596,170	26,452,308	-	26,452,308
Dividend paid	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Transfer to credit risk reserves	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	2,794,794	1,539,587	-	18,145,287	5,077,345	(1,700,874)	596,170	26,452,308	-	26,452,308

FSDH MERCHANT BANK LIMITED
NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

	Group Actual 2017 N'000	Bank Actual 2017 N'000
1. Interest income		
Bonds	1,232,649	1,222,414
Treasury bills	3,359,642	3,227,269
Placements and investment income	1,642,634	1,480,600
Loans and advances	3,156,842	3,134,258
Others	20,866	10,678
	<u>9,423,512</u>	<u>9,086,098</u>
2. Interest expense		
Interest expense on deposits	2,625,194	2,625,190
Interbank call borrowings	615,928	615,928
Interest on debt securities	2,007,560	2,007,560
Interest on collateralised borrowing	280,235	280,235
Financial guarantee contracts	7,114	7,114
Others	300,070	300,070
	<u>5,836,101</u>	<u>5,836,097</u>
3. Fee and commission income		
Credit related fees	228,136	102,032
Fiduciary fees	1,838,614	-
Issuing house activities and financial advisory fees	23,840	22,890
Fees, commissions and charges	356,604	347,899
	<u>2,447,194</u>	<u>472,821</u>
4. Impairment charge for credit losses		
Collective impairment (Note 12)	144,604	144,604
Specific impairment (Note 12)	(52,405)	(52,405)
	<u>92,199</u>	<u>92,199</u>
5. Net gains on financial instruments held for trading		
Equity securities	7,151	-
Bonds	64,150	26,427
Nigerian Treasury Bills	195,959	192,017
Foreign exchange income	121,874	121,874
Trading charges	(38,274)	(38,274)
	<u>350,860</u>	<u>302,044</u>
6. Other income		
Profit on disposal of property & equipment	5,445	5,274
Foreign exchange translation	282,781	278,232
Others	41,944	18,952
	<u>330,170</u>	<u>302,458</u>
7. Operating expenses		
Staff related expenses	1,786,977	1,018,818
Depreciation	163,282	90,045
Amortisation	29,389	23,426
Audit and tax expenses	61,871	41,829
Non-executive directors' allowances	146,697	125,846
Deposit Insurance	100,821	100,821
Occupancy costs	182,938	63,737
Administrative & operating expenses	798,065	442,323
	<u>3,270,040</u>	<u>1,906,845</u>
8. Income tax (credit)/expense		
Tax charge for the year comprises:		
a) Income Tax Charge		
Company income tax	716,918	444,191
Education tax	-	-
Total current tax charge	<u>716,918</u>	<u>444,191</u>
b) Deferred tax		
Origination and reversal of temporary differences	-	-
Write down or reversal of deferred tax assets	-	-
Total deferred tax (credit)/charge	<u>-</u>	<u>-</u>
Income tax (credit)/expense	<u>716,918</u>	<u>444,191</u>

FSDH MERCHANT BANK LIMITED
NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

	Group Actual 2017 N'000	Bank Actual 2017 N'000
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The movement in the current income tax liability is as follows:

At start of the period	1,068,778	395,986
Tax paid	(149,757)	(80,887)
Income tax charge	716,918	444,191
At end of the period	<u>1,635,939</u>	<u>759,290</u>

9. Cash and bank balances

Cash in hand	3,636	143
Balances held with other banks:		
- Operating balance with Central Bank of Nigeria	1,118,306	1,118,306
- Balances with banks in Nigeria	686,610	470,343
- Balances with banks outside Nigeria	<u>13,357,243</u>	<u>13,357,382</u>
Cash and bank balances	<u>15,165,795</u>	<u>14,946,174</u>

- Mandatory reserve deposit with Central Bank of Nigeria	<u>1,215,481</u>	<u>1,215,481</u>
	<u>16,381,276</u>	<u>16,161,655</u>

Mandatory reserve deposits represents a percentage of customers' deposits (prescribed from time to time) which is not available for daily use with the Central Bank of Nigeria.

10. Loans to banks

Placements with banks	19,554,150	17,944,262
Restricted placement	494,846	-
	<u>20,048,996</u>	<u>17,944,262</u>

Restricted placement represents statutory reserve requirement of pension fund administrators by National Pension Commission allowed to be invested in money market instruments but not available for daily use.

11. Financial instruments held for trading

Quoted equity securities	8,212	-
Nigerian Treasury Bills	6,985,965	6,985,965
Federal Government of Nigeria Bonds	<u>199,082</u>	<u>199,082</u>
	<u>7,193,259</u>	<u>7,185,047</u>

12. Loans and advances to customers

Loans and advances	32,367,592	32,180,219
Overdrafts	7,393,907	7,393,907
Staff loans	512,389	329,460
Sundry loans	<u>8,799</u>	<u>4,143</u>
	<u>40,282,687</u>	<u>39,907,729</u>
Allowance for impairment (Note (i) below)	<u>(1,258,598)</u>	<u>(1,258,598)</u>
	<u>39,024,089</u>	<u>38,649,131</u>

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

Balance brought forward - 1st January	1,147,213	1,147,213
Increase in impairment for the period	111,385	111,385
Balance carried forward at end of period	<u>1,258,598</u>	<u>1,258,598</u>

13. Investment securities

Analysis of investment securities

Debt securities (Note (i))	27,975,447	26,394,760
Equity securities (Note (ii))	<u>405,334</u>	<u>157,799</u>
	<u>28,380,781</u>	<u>26,552,559</u>

(i) **Debt securities**

Classified as available for sale

Nigerian Treasury Bills	19,786,270	18,340,529
Federal Government of Nigeria bonds	2,131,999	2,128,867
State Government and Corporate bonds	<u>7,300,233</u>	<u>7,168,419</u>
	<u>29,218,502</u>	<u>27,637,815</u>
Unrealised mark-to-market gain/(loss)	<u>(1,243,055)</u>	<u>(1,243,055)</u>
	<u>27,975,447</u>	<u>26,394,760</u>

Classified as held to maturity

Federal Government of Nigeria bonds	-	-
	<u>-</u>	<u>-</u>

Total debt securities	<u>27,975,447</u>	<u>26,394,760</u>
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FSDH MERCHANT BANK LIMITED
NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

	Group Actual 2017 N'000	Bank Actual 2017 N'000
(ii) Equity securities		
Classified as available for sale		
Quoted mutual funds	216,335	-
Unquoted equity securities	188,999	157,799
	<u>405,334</u>	<u>157,799</u>

Included in this is the sum of N142.13M invested as equity contribution to the Agricultural/Small and Medium Enterprises Investment Scheme in line with the directive of the CBN that all banks invest 5% of their profit after tax (PAT) in the scheme.

14. Pledged assets		
classified as held for trading		
Nigerian Treasury Bills	1,576,925	1,576,925
classified as available for sale		
Nigerian Treasury Bills	12,909,477	12,909,477
Federal Government of Nigeria bonds	5,008,932	5,008,932
State Government and Corporate bonds	6,768,329	6,768,329
classified as held to maturity		
Federal Government of Nigeria bonds	104,205	104,205
	<u>26,367,868</u>	<u>26,367,868</u>
Unrealised mark-to-market loss	(581,752)	(581,752)
	<u>25,786,116</u>	<u>25,786,116</u>

Debt securities are pledged strictly for purpose of providing collateral to secure liabilities with counterparties. Included in this is the N1.05B pledged as security deposit/collateral to serve as clearing and placement agency (this does not have collateral liability).

15. Other assets		
Financial assets		
Interest Receivable	10,496	-
Other Receivables	250,686	384,415
	<u>261,182</u>	<u>384,415</u>
Non financial assets		
Prepayments	1,398,910	1,063,634
Withholding tax receivable	620,839	14,058
Others	306,671	19,931
	<u>2,326,420</u>	<u>1,097,623</u>
	<u>2,587,602</u>	<u>1,482,038</u>

16. Investment in subsidiaries		
FSDH Asset Management Limited	-	200,000
FSDH Securities Limited	-	174,367
Pensions Alliance Limited	-	587,010
	<u>-</u>	<u>961,377</u>

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

17. Retirement benefit asset/(obligation)

Defined benefit scheme

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

Consolidated statement of financial position asset/(liability) for:

Plan assets	869,436	786,541
Defined benefit	(611,869)	(563,025)
Retirement benefit asset/(liability)	<u>257,567</u>	<u>223,516</u>

* This has not been valued for the reporting period

18. Deferred tax assets		
Accelerated tax depreciation	(60,167)	(8,311)
Credit impairment	34,753	60,211
Tax loss carry forward	3,582,917	3,501,891
Gratuity post retirement benefit	53,143	75,929
	<u>3,610,646</u>	<u>3,629,720</u>

FSDH MERCHANT BANK LIMITED

NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

19. Intangible asset

Computer Software

Cost

At 1 January	852,560	709,094
Additions	103,415	29,850
Disposals	-	-
At 30 June	<u>955,975</u>	<u>738,944</u>

Accumulated amortisation

At 1 January	(780,115)	(663,937)
Charge for the year	(33,229)	(23,425)
Disposals	-	-
At 30 June	<u>(813,344)</u>	<u>(687,362)</u>

Net book amount at 1 January	<u>72,445</u>	<u>45,157</u>
Net book amount at 30 June	<u>142,631</u>	<u>51,582</u>

The amortisation charge for the year is included in operating expenses stated on the statement of comprehensive income.

FSDH MERCHANT BANK LIMITED
NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

20. Property, plant and equipment

Refer to FA sheet.

FSDH MERCHANT BANK LIMITED
 NOTES TO THE MANAGEMENT ACCOUNTS
 FOR PERIOD ENDED 30 JUNE 2017

	Group Actual 2017 N'000	Bank Actual 2017 N'000
21. Assets Held for Sale		
Collateral assets held for sale	119,163	119,163
	<u>(15,138)</u>	<u>(15,138)</u>
	<u>104,025</u>	<u>104,025</u>

During the year, the bank took over some collateral assets of a delinquent customer. The bank has no intention to make use of these assets for operational use. Management have initiated plans to dispose these assets to willing buyers and thus, has classified them as assets held for sale. The amount disclosed above represent fair value of the assets.

22. Due to banks

Call borrowings	7,971,500	7,971,500
Secured borrowings	6,504,098	6,500,534
Other balances	-	-
	<u>14,475,598</u>	<u>14,472,034</u>

23. Due to customers

Demand	11,175,139	11,004,537
Term	<u>38,792,903</u>	<u>38,792,903</u>
	<u>49,968,042</u>	<u>49,797,440</u>

24. Short term debt instruments

FSDH Commercial Papers	12,712,040	12,712,040
	<u>12,712,040</u>	<u>12,712,040</u>

This represent the FSDH CP Notes that was issued on 26 May 2017. The face value of the CP Notes as at the reporting date is N14.41billion and listed on the FMDQ OTC Securities Exchange.

25 Other Borrowings

Local		
Due to NSIA	6,595,875	6,595,875
Foreign		
Due to Afrexim	2,285,939	2,285,939
Due to Shelter Afrique	3,367,435	3,367,435
Due to AfDB	11,635,677	11,635,677
Due to Commerzbank	-	-
	<u>23,884,926</u>	<u>23,884,926</u>

The bank has not had any default of principal, interest or other breaches with respect to their liabilities during the year (2016:Nil)

26 Other liabilities

Financial liabilities:		
Customers' deposit for foreign trade (Note (i))	10,777,085	10,777,085
Amounts held on behalf of third parties (Note ii)	-	-
Unclaimed third party deposits	5,268	5,271
Accounts payable	177,571	-
Stale cheques	80,381	151,348
	<u>11,040,305</u>	<u>10,933,704</u>
Non financial liabilities:		
Accrued expenses, payables and other liabilities	651,405	291,412
	<u>651,405</u>	<u>291,412</u>
	<u>11,691,710</u>	<u>11,225,116</u>

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

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

FSDH MERCHANT BANK LIMITED
 NOTES TO THE MANAGEMENT ACCOUNTS
 FOR PERIOD ENDED 30 JUNE 2017

	Group Actual 2017 N'000	Bank Actual 2017 N'000
27. Share capital		
Authorised		
3,100,000,000 Ordinary shares of N1 each	<u>3,100,000</u>	<u>3,100,000</u>
Issued and fully paid		
2,794,793,730 Ordinary shares of N1 each	<u>3,100,000</u>	<u>2,794,794</u>
28. Contingents		
Letters of Credit	19,270,817	19,270,817
FX Forward Contract	<u>3,142,729</u>	<u>3,142,729</u>
	<u>22,413,546</u>	<u>22,413,546</u>

FSDH MERCHANT BANK LIMITED
NOTES TO THE MANAGEMENT ACCOUNTS
FOR PERIOD ENDED 30 JUNE 2017

20. Property and equipment

GROUP	Leasehold improvement N'000	Office equipment N'000	Furniture, fittings & equipment N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost						
At 1 January 2017	231,094	484,994	173,733	1,019,167	7,875	1,916,863
Additions	75,838	31,459	4,907	54,851	253,158	420,213
Reclassifications	-	-	-	-	(7,875)	(7,875)
Disposals	-	-	(2,100)	(96,250)	-	(98,350)
At 30 June 2017	306,932	516,453	176,540	977,768	253,158	2,230,851
Accumulated depreciation						
At 1 January 2017	(188,488)	(370,339)	(142,831)	(514,641)	-	(1,216,299)
Charge for the year	(17,226)	(33,332)	(6,660)	(106,064)	-	(163,282)
Reclassifications	-	-	-	-	-	-
Write offs	-	-	-	-	-	-
Disposals	-	-	2,100	96,250	-	98,350
At 30 June 2017	(205,714)	(403,671)	(147,391)	(534,426)	-	(1,281,231)
Net book amount at 30 June 2017	101,218	112,782	29,149	443,342	253,158	949,620
BANK						
Cost						
At 1 January 2017	160,819	235,194	113,016	584,726	7,875	1,101,630
Additions	-	11,933	2,400	55,000	197,767	267,100
Reclassifications	-	-	-	-	-	-
Disposals	-	-	(2,100)	(96,250)	-	(98,350)
At 30 June 2017	160,819	247,127	113,316	543,476	205,642	1,270,380
Accumulated depreciation						
At 1 January 2017	(132,615)	(183,422)	(92,464)	(290,632)	-	(699,133)
Charge for the year	(10,195)	(11,343)	(3,682)	(49,674)	-	(74,894)
Reclassifications	-	-	-	-	-	-
Write offs	-	-	-	-	-	-
Disposals	-	-	2,100	96,250	-	98,350
At 30 June 2017	(142,810)	(194,765)	(94,046)	(244,056)	-	(675,677)
Net book amount at 30 June 2017	18,009	52,362	19,270	299,420	205,642	594,703