FBNHoldings

RICH HERITAGE
BRIGHT FUTURE

FBN Holdings Plc
Annual Report and Accounts 2015

AT FBNHOLDINGS WE HAVE A CLEAR VISION FOR A BRIGHT FUTURE

*Our **diverse range of products and services** gives us a unique and powerful standing in a vast marketplace, creating opportunities that will provide sustainable value over the long term. And our **rich heritage** helps us to weather tough market conditions and deliver **consistent value** for the Group and its shareholders.*

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The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other financial services' sector on 26 November 2012 and has issued and fully paid-up share capital as 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396). In this report the abbreviations '₦mn', '₦bn' and '₦trn' represent millions, billions and trillions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Merchant Banking and Asset Management[1], Insurance and Other Financial Services[2].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgage Limited. FirstBank (Nigeria) is the lead entity of the Commercial Banking business.
- Merchant Banking and Asset Management business consists of FBN Merchant Bank and FBN Capital Limited. Subsidiaries of FBN Capital include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business includes the Group's non-operating holdings company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the balance sheet comparison relates to the corresponding position at 31 December 2014. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or the IFRS are explained in the glossary or abbreviation section of this report.

Shareholders will receive a compact disc (CD) containing the Annual Report and Accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report and the First Bank of Nigeria report as well as standard PDFs of certain subsidiary reports at the download centre. A CD will be available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

*Our **deeply rooted** heritage helps us to weather tough market conditions and deliver consistent value for FBNHoldings and its shareholders.*

Our diverse range of products and services gives us a unique and powerful standing in a vast marketplace, ***creating opportunities*** *that will provide sustainable value over the long term.*

We have a clear vision for a bright future and are innovating with technology to develop more customer friendly solutions and ***stimulate*** *revenue* ***growth****.*

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GROUP OVERVIEW

*FBN Holdings Plc is a **leading diversified financial services group** in Sub-Saharan Africa offering a broad range of products and services across commercial banking in eight African countries and offices in London, Paris, Beijing and Abu Dhabi. Other businesses include Merchant Banking and Asset Management as well as Insurance.*

At 31 December 2015, the Group closed with gross earnings of ₦505.2 billion, total assets of ₦4.2 trillion and ₦578.8 billion in total equity.

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CORPORATE PROFILE

FBN Holdings Plc is the non-operating holding company of one of the largest banking and financial services organisations in Africa. A truly diversified financial services group that offers a broad range of products and services, including commercial banking, merchant banking, asset management and insurance, to millions of customers, with the bulk of the business in Nigeria. FBNHoldings oversees four business groups that collaborate to deliver innovative financial solutions. These are commercial banking, merchant banking and asset management[1], insurance and other financial services[2].

- FBNHoldings is the non-operating holding company of First Bank of Nigeria Ltd (FirstBank), a commercial bank with operations in 12 countries.
- The Merchant Banking and Asset Management business of FBNHoldings, which comprises FBN Merchant Bank Limited, FBN Capital Limited, FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited. The business group offers life and general insurance services as well as brokerage services.
- Other Financial Services includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.
- The bank and the non-bank subsidiaries of the holding company operate in Nigeria, as well as through overseas branches, subsidiaries and representative offices.

THE STRATEGIC VISION (2014–2016)

for the Group to become the leading financial services group in Sub-Saharan Africa, providing value to our stakeholders.

OUR GOAL

is to be the undisputed leader in every business we choose to participate in, delivering superior returns to our shareholders.

OUR CORE VALUES

Passion, Partnership and People underpin everything we do and apply to everyone across the Group.

FBNHoldings is a diversified financial services group with the following statistics:

✓ the biggest bank in Nigeria by total deposits and gross earnings;
✓ a leading life and general insurance underwriter;
✓ a rich history on the Nigerian Stock Exchange from 1971 and specifically as FBNHoldings since November 2012;
✓ 9,327 employees across the Group;
✓ over 10.9 million active customer accounts;
✓ 859 business locations; and
✓ 2,749 ATMs.

2,749
ATMs

₦505.2bn
GROSS EARNINGS

₦4.2tn
TOTAL ASSETS

10.9mn*
ACTIVE CUSTOMER ACCOUNTS

859
BUSINESS LOCATIONS

9,327**
EMPLOYEES

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

* Commercial Banking Group
** As at 31 December 2015

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OUR GEOGRAPHIC REACH

NIGERIA

Name	FBN Holdings Plc
Type	Licensed financial holding company
Established	2012 (formerly First Bank of Nigeria Plc Established 1894)
Products/Services	Commercial Banking Merchant Banking & Asset Management Insurance

NIGERIA

Name	First Bank of Nigeria Ltd. (formerly First Bank of Nigeria Plc.)
Type	Licensed Bank
Established	2012
Products/Services	Commercial Banking

DEMOCRATIC REPUBLIC OF CONGO

Name	FBNBank DRC
Type	Licensed Bank
Established	1994
Products/Services	Commercial Banking

GHANA

Name	FBNBank Ghana
Type	Licensed Bank
Est.	1996
Products/Services	Commercial Banking

GUINEA

Name	FBNBank Guinea
Type	Licensed Bank
Est.	1996
Products/Services	Commercial Banking

UK

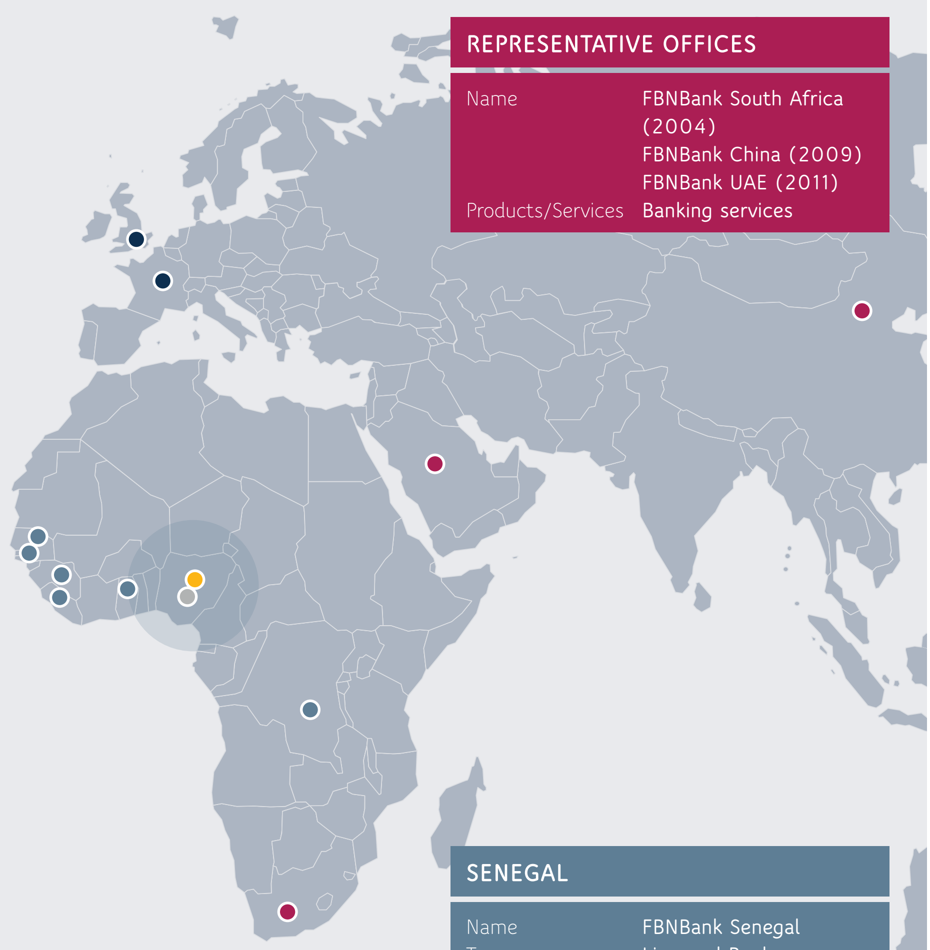
Name	FBNBank UK Ltd
Type	Licensed Bank
Established	2002
Products/Services	International Banking and Trade Services

FRANCE

Name	FBNBank UK Ltd
Type	Bank branch
Est.	2008
Products/Services	Commercial Banking, International Banking

REPRESENTATIVE OFFICES

Name	FBNBank South Africa (2004) FBNBank China (2009) FBNBank UAE (2011)
Products/Services	Banking services



SENEGAL

Name	FBNBank Senegal
Type	Licensed Bank
Est.	2014
Products/Services	Commercial Banking

THE GAMBIA

Name	FBNBank The Gambia
Type	Licensed Bank
Est.	2004
Products/Services	Commercial Banking

SIERRA LEONE

Name	FBNBank Sierra Leone
Type	Licensed Bank
Est.	2004
Products/Services	Commercial Banking

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HOW WE ARE STRUCTURED

Our business and operating model is structured around our key client services - commercial banking, merchant banking and asset management, insurance and other financial services.

Each of our business groups has market leading customer franchises serving personal, retail, corporate and institutional customers.

FBN HOLDINGS PLC (FBNHOLDINGS)

COMMERCIAL BANKING

- **First Bank of Nigeria Ltd**
  - FBNBank (UK) Ltd
  - FBNBank DRC Ltd
  - FBNBank Ghana Ltd
  - FBNBank The Gambia Ltd
  - FBNBank Guinea Ltd
  - FBNBank Sierra Leone Ltd
  - FBNBank Senegal Ltd
  - First Pension Custodian Nigeria Ltd
  - FBN Mortgages Ltd

MERCHANT BANKING AND ASSET MANAGEMENT[1]

- FBN Merchant Bank Ltd
- FBN Capital Ltd
  - FBN Trustees Ltd
  - FBN Capital Asset Management Ltd
  - FBN Funds Ltd
  - FBN Securities Ltd

INSURANCE

- FBN Insurance Ltd
  - FBN General Insurance Ltd
- FBN Insurance Brokers Ltd

OTHER FINANCIAL SERVICES[2]

- FBN Microfinance Bank Ltd

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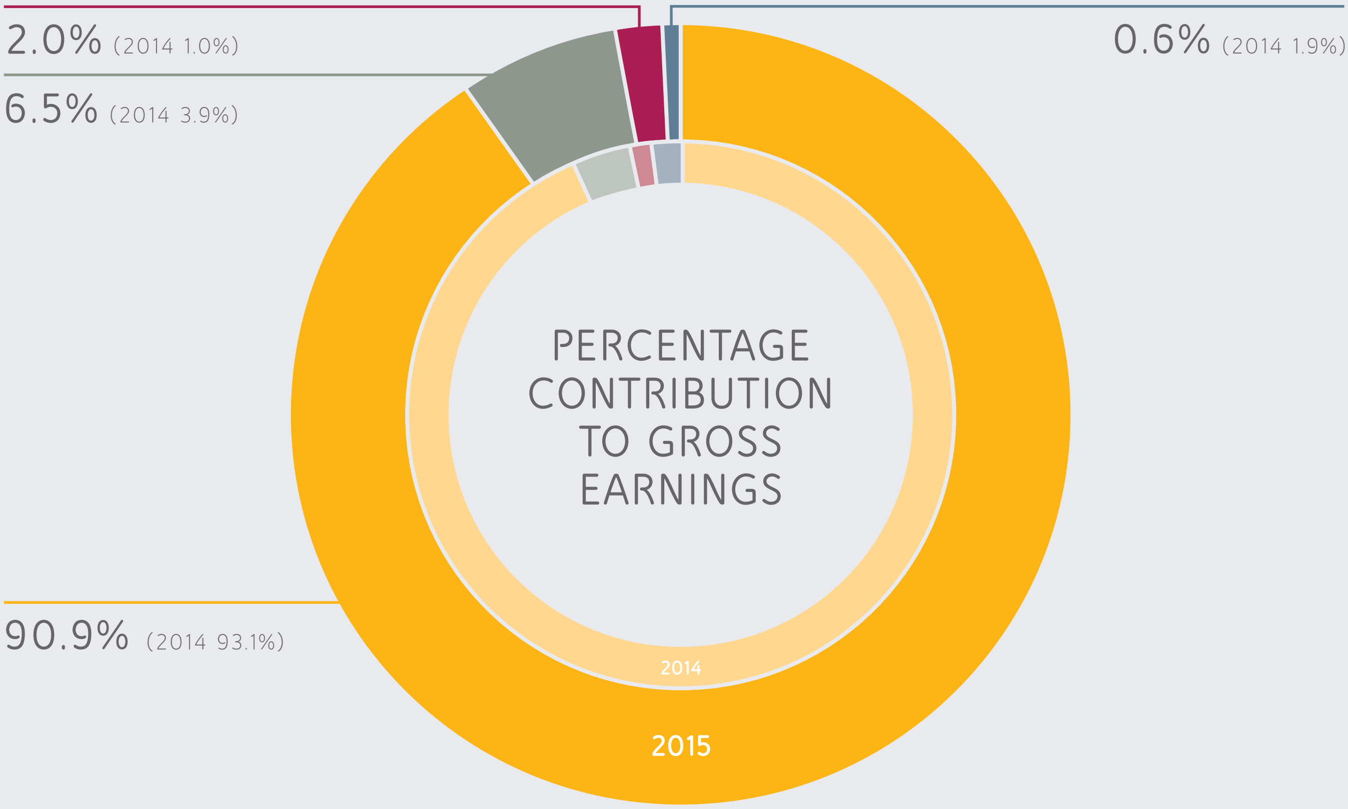
WHAT WE DO

FBNHoldings is a non-operating financial holding company. Our products and services are designed and distributed to meet our customers' needs. We offer a diverse range of financial service solutions across commercial banking, merchant banking and asset management, insurance and other financial services.



90.9%
COMMERCIAL BANKING

The group's core business, providing financial services to individual and corporate customers with financial intermediation services. This business segment includes the group's local, international and representative offices offering commercial banking services and serving over 10.9 million active customer accounts in 12 countries.

6.5%
MERCHANT BANKING AND ASSET MANAGEMENT

The group creates value by advising, financing, trading, investing and securing finance for customers.

2.0%
INSURANCE

This group offers both life and general insurance services as well as insurance brokerage services.

0.6%
OTHER FINANCIAL SERVICES

This includes the Group's non-operating holding company and other non-banking financial services business, primarily FBN Microfinance Bank, which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

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GROUP CHAIRMAN'S STATEMENT

"With a solid foundation firmly in place, we are now in execution mode to extract optimum benefits for our customers and our people in the wake of an increasingly fierce operating environment."

DISTINGUISHED SHAREHOLDERS,

It is my pleasure to welcome you to this year's Annual General Meeting (AGM).

2015 was a challenging year for the Nigerian economy, with implications for FBN Holdings Plc. Like many large corporations, we were faced with an uncertain and volatile economic, political and market environment, alongside continued regulatory reforms. In spite of these challenges, however, we made significant progress in the execution of our ambitious but attainable three-year strategic plan. If you recall, in 2012 and 2013 we laid the foundation for our new holding company structure, putting in place the corporate governance framework and group operating model needed to run a world-class, diversified financial holding company and maximise extraction of synergy among members of the Group. With a solid foundation firmly in place, we are now in execution mode to extract optimum benefits for our customers and our stakeholders in the wake of an increasingly fierce operating environment.

Our operating environment

The economy only recorded a GDP growth of about 2.8% in 2015, compared to the 6.2% recorded in 2014. The evolving global oil dynamics, evidenced by the decline in oil prices, continues to present growth risks to oil-dependent economies like Nigeria. Oil exports account for about 85% of government revenues in Nigeria; thus, the sustained drop in the crude oil price has put an enormous strain on economic growth.

Even in the arduous environment that 2015 presented, our management team and employees worked under intense pressure to deal with a number of complex business issues. As part of the steps to reorganise, refresh and further energise the organisation, and in line with our vision to be No.1 in every market we serve, we made some major leadership changes within our institution, with the appointment of new CEOs at both the Holding Company and the Commercial Banking group. Also, we obtained our merchant banking licence and commenced operations in the last quarter of the year. In addition to this, we finalised the divestment from our microfinance subsidiary in line with our strategic goal of efficient capital allocation.

Operationalising our Group strategy

The deployment of our resilient holding company structure, with its sharp focus on efficiency, and strong collaboration across all our operating entities continue to play a significant role in sustaining our growth momentum while addressing tomorrow's challenges and ensuring long-term success for the Group. The key pillar of our Group strategy lies in the enhancement of the contribution of our non-banking businesses by exploiting natural synergies across our various operating companies to drive accelerated growth. In addition to this revenue synergy derivable from our extensively diversified Group structure, the holding company structure also presents significant cost benefits through economies of scale. Our business model is currently being reviewed with the full implementation of shared services across the group to improve operational efficiency.

As a Group, however, we acknowledge our peculiar challenges in addition to the general macroeconomic difficulties, particularly as they relate to the significant drop in the international oil price and its effect on Nigeria's macroeconomic indices. We recorded a huge loan loss provision from our commercial banking business. This in turn had a negative impact on the Group financial performance for the full year 2015 results, requiring the need to improve our risk management practices, particularly as it relates to credit risk management. I have the commitments of the Board and of management not only to weather the storm, but to emerge stronger, more resilient and better

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equipped for the next phase of our growth story. Specifically, we will be demonstrating, through our financial numbers in the short to medium term, our renewed focus on operational efficiency, improved risk management practices, innovation and synergy realisation across the Group.

Revenue synergies and intra-group collaboration

Despite the moderated global and domestic economic performance in 2015, the Group realised an additional ₦2.3 billion from revenue synergies through collaboration among the various strategic business units and cross-selling. Given the performance of all operating companies, we are confident that significant opportunities for improved synergistic benefits exist within the Group. The commencement of our merchant banking franchise and integration of general insurance business will accelerate cross-entity performance in 2016.

Portfolio optimisation

We are focused on diversifying our loan asset portfolio from a relative concentration in the institutional and corporate segments to a more balanced mix of higher-yield commercial and retail customers. This approach is supported by the Group's improved risk management framework, which ensures thorough appraisal of all risks coupled with reviews at intervals until repayment.

The expansion of our merchant banking and asset management business enables us to offer a broader set of products and services that will not only deepen existing relationships but also open up new opportunities for our customers, especially in terms of driving foreign exchange, fixed income trading and arranging long-term financing.

Also, we obtained the requisite approval for the divestment of our microfinance subsidiary. This was done to realign the focus of our Group on its core businesses and highlights our disciplined portfolio and capital management practices. The sale of FBN Microfinance Bank in spite of the prevailing low valuation in the equities markets generated value for shareholders through a 1.9x exit multiple.

Board developments and corporate governance

Throughout last year, our corporate governance practices stayed ahead of the most exacting statutory requirements with a strong adherence to our values. From the last AGM to date, there have been three retirements from, and five appointments to, the Board. Abdullahi Mahmoud, one of the pioneer Non-Executive Directors, Bisi Onasanya, and Bello Maccido retired from the Board effective 31 December 2015. The pioneer Group Chief Executive Officer of FBNHoldings, Bello Maccido, retired the Board to become the first Chairman of the newly licensed FBN Merchant Bank Ltd. On behalf of the Board, I sincerely appreciate their respective commitments and contributions to the Group from inception till date.

UK Eke (MFR), a former Executive Director at First Bank of Nigeria Ltd, succeeded Bello Maccido as Group Managing Director. He is a highly experienced business administrator with deep financial services industry experience spanning diverse areas, including business assurance, business development, risk management and capital market operations. He has contributed significantly to the growth of various strategic business units of the commercial banking group. We have no doubt that he is poised to navigate our company through the current stormy economic waters.

Muhammad K. Ahmad, a seasoned business administrator, was appointed Non-Executive Director on the Board and he brings with him several years of diverse experience acquired in both the public and the private sectors. Furthermore, Dr Adesola Adeduntan, the Managing Director of First Bank of Nigeria Limited and its Subsidiaries, has been appointed as a Non-Executive Director subject to the approval of the Central Bank of Nigeria (CBN) and your approval at this Annual General Meeting.

Following these appointments, the Board is now composed of nine directors, made up of two Independent Executive Directors, six Non-Executive Directors and one Executive Director, who is also the Group Managing Director (GMD). This composition remains true to our adherence with international best practice, which encourages a higher ratio of Non-Executive Directors to Executives. The composition of the Board continues to have a good representation of independent directors to ensure that the interests of shareholders are guarded and protected.

I am also glad to report that during the course of the year, your company, FBN Holdings Plc, was listed on the Premium Board of the Nigerian Stock Exchange. This attainment reflects the ongoing commitment of your company to the highest standards of excellence in corporate governance and high level of compliance with globally accepted corporate governance practices.

Looking into the future

The year 2016 is expected to be shaped by the major themes that typified last year; the continued slowdown in China's growth, a fragile euro area and low prices of crude oil as well as commodities. Mixed economic forecasts across most emerging markets suggest a near-term outlook of moderated demand amid stiffer, more intense competition in financial services. We are confident, however, that the sound governance structures and resilient business model of our Group, and the continued growth momentum we see in our strategic businesses, will continue to guarantee profitable growth in 2016 and beyond.

As we move on to the next phase of our efficient growth, reflecting renewed investment in our customers, people and future growth, the Board is positive that we will achieve our growth aspirations by a sustained, sharp focus on our strategic priorities. Operating efficiency will remain at the heart of our decisions, to ensure that our disciplined growth meets the strictest hurdles of shareholder returns.

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In 2016, we will not lose sight of our priority to be a strong and financially sustainable Group that offers a one-stop financial supermarket and puts the customer at the heart of everything we do. It is this integrated approach of providing diverse financial services – commercial banking, insurance, merchant banking and asset management – within one Group, in a manner that delights our customers, that differentiates us from the competition. Notwithstanding the current economic climate, the Board remains extremely confident that the strong fundamentals of our organisation are more than adequate to ride us through the current market challenges.

We will continue to focus on effective execution of our strategy and on delivering value to shareholders.

Thank you and God bless you all.

Dr Oba Otudeko, CFR
May 2016

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FINANCIAL HIGHLIGHTS

GROSS EARNINGS

2015 ₦505.2bn

2014 ₦481.8bn

The 4.9% growth was driven by increased interest income on loans to customers and short-term investments.

NET INTEREST INCOME

2015 ₦265.0bn

2014 ₦243.9bn

Net interest income increased by 8.7% mainly due to optimal pricing strategy resulting in improved yields on assets.

PROFIT BEFORE TAX

2015 ₦21.5bn

2014 ₦94.1bn

Profit before tax declined by 77.1% as a result of the high impairment charges taken in the 2015 financial year.

NON-INTEREST INCOME

2015 ₦99.4bn

2014 ₦112.9bn

Non-interest income declined by 12.1%, essentially due to the decrease in earnings from foreign exchange transactions in view of a relatively steady exchange rate environment as well as the decline in commission on turnover (COT) following the implementation of a lower rate as guided by the Central Bank of Nigeria.

OPERATING EXPENSES

2015 ₦223.6bn

2014 ₦236.8bn

Operating expenses declined by 5.6% in a 9.6% inflation environment. This achievement highlights our resolve to ensure sustainable operational efficiency across our business.

CUSTOMER DEPOSITS

2015 ₦2,970.9bn

2014 ₦3,050.9bn

Customer deposits declined by 2.6% impacted by withdrawals of FGN deposits with deposit money banks (DMB) in compliance with the treasury single account (TSA) by ministries, departments and agencies in addition to our deliberate strategy of giving up expensive term deposits.

In 2015, final accounting for the acquisition of Kakawa Discount House Limited (now FBN Merchant Bank Limited) was concluded resulting in changes between the fair values of the identifiable assets and liabilities at acquisition date compared to those values adopted for provisional accounting in 2014. The impact of the changes have been retrospectively adjusted against 2014 numbers in line with IFRS 3.

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Financial highlights

CUSTOMER LOANS AND ADVANCES

2015 ₦1,817.3bn

2014 ₦2,179.0bn

Customer loans and advances declined by 16.6% as a result of the challenging macroeconomic environment impacting business performance of obligors.

RETURN ON AVERAGE ASSETS*

2015 0.4%

2014 2.0%

Return on average asset declined to 0.4% driven by a decrease in profitability as average total assets grew by 3.6% year on year.

EARNINGS PER SHARE (EPS)*

2015 ₦0.43

2014 ₦2.35

The soft performance was driven by the high impairment charges resulting from the adverse macroeconomic and regulatory environment.

RETURN ON AVERAGE EQUITY*

2015 2.7%

2014 16.9%

Return on average equity declined as a result of a decrease in profitability as average total equity increased by 10.7% year on year.

* Post-tax returns.

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GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (RETIRED DECEMBER 2015)

"Guided by our long-term vision... we were able to navigate our company through a challenging environment."

Distinguished fellow shareholders, it gives me great pleasure to present to you the financial results of FBN Holdings Plc for the year ended 31 December 2015.

Over the last seven years, the world has gone through significant turbulence as a result of the global financial crisis and since then, our company has been dealing with extraordinary challenges as a result. We have endured unprecedented economic, political and regulatory storms, the impact of which will continue to be felt for years to come. What is most remarkable, in spite of all the turmoil, is that your company, FBNHoldings, has continued to strengthen its structure to become more resilient and reinvent itself for phenomenal growth. Our footprints have increased across the West African region and our breadth of offerings has significantly increased, ensuring that we never stopped supporting customers, communities and the growth of economies in West Africa.

Guided by our long term vision to become the foremost financial services institution in Sub-Saharan Africa, a set of shared values, a clear strategy and ambitious targets for the medium to long term, we were able to navigate our company through a challenging, volatile global and local environment.

2015 in retrospect

In spite of the divergent economic prospects of the developed economies and developing markets wherein advanced economies appear to be brightening as the developing world struggles, one conclusion has resonated across the board – that 2015 was an ultra-challenging year, both on a global and local scale. The combined impact of the slowdown in China, dwindling commodity prices which have significantly decimated the earnings capacity of a number of oil producing countries, and the worsening credit worthiness of some emerging market economies have resulted in a challenging business environment in 2015. The global economy slowed to 2.4% in 2015 from a growth rate of 3.4% recorded in 2014. Several big developing economies including Brazil and China significantly fuelled the slowdown. The troubles from these economies have had a disproportionate impact on their smaller trading partners, which have also been worsened by depressed commodity prices. Developing countries as a block grew at a six-year low of 4.3%, driven largely by China's growth of 6.9%, representing its slowest pace since 1990 and a reflection of the ongoing rebalancing from a manufacturing economy to a more service oriented economy.

Sub-Saharan Africa growth slowed to an estimated 3.4% in 2015, the lowest rate since 2009, due to low commodity prices and infrastructure constraints. The two largest economies – Nigeria and South Africa – continue to grapple with lingering unemployment, social tension and infrastructure challenges, amid weakening commodity prices. It is, however, noteworthy that the successful transition following the 2015 general election has improved the political risk profile of Nigeria.

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Industry review

The Nigerian financial services industry came under severe regulatory pressure in 2015, in addition to economic uncertainties which were exacerbated by the dwindling oil price and the general election. On the back of deteriorating economic data, including a marked slowdown in GDP growth rate, the Central Bank of Nigeria (CBN) rolled out a number of monetary measures and deployed administrative tools to manage the huge imbalance between demand and supply for foreign currency to fund the ever-growing importation portfolio. The combined effect of these macroeconomic challenges significantly decimated the spending capacity of the Government with a large number of states on the fringe and requiring bailout to meet recurrent obligations. The significant decline in the foreign exchange earning capacity of the country owing to the unrelenting slide in crude oil prices resulted in significant depreciation of the naira which hit an all-time low in the parallel market. The naira depreciation pressures have increased inflation and financial stability risks over the period.

The administrative measures deployed by the CBN have hampered private sector activities and resulted in portfolio investment flight. Recent policy of the CBN to relax some of its foreign currency controls by lifting its ban on foreign currency cash deposits in commercial banks and discontinuation of sale of foreign exchange of Bureaux de Change operators are prima facie evidence of the deteriorating state of the foreign exchange market. Also, decisions by the Monetary Policy Committee (MPC) to reduce Monetary Policy Ratio (MPR) from 13% to 11% and Cash Reserve Ratio (CRR) from 25% to 20% in an attempt to drive economic growth have received positive reviews from the market. The Nigerian economy has since been struck by slow growth in the face of high unemployment and rising cost of living. Output growth rate has declined sharply, with the economic growth rate slowing to 2.4% in half year 2015, with a marginal increase to 2.84% in the third quarter 2015 compared to nearly 4.0% in the first quarter 2015, and 6.2% in full year 2014.

Business review

Consistent with our vision of becoming a diversified financial institution powerhouse in Sub-Saharan Africa, FBNHoldings continues to pursue its strategy of diversifying its earnings base across geographies and markets. Pursuant to this aspiration, the Group secured the approval of the CBN to kick off its Merchant Banking operations during the year, via the recent acquisition of Kakawa Discount House Limited, which has now been renamed FBN Merchant Bank Limited. The Merchant Banking platform offers the Group access to complementary products and services to the already robust bouquet of products of the Commercial Banking business. In addition, we commenced full general insurance business during the year after the acquisition of Oasis Insurance Limited, which has now morphed into FBN General Insurance Limited. Overall, we believe these additions and expanded business scope will enhance our earnings diversification strategy, which will invariably increase contributions of the non-banking subsidiaries of the Group, while optimising our commercial banking subsidiaries through efficient management of our assets and extracting value from our West African operations.

On the Commercial Banking front, we have made significant progress in executing our strategy of integrating the West African operations within the larger Commercial Banking platform, revamping the internal processes for improved operational agility and designing a framework for managing operating cost. Today, a number of our West African operations run on the same IT platforms of the Commercial Banking group, and the framework for collaboration to improve share of customers' wallets across borders has been deployed for the entire Group. It is important to highlight the changes to the management of First Bank of Nigeria Limited. Effective 1 January 2016, Dr Sola Adeduntan assumed office as the Managing Director of the Bank, succeeding Bisi Onasanya who served as the Group Managing Director for seven years. Also, Gbenga Shobo was appointed as the Deputy Managing Director during the year.

During the 2014 financial year, as part of our routine review of the Group's business portfolio, we took a detailed look at the non-banking businesses for the purpose of analysing contributions to the Group as well as strategic fit to our strategy. On the basis of this review, the Board decided to divest from the microfinance business of the Group. In 2015, FBNHoldings executed a Share Purchase Agreement, transferring its interest in FBN Microfinance Bank Limited to Letshego Holdings Limited, a microfinance holding company listed on the Botswana Stock Exchange.

At the Holding Company, efforts have been intensified to significantly improve the process for extracting synergy inherent in our Group as a result of our diversified product offerings, extended geographical reach and our robust customer base. The Group Executive Committee (GEC), the apex management organ of FBNHoldings, has been tasked with the responsibility of driving the Synergy Realisation Project across all operating companies. Frameworks have been finalised, performance management systems have been remodelled to ensure the success of this project, and appraisal points have been allocated to senior management who are responsible for delivering the synergy targets across operating companies. In addition, a shared services framework is currently being developed to address our cost structure as a Group, in line with our strategy of enhancing operating efficiency. These robust frameworks are targeted at delivering our two-pronged approach of maximising our earnings potential as a Group through diversifications across geographies and markets, while reining in our operating cost base.

It is important to bring to your notice changes to management at the Holding Company. Effective 1 January 2016, my successor, UK Eke, assumed the position of the Group Managing Director of FBNHoldings. UK has been an integral part of the FirstBank Group since 2011 when he was appointed as Executive Director, Public Sector South. He is a seasoned banker and a respected business administrator with deep knowledge of the financial services sector where he has worked over the last two decades. I am confident that UK will bring his wealth of experience to bear in providing leadership for the Holding Company.

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Performance review

Notwithstanding the numerous challenges that confronted the Group in 2015, we posted a 4.9% year-on-year increase in our gross earnings in 2015, closing at an all-time high of ₦505.2 billion. This decent earnings growth reinforces the inherent strength and resilience of the FBNHoldings Group. Revenue from the Merchant Banking and Asset Management business grew by 41.3%, closing the year at ₦33.3 billion from revenue of ₦23.6 billion in 2014. Similarly, the Insurance business posted revenue of ₦10.5 billion in 2015 from ₦6.5 billion in 2014, representing an impressive growth of 60.6%. However, In spite of the healthy growth in our gross earnings, profit before tax declined by 77.1% when it dropped from ₦94.1 billion in 2014 to ₦21.5 billion in 2015, largely as a result of the impairment charge of ₦119 billion.

Our Tier 1 capital position for FirstBank for the 2015 financial year remained stable at 13.3%, with total capital adequacy ratio (CAR) over the same period at 17.1%. For FirstBank and its Subsidiaries, which make up the Commercial Banking business of FBNHoldings, total CAR closed at 19.0% for full year 2015. Cost to income dropped from 66.5% to 61.4% at 2015 year end.

Cost of funds closed at 3.7% at year end from 3.5% reflecting the trend in the interest rate environment. Overall, the blended average yield on interest earning assets improved to 12.1% from 11.3% as at December 2014. Given the higher proportionate increase in average yields on interest earning assets over average cost of funds, the net interest margins improved to 8.1% at year end 2015, from 7.6% as at December 2014.

In conclusion, I would like to sincerely thank you for your support through my tenure as the pioneer Group Chief Executive Officer of FBNHoldings and to seek your support for the Group Managing Director as we strive to reposition the Group to create value for the stakeholders, especially our esteemed shareholders.

Thank you and God bless.

Bello Maccido
Group Chief Executive Officer
FBN Holdings Plc

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GROUP MANAGING DIRECTOR'S REVIEW (W.E.F.* JANUARY 2016)

"We have taken a hard look at our operating model and have begun to take bold steps in changing the way we do business to meet the evolving reality."

DEAR ESTEEMED SHAREHOLDERS,

It gives me great pleasure to be appointed as the Group Managing Director of FBN Holdings Plc. I am very happy to have the opportunity to serve you all, and I am humbled by the responsibility to lead this iconic institution into the next phase of its growth. I would like to seize this opportunity to thank the outgoing Group Chief Executive Officer, Bello Maccido, for providing exemplary leadership in managing this institution since its incorporation in 2012. I look forward to your support as we work to build a sustainable value for all stakeholders.

In my letter to you dated 5 January 2016, I highlighted the areas of focus across all operating companies as we seek to reposition the Group and chart a new growth path through enhanced focus on risk management, disciplined cost containment, asset optimisation and synergy realisation. These initiatives are primarily focused on driving efficiency across the various businesses for the purpose of enhancing our return to you, our shareholders. I am pleased to present below the outlook for our business within the context of the larger macroeconomic environment, as well as updates on Group-wide initiatives to reposition the Group.

Macroeconomic outlook

Sub-Saharan Africa faces a challenging near-term outlook, driven largely by depressed commodity prices, pockets of security challenges and social tensions. The two largest economies, Nigeria and South Africa, have been projected to continue their below-capacity performance as a result of these challenges. However, in spite of these challenges, a more stable political environment and increased government spending on social welfare and infrastructure are expected to support growth in 2016. The normalisation of United States (US) monetary policy is expected to tighten global financial conditions.

In December 2015, President Muhammadu Buhari presented the 2016 Budget and the Medium Term Expenditure Framework to the National Assembly. Tagged 'the Budget of Change', the Budget is projected to be expansive and intends to allocate 30% to capital expenditure. This shift from historical trend may pave the way for significant improvement in the infrastructure base of the country, with a resultant impact in the non-oil sector's contribution to the GDP. Over the medium term, there is a plan to diversify the economy gradually through renewed focus on the non-oil sector of the economy, principally agriculture and mineral resources. Also, efforts are ongoing to improve the country's infrastructure base through accelerated investment in the power sector. This will strengthen the transmission and distribution of electricity as a catalyst to unlocking the manufacturing sector. More strategically, there is a bold initiative to significantly increase the contribution of non-oil tax revenue to GDP, from a low base of 4% to 10% in the medium term. Indications are that enforcement and compliance, rather than tax rate increases, will be pursued.

* w.e.f. – With effect from

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Overall, even though the recently concluded general election has fundamentally improved the political risk rating of Nigeria, the economic climate remains challenging in the medium term. The price of crude oil will continue to influence the earning capacity of the economy and determine the strength of the currency, as earnings from the sale of crude oil represent a significant chunk of foreign currency to Nigeria. It is hoped that with disciplined execution and policy consistency, efforts to diversify the economy will begin to yield fruit in the medium to long term. The fight against corruption, which is one of the focal points of the new government, will yield momentary results at best unless the various national institutions are fundamentally strengthened. This is a time-consuming task that may transcend the tenure of the current government.

Strategic initiatives of the Group

As a Group, we acknowledge the growing market scepticism with respect to our ability to confront the challenges facing this iconic institution and this has been reflected in the valuation of the Group, evidenced by the share which recently dropped to an all-time low. The 2015 financial results on one hand reinforces the strength of the underlying business, generating gross earnings of ₦505.2 billion, but also highlight significant vulnerability in our business, especially around cost management and loan book efficiency. Consequently, we have taken a hard look at our operating model and have begun to take bold steps in changing the way we do business to meet the evolving reality, armed with valuable insights and lessons learnt from the challenges we have faced in the last couple of years. Efforts are being intensified to deepen relationships with our existing customers through improved data mining, sustaining healthy customer acquisition across all operating entities, expanding product channels including e-business, aggressive recovering of delinquent loans and driving down our funding cost. Some of these initiatives have begun to impact our financial results as seen in the 5.6% reduction in operating expenses year on year in spite of headline inflation at 9.6% in 2015. Our performance will reflect the impact of these initiatives in the next 6–12 months.

Fundamental to repositioning our business is the ongoing overhaul of our risk management framework. We have commenced the process of winding down our exposure to sectors that are highly vulnerable to commodity price shocks. We have also revised our internal obligor limits both from sector and company standpoints. In the same vein, the delegated approval limits have been revised downward across the board to increase oversight across all levels and change the risk culture and practice. The Board of FBNHoldings has ensured that the new risk culture is cascaded to all lending subsidiaries, including FBN Merchant Limited. At the Holding Company, we have enhanced our risk management capabilities, deepening risk monitoring and coordination across the Group. In addition, we have set up an internal audit unit at the Holding Company level to carry out periodic audits of the subsidiaries and provide an additional layer of safeguards for the assets of the Group.

To enhance business performance, we have taken major steps to begin to extract significant synergies, both in revenue and cost within business units in each operating company and across the entire Group, including our international subsidiaries. While the revenue synergy extraction is expected to enhance greater share of our customers' wallets through cross-selling, the cost synergy initiatives will boost our cost containment drive and improve efficiency. As part of the implementation process, the Group Executive Committee, the highest management organ at FBNHoldings, has been charged with the responsibility of driving the revenue synergy process. Scorecards have been revised for executives of the Group to underscore the achievements of the strategic initiatives. Similarly, FBNHoldings is working to develop a robust shared services framework which, among other things, will reduce duplication of functions across the Group and enhance the ability of the Group to harness economies of scale in areas such as information technology, human resources, procurement and facility management.

5.6%

REDUCTION IN OPERATING EXPENSES YEAR ON YEAR

Our capital position remains a key area of focus for the Group. As at the 2015 year end, the two main deposit money banks in the Group – FirstBank and FBN Merchant Bank Limited – are adequately capitalised. FirstBank capital adequacy ratio (CAR) stands at 17.1%, well above the regulatory CAR requirement for systemically important banks, which comes into effect in June 2016, and FBN Merchant Bank Limited has a CAR of 24.9%. To enhance our competitiveness in addition to meeting the minimum regulatory capital, the Group will vigorously sweat existing assets through improved risk management, portfolio rebalancing to high yielding segments of the market, and aggressive loan recovery while moderately growing the loan book. We believe that the realisation of our strategic initiatives especially in efficiently deploying our asset base and a paradigm shift to asset-light model will enhance reserved accretion, which will boost our objective of increasing earnings retention, our preferred route to capitalisation. Internally, we will continue to monitor our capital position and evaluate other funding options on an ongoing basis. It is important to emphasise that as a Group, we have no intention of raising fresh equity in the short term.

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Outlook

As a Group, we remain optimistic about the long term prospects for the Nigerian economy, in spite of the numerous challenges experienced in the short run. As an import-dependent country, the continuing fundamental weakness of the naira may heighten inflationary pressure, which may impact our operating cost and, as such, negatively affect our cost containment objective. Despite these and other macroeconomic challenges, the expanding budget deficit of the Federal Government as a result of the continuing low oil price, will provide enormous fund-raising opportunities for our Merchant Banking business across the various tiers of government. Also, the huge infrastructure gap will open up new opportunities to provide project finance, debt capital raise (infrastructure bond) and financial advisory services by FBN Merchant Bank. This reinforces the decision taken to restructure through a holding company and retain our interests across the entire spectrum of the financial services industry.

Our insurance portfolio has continued on its growth trajectory, driven largely by our dedicated management team and our relationship with the Sanlam Group of South Africa. Our enhanced collaboration with Sanlam, particularly in the area of product development, will further strengthen our already impressive dossier in the life insurance business, where we have moved from an anonymous position in the industry to ranking second largest by gross written premium. In the same fashion, the general insurance business is positioned for monumental growth, leveraging the experience of Sanlam in the specialised insurance segment and the extensive size and reach of our commercial banking franchise to roll out insurance products once the bancassurance regulation, which currently awaits the approval of the National Insurance Commission, is released. We recently concluded the recruitment of a Chief Executive Officer for the general insurance business, who will deepen penetration and enhance contribution of the non-bank portfolio.

We consider our people as our most important asset, and remain supportive through investment in training and development. Our award-winning training facility, FirstAcademy, will continue to enjoy tremendous support from the Group, ensuring that we strengthen our knowledge base and equip our people to confront the challenges and stay ahead of the curve.

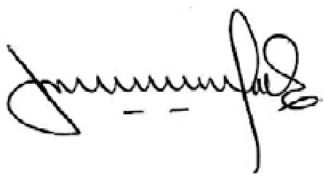
Consistent with our corporate ethos, we continue to provide support for the communities in which we operate, and forge mutually beneficial relationships with our stakeholders through our Citizenship Programme. Dating back to 1894, when we began business as the Bank of British West Africa, the FBN Group has always believed in setting the standards in corporate citizenship. Recently, we launched the FirstBank Sustainability Centre, one of our newest strategic initiatives. Run in conjunction with the Lagos Business School of the Pan-Atlantic University, the Centre is designed, among other things, to build the capacity of stakeholders such as small and medium enterprises (SMEs), and to conduct research on sustainability and related areas.

In conclusion, over the next financial year, we will:

- intensify our effort to drive the contribution of non-bank subsidiaries to the Group portfolio to 10% through enhanced coordination and synergy realisation;
- extract maximum value from our investments across West Africa through integration with FirstBank and FBN (UK) Limited to drive trade finance;
- overhaul our risk management process to improve our asset quality and drive down non-performing loans (NPL) and cost of risk in the medium term;
- continue to focus on driving efficiency through cost containment and shared services in an effort to further reduce our cost-to-income ratio; and
- intensify our portfolio review for the purpose of effectively deploying capital to enhance our return to shareholders.

Consequently, and on behalf of the Executive Management of the Group, I boldly pledge that our financial numbers will significantly improve across all metrics in the medium term and our leadership position will be restored with value created for our stakeholders.

Thank you and God bless.



UK Eke, MFR
Group Managing Director
April 2016

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RECOGNITION OF OUR PERFORMANCE

BEST PRIVATE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank clinched the 2015 Best Private Bank in Nigeria Award in recognition of its 'Best in Class' private banking hubs and the value created for private banking customers.

BEST RETAIL BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the Best Retail Bank in West Africa for the second year in a row. It was awarded by BusinessDay. This is in recognition of its continued drive to enhance retail banking business through e-banking interventions and various retail product and service initiatives.

PRIVATE BANK OF THE YEAR – NIGERIA 2015

***THE BANKER* MAGAZINE AND *PROFESSIONAL WEALTH MANAGEMENT* MAGAZINE**

FirstBank was named Private Bank of the Year – Nigeria 2015 by the globally recognised *The Banker* magazine and *Professional Wealth Management* magazine, both part of the Financial Times Group, for its giant strides and the provision of innovative financial services in the private banking business.

BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

FirstBank was reaffirmed Best Retail Bank in Nigeria for the fifth consecutive year by the Asian Banker. This award was earned based on the Bank's robust portfolio and exceptional performance in Nigeria's retail market.

BEST PRIVATE BANK IN NIGERIA

***WORLD FINANCE* MAGAZINE**

FirstBank won the 2015 Best Private Bank in Nigeria Award in recognition of its attention to client services and its 'Best in Class' private banking hubs as well as the accelerated speed at growing its market share.

BEST SME BUSINESS & RETAIL BANK IN NIGERIA

BANKER AFRICA – WEST AFRICA AWARDS 2015

The Best Retail Bank in Nigeria was conferred on FirstBank by Banker Africa in recognition of its leadership in the growth and development of SMEs and the retail space for socioeconomic development.

BEST BANK IN SUPPORT OF THE MANUFACTURING SECTOR

BUSINESSDAY

This award is in recognition of FirstBank's achievements in Nigeria's manufacturing sector in promoting the development of the banking sector in Africa's largest economy.

GLOBAL REACH TRADE FINANCE AWARD

DEUTSCHE BANK

FirstBank was awarded the Silver Global Reach Trade Finance Award in 2015. This is in recognition of the diverse trade volumes routed by FirstBank through different locations of Deutsche Bank worldwide. The award reflects the wide range of FirstBank's global trade finance customers, presenting FirstBank as the trade finance bank of choice for most international trade customers in Nigeria.

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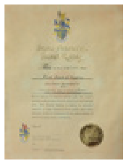
BEST IMPACT BY CORPORATE UNIVERSITY ON IMPLEMENTATION OF BUSINESS STRATEGIES 2015

GLOBAL COUNCIL OF CORPORATE UNIVERSITIES

This Silver Award is in recognition of the Bank's feat for Best Impact by Corporate University on Implementation of Business Strategies by the Global Council of Corporate Universities for premium performance at the highest level of value creation for people, business and society across the world.



MOST VALUABLE BANK BRAND IN NIGERIA

***THE BANKER* MAGAZINE**

FirstBank has been named The Best Bank Brand in Nigeria for five years in a row – 2011, 2012, 2013, 2014 and 2015 – by the globally recognised *The Banker* magazine of the Financial Times Group. The Bank has achieved this feat in recognition of its steady transformation and increased brand value through the years.

BEST COMPANY IN SME

SOCIAL ENTERPRISE REPORT AND AWARDS (SERAs)

The Bank was awarded the Best Company Supporting SMEs two years in succession in recognition of its role in promoting SME development in Nigeria. This has been achieved through capacity-building initiatives championed by the FirstBank Sustainability Centre.

2015 FINANCIAL INSTITUTION OF THE YEAR

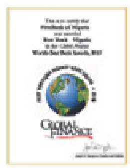
PETROLEUM TECHNOLOGY ASSOCIATION OF NIGERIA – PETAN

The Bank was awarded the 2015 Financial Institution of the Year award for its outstanding financial support for Nigeria oil services companies in its bid to ensure an efficient oil and gas sector.

BEST MOBILE TECHNOLOGY BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

This award is in acknowledgement of the Bank's successful implementation and sustenance of the growth of card and electronic payment solutions for seamless transactions in Nigeria.



BEST BANK IN NIGERIA

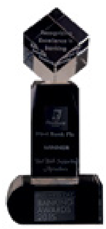
GLOBAL FINANCE AWARDS

FirstBank has been the winner of the 'Best Bank in Nigeria', awarded by Global Finance, for the past 12 years. It is in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

BEST PAYMENT BANK OF THE YEAR

NIGERIA BANKING TECHNOLOGY AWARDS 2015

FirstBank won the award in recognition of its outstanding banking technology and innovation in alternative services delivery channels for payment transactions.



BEST BANK IN SUPPORT OF AGRICULTURE

BUSINESSDAY

FirstBank won the Best Bank in Support of Agriculture Awards, in the BusinessDay Banking Awards 2015. The award is in recognition of FirstBank's giant strides in the diversification of the economy by supporting the agriculture value chain.

BEST DIASPORA OFFERING

BANKER AFRICA – WEST AFRICA AWARDS 2015

FirstBank was recognised by Banker Africa for its role in the industry with delivery of quality service, best practice, efficient asset and portfolio allocation, financial performance, and value creation for its customers' investment demands.

AFRICA DEAL OF THE YEAR

2015 M&A ATLAS AWARDS

FBNInsurance won the award for the acquisition of Oasis Insurance alongside outstanding accomplishments in Nigeria's insurance value chain for the Group's strategic evolution and growth.

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Recognition of our performance

BEST INVESTMENT BANK IN AFRICA

AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure within the last year, FBN Capital was awarded the prestigious Best Africa Investment Bank award for 2015 by the Africa Investor Group, a leading international investment and communications firm.

CORPORATE DEAL OF THE YEAR (AFRICA)

M&A ATLAS AWARDS 2015

FBN Capital was also awarded the Corporate Deal of the Year (Africa) award at the 2015 M&A Atlas Awards for its role in the acquisition of Oasis Insurance by FBNInsurance.

SUB-SAHARAN AFRICA FINANCING TRANSACTION OF THE YEAR 2014

INFRASTRUCTURE INVESTOR BANKING AWARDS FOR EXCELLENCE 2014

FBN Capital was awarded the Africa Deal of the Year at the Infrastructure Investor Banking Awards in June 2015 for its role in the Seplat secured medium-term loan and Accordion Facilities transaction.

AFRICA OIL AND GAS DEAL OF THE YEAR

IJGLOBAL EUROPE & AFRICA AWARDS 2014

FBN Capital was awarded the Africa Oil and Gas Deal of the Year Award for the Oando Energy Resources Conoco Phillips assets acquisition at the prestigious IJGlobal Europe & Africa Awards in February 2015.

BEST STRUCTURED FINANCE DEAL IN EMEA

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best Structured Finance Deal in EMEA for the Oando Energy Resources' ConocoPhillips Nigeria acquisition financing at the EMEA Finance Achievement Awards in June 2015.

BEST FOLLOW-ON FUNDING

EMEA FINANCE ACHIEVEMENT AWARDS 2014

FBN Capital won the Best follow-on funding for its role in the Diamond Bank Public Offering at the EMEA Finance Achievement Awards in June 2015.

BEST INVESTMENT BANK IN NIGERIA

GLOBAL FINANCE AWARDS 2015

FBN Capital won the *Global Finance* magazine award for Best Investment Bank in Nigeria for four consecutive years, as the magazine announced its 16th annual awards for world's best investment banks by country, region and sector in February 2015.

BEST INVESTMENT BANK IN NIGERIA 2015

INTERCONTINENTAL FINANCE GLOBAL AWARDS 2015

In recognition of its successful role as the lead arranger of the major deals in power and infrastructure, FBN Capital was awarded the Best Investment Bank in Nigeria award for 2015 at the Intercontinental Finance Global Awards.

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OUR APPROACH

With more than 10.9 million active customer accounts and a wide geographical spread, we contribute meaningfully to the communities in which we operate, through collaborative partnerships and consistent delivery of the best value to our customers.

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Over the years, the global economic landscape has changed significantly ranging from the slowdown in China's growth, the declining crude oil prices, the growing concerns in the Middle East, and forecasted interest rate hike by the US Federal Reserve. These changing dynamics of global economic forces are signals to tightening capital situation from Foreign Portfolio Investment in Nigeria. In 2015, the Group was faced with an uncertain economic, political and market environment, alongside with continued regulatory reforms. Also, there were a number of regulatory pronouncements with an attendant impact on our business.

Global economic trends

Global economic growth fell short of expectations in 2015, slowing to 2.4% from 2.6% in 2014. The decline was largely due to the continued deceleration of economic activities in the emerging and developing economies amid weakening commodity prices, global trade and capital flows. The growth rate in the USA was estimated at 2.5% in 2015 – the highest rate since the post-crisis period, driven largely by high domestic demand, robust consumption and dynamic investment outside the oil sector. The emerging market's growth momentum has tailed off considerably due to weak economic activity, falling currencies and commodity prices, and slow growth in China. At 6.9%, China's Gross Domestic Product (GDP) growth in 2015 was the lowest for 25 years. Advanced economies are projected to grow at 2.2% in 2016, an improvement from 2.0% in 2015, driven by stronger economic growth in the USA, the eurozone and Japan.

In the global oil market, both Iran and the USA are emerging as new suppliers, while OPEC (Organisation of Petroleum Exporting Countries) appears to have moved from protecting prices to defending market share. As a result of this, the current downward trend in the price of oil might stay longer than expected. While global GDP growth will receive a boost from lower oil prices (driven largely by higher oil supplies from new sources), the key economies to benefit materially from this growth will be the USA and the eurozone.

Sub-Saharan Africa: economic trends

Overall growth in Sub-Saharan Africa slowed to 3.4% in 2015 from 4.6% the previous year, driven by a combination of both external and domestic factors. External factors included lower commodity prices, a slowdown in major trading partners and tightening borrowing conditions. Much of this is attributable to the decline in oil, natural gas and other commodity export prices, which affects the foreign exchange earnings, terms of trade and the real incomes of many import-dependent, commodity-exporting African countries. Domestic factors included political instability and conflict, the Boko Haram insurgency and electricity shortages. The potential impact of these economic trends includes a fall in domestic consumption and business investment, with obvious implications for the industry's build-up of credit risk and foreign currency exposure.

The Nigerian economy

The changing dynamics of global economic forces are clear signals of an induced capital tightening for foreign direct investment inflows into Nigeria. According to data from the Nigerian Bureau of Statistics, Nigeria's real GDP declined to 2.8% in 2015 from 6.2% in 2014. Also, revenue from crude oil dropped by 34.5% to ₦1.86 trillion from ₦2.97 trillion in 2014 leading to the contraction of the oil industry. Growth in the non-oil sector, which accounted for 90% of GDP, witnessed little change at 3.1%. The key drivers of the output growth in the non-oil sector were agriculture (grew year on year by 3.5% and accounted for 24.2% of real GDP), trade (grew year on year by 4.7% and contributed 16.7% of real GDP), and information and communication sector (grew by 4.2% and contributed 11.3% of real GDP).

A significant portion of our Group's earnings and profitability will continue to be derived from Nigeria and West Africa in the medium term.

Nigeria's annual inflation rate was 9.6% as at December 2015 – the highest since 2012. The annual core inflation rate, which excludes volatile agricultural product prices, remained at 8.7%, while food prices recorded the highest annual increase, 10.6%.

The price of oil fell by over 40% in the seven months to December 2015, largely driven by buoyant oil production from shale production in the USA and the re-emergence into the global oil market of Iran and Iraq, historically large producers. The downward trend in oil prices in the international market has severe implications for Nigeria's economic growth, external reserves and currency. The currency is particularly under pressure, as about 85% of foreign exchange earnings is tied to oil.

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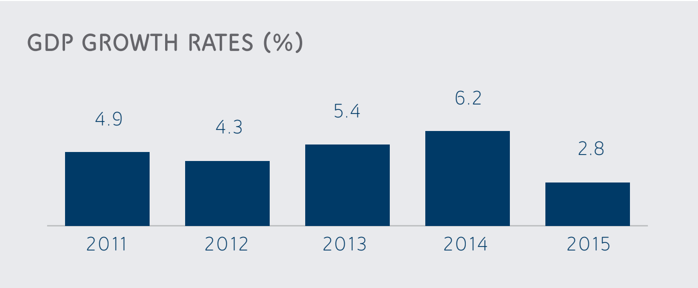

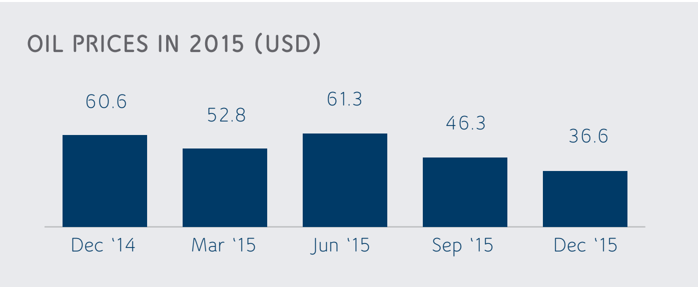

Expansionary 2016 Federal Government budget

The Federal Government of Nigeria proposed a ₦6.1 trillion (USD31 billion) expenditure budget for 2016 to boost growth and address some of the challenges facing the economy. The budget is premised on a USD38 per barrel oil price, and oil production of 2.2 million barrels per day. It projects net revenue of ₦3.86 trillion, resulting in a deficit of ₦2.2 trillion. The breakdown of non-oil revenue shows revenue from Company Income Tax, VAT, customs and levies increased by 90%, 84%, 41% and 405% respectively from 2015 estimates. The 2016 Federal Government budget seeks to stimulate the economy, with a clear focus on infrastructural development and inclusive growth. However, the recent fall in oil prices below the USD38 per barrel threshold assumed in the budget is likely to result in a higher government deficit and lower government spending in 2016.

The effects on our markets

A significant portion of our Group's earnings and profitability will continue to be derived from Nigeria and West Africa. The fall in oil prices raises the prospect of an increase in global economic growth, since oil-consuming nations are more likely to spend the price gains than are oil-exporting countries. Nevertheless, it constitutes a major threat to the economies of oil producers – and, by extension, the banks in those countries.

Risk-reward is clearly skewed to the downside as far as banks' earnings outlook is concerned. Nigerian banks' direct exposure to the oil and gas sector has risen over the past few years, from an average of 18% in 2010 to more than 26% of the total loans in 2015. Nevertheless, the broader implications from weaker oil prices are much greater than what the direct exposures suggest, due to the follow-through effect from the oil economy/revenue to the non-financial sectors. Given the foreign exchange implications, the indirect risk that banks face is a general slowdown in overall growth. Banks are therefore likely to see a slowdown in revenue growth, and an increased risk of asset quality deterioration, ultimately affecting earnings. The near-to-medium-term outlook is therefore challenging.

Further to the public sector deposits sterilisation from the banking industry as a result of the implementation of the Treasury Single Account (TSA) in September 2015, the Central Bank (CBN) reduced the harmonised cash reserve ratio (CRR) to 20% from 25% to restore liquidity in the financial system. According to the policy, the liquidity arising from the reduction in the CRR will only be released to those banks willing to channel funds to employment-generating activities in the economy, such as agriculture, infrastructure and solid minerals.

In consideration of the weakening fundamentals of the economy, the CBN also reduced its benchmark interest rate by 200 basis points (bps) to 11% to boost growth amid high inflation. The interest rate corridor was also widened by 200bps above and 700bps below the benchmark interest rate, bringing the cost of borrowing to commercial lenders to 4% and the cost of lending to 13%. These policy measures seek to complement the fiscal policies, by charting the desired course to stimulate sustainable output growth in Nigeria. However, given the weak macro-environment, which continues to deteriorate, capital constraints (minimum capital adequacy ratio (CAR) of 15%, which rises to 16% for systemically important banks (SIBs) 1 July 2016), scarce foreign exchange liquidity, weak credit demand and mounting credit risks, loan growth in 2016 will be significantly curtailed in the Commercial Banking business.

The combined effect of these policy measures, and the elongated decline in oil prices, is the reduction in profitability of the banking industry. The likely scenario is that the straitened regulatory environment will remain throughout 2016. Invariably, the cumulative impact of lower oil revenues, and reduced real income for businesses, is a higher probability of quantum leaps on non-performing loans.

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Macroeconomic concerns will dominate discussion on the Nigerian economy over the next 12 months, aside from the traditional sub-themes of security challenges. To minimise the effect of the straitened macroeconomic environment on the performance of the Commercial Banking business, we will:

- strengthen relationships with our significant counterparties to mitigate the possibility of defaults, and also recalibrate loan acceptance criteria going forward to keep abreast and ahead of developments at the macroeconomic level;
- reduce the single obligor limit (SOL) and approval limits. Ensure strict adherence to conditions precedent to drawdown of facility;
- increase senior management and Board oversight;
- improve collateral management and faster perfection while enhancing middle office for independent verification;
- identification of early warning signals and account by account monitoring and frequent reporting;
- split recovery and remediation to drive more aggressive recovery and faster collateral realisation;
- seek new sources of revenue growth; and
- defend market share by deepening the customer experience across the market.

Outlook for the Group

The multiplier effects of diminished government revenue on slower capital projects, and possible trickle-down effects on business contraction and muted household spending, are likely to have moderating effects on investment and corporate banking, as well as on the retail business.

The Group will continue to drive efficiencies through the Group Shared Services initiative while simultaneously seeking new sources of revenue through the Group-wide innovation project

The main challenges to the Commercial Banking business include the looming risk of another round of devaluation, thereby hurting capital and asset quality, squeezed margins from the low interest rate environment, weaker foreign exchange income from trading and trade finance activities, higher impairment arising from a weaker economic backdrop, and weaker oil prices and currency.

Our approach as an international and diversified financial services group is to continue to strengthen the risk acceptance and risk management process to mitigate any adverse impacts on our asset portfolio. We have commenced the asset optimisation policy, which will position us strongly in managing these vulnerabilities. In addition to this, the Group will continue to drive efficiencies through the Group Shared Services Initiative while simultaneously seeking newer sources of revenue through the Group-wide Innovation Project.

The commencement of merchant banking operations by the group will unleash new opportunities for growth in investment banking, especially in terms of driving foreign exchange, fixed income trading and arranging long-term financing. The imminent funding gap for various tiers of government in Nigeria is also expected to result in opportunities to raise bonds and other funding types for the government by the Merchant Banking business.

Following the full integration of the acquisition of Oasis Insurance Plc into FBN Insurance Limited, we foresee improvements in both our ranking and profitability in this sector in 2016. Our new product development, using alternative channels deployed over newer market segments, is set to ensure an improved ranking for the composite insurance business.

The Government's fiscal policy tightening on account of dwindling oil revenues and foreign exchange reserves might result in some form of rationalisation in public services, which may slow down insurance policy purchases. As we expect contraction in revenue accruing to insurance companies in the coming years, the implementation of cost-effective business models, as well as the deployment of flexible, innovative products and the development of distribution channels, will be the game changers. The Insurance group will leverage the retail network of the Commercial Banking business to exploit the opportunities within the retail market through the agency distribution network. The Insurance business will also continue to focus on identifying and exploring synergies between FBNInsurance and other subsidiaries, especially with FirstBank. We will continue to strengthen bancassurance capabilities (as permitted by key regulators) to drive revenue

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OPPORTUNITIES

BUSINESS OPPORTUNITIES IN THE NIGERIAN ECONOMY

Nigeria is the largest economy in Africa and the 22nd largest in the world[1] with a gross domestic product (GDP) of more than USD560 billion. Over the last five years, Nigeria has recorded average GDP growth rates of 5.74% year on year. As one of the frontier markets, Nigeria is attracting more and more investment due to its size and potential of the economy.

In light of various economic, political and social reforms that are sweeping through the African economies, Africa has become an attractive hub for foreign direct investment. Most Sub-Saharan African countries have notably improved their macroeconomic performance in recent years, as reflected in high economic growth rates, generally moderate and stable inflation, and the accumulation of ample international reserves. In addition to this, there is a significant boost in the spending power due to the size of the emerging middle class. According to the African Development Bank, Africa's fast-emerging middle class now comprises over 300 million people.

In 2015, political and economic developments offered a mix of notable events that shaped the business and economic environment in Nigeria. Aside from the reduction in government revenue from oil, business activities were moderated for a better part of the year due to uncertainty around the general economic policy direction of the present administration. In consideration of this weakening of the fundamentals of the economy, particularly the low output growth and the uncertainty of the global economic environment, the Central Bank of Nigeria (CBN) reduced the monetary policy rate (MPR) from 13% to 11% and the cash reserve ratio (CRR) from 25% to 20%. The CBN also changed the symmetric corridor of 200 basis points around the MPR to an asymmetric corridor of +200 basis points and -700 basis points. The CBN relaxed the monetary tools to support growth in output in the medium-term and also promote greater coordination between the monetary and fiscal policies.

In line with the CBN's stance to support output growth in the medium term, the Federal Government has adopted an expansionary budgetary spend for 2016. The combination of these fiscal injections and monetary tools is expected to have a catalytic multiplier effect on the GDP growth rate. The 2016 budget is oriented towards reduction of reliance on oil, inclusive growth, a broadened tax base and improved effectiveness of revenue collecting agencies. However, there are some economic risks that need to be mitigated to ensure growth is not stifled during this period. These risks include increased oil theft, potential outflow of funds from tapering of quantitative easing and the falling price of crude oil in the international market.

Despite these pressures on the economy, foreign investors remain bullish towards the country, given its large consumer market for oil, improved business environment and various market reforms, which are gradually being introduced by the new government.

Significant opportunity exists for financial institutions in the provision of financial services to the adult unbanked population in Nigeria. The 2015 Brookings Financial and Digital Inclusion Project (FDIP) report rates Nigeria high in its efforts to drive financial inclusion. According to the latest Enhancing Financial Innovation & Access (EFInA) report, the proportion of the banked adult population improved from 32.5% to 36.3% in 2014. The provision of financial services to the low-income population constitutes a significant business opportunity for Nigerian banks in the medium term.

International Monetary Fund (IMF)

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Exploiting a significant new customer base

The size and structure of the Nigerian population ensures a continuous pipeline of new customers for the banking industry. The low level of banking penetration creates an opportunity for the commercial bank in Nigeria to capture a fair share of new customers and increase wallet size for current customers.

New credit opportunities

The Government's various economic reforms will allow banks to take advantage of significant credit opportunities in the real sector. Diversification of our loan portfolio, from the relative concentration on institutional and corporate customers to a more balanced mix of higher-yield commercial and retail customers, is under way. This is supported by a new mechanism that ensures appropriate pricing of all risk assets.

Opportunities created by the new Group structure

Since the inception of the holding company structure, the Group has experienced a steady transformation into a unified African financial services group, with various subsidiaries working together to deliver superior customer solutions. The Group is structured to enable a clear management focus and the capacity to optimise cross-selling potential. FBNHoldings harnesses these revenue synergies through increased cross-selling between the various strategic business units (SBUs) in the Bank and other FBNHoldings subsidiaries, providing both local and cross-border products and services to our customers. Increasingly, we are utilising our breadth of capabilities more effectively to capitalise on the opportunities we see in the market.

In addition to the revenue synergy derivable from our extensively diversified Group structure, there are immense cost benefits through economies of scale. The Group has begun to put in place the required structure to fully exploit the potential benefits of operating a diversified portfolio. We have embarked on the Group Shared Services initiative to drive operational efficiency. Full implementation of the shared services across the Group will assist all operating entities to focus on their core business function in an efficient manner.

We have strong confidence in our diversified business model and the long-term prospects for sustainable growth in Africa.

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OUR STRATEGY

In line with our vision of becoming the pre-eminent financial services group in Middle Africa, providing value to our customers and distinctive returns to our shareholders, we launched our strategic plan for 2014–2016. The three-year plan is hinged on accelerating synergy realisation across the Group and improving operational efficiencies in each of our strategic business units.

STRATEGIC THEMES AND PRIORITIES FOR THE GROUP IN 2014–2016

TO BECOME THE PRE-EMINENT FINANCIAL SERVICES GROUP IN MIDDLE AFRICA, PROVIDING VALUE TO OUR CUSTOMERS AND DISTINCTIVE RETURNS TO OUR SHAREHOLDERS

THEMES

INVEST TO DRIVE TANGIBLE GROWTH IN EACH SUBSIDIARY	INCREASE RELATIVE CONTRIBUTIONS OF NON-BANK SUBSIDIARIES	FOSTER COLLABORATION ACROSS AND WITHIN SUBSIDIARIES

PRIORITIES

INVEST TO DRIVE TANGIBLE GROWTH IN EACH SUBSIDIARY	INCREASE RELATIVE CONTRIBUTIONS OF NON-BANK SUBSIDIARIES	FOSTER COLLABORATION ACROSS AND WITHIN SUBSIDIARIES
✓ Build a credible broad-based sales and trading platform for Merchant Banking and Asset Management	✓ Drive step-change improvement in sales-force productivity	✓ Institutionalise collaboration across the Bank's strategic business units (SBUs)
✓ Diversify Brokerage to serve new segments and increase footprint	✓ Refocus Asset Management sales effort	✓ Drive cross-selling between bancassurance and the Bank's retail network
	✓ Increase sales-force effectiveness in Insurance and Brokerage	

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BUSINESS GROUP STRATEGIES

As a diversified Group with complementary financial service businesses, our strategies for the business groups are as follows:

FBN HOLDINGS PLC

Drive greater group coordination

Institutionalise cross-selling and synergy extraction across the Group

Implement structured shared services – HR, IT, Risk Management, Corporate Communication and General Services

COMMERCIAL BANKING

Strengthen the pre-eminence of our Commercial Banking group

- Minimise country-specific risks through diversification:
  - Acquisition of five banks in West African countries
  - Enhancing contribution of subsidiaries
- Refocus the public sector business of the Bank and drive Transaction Banking proposition
- Extract maximum value from the trade finance capabilities of FBNBank (UK)
- Improve workforce productivity and implement cost-containment measures

MERCHANT BANKING AND ASSET MANAGEMENT

Enhance the competitiveness of MBAM

- Having obtained a merchant banking licence, we aim to:
  - Enhance our project finance capabilities/underwriting
  - Gain access to the fixed income, foreign exchange trading segment of the merchant banking market
- Leverage the retail banking platform of FirstBank for sale of asset management products

INSURANCE

Increase our share of the insurance market

- Gained access to the general insurance segment of the market
- Drive bancassurance products through the retail platform of the FirstBank Group
- Leverage ongoing collaboration with the telecom industry to drive deeper penetration of the insurance market through mobile insurance products

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Strengthen the pre-eminence of our Commercial Banking group

Our strategy of being the commercial bank of choice involves developing a more efficient service organisation with scale to serve a broader array of customers by providing consistently excellent service. This entails a refinement of our business model from an asset-led model to a service-led model helping customers through the entire value chain of their business, and also a credit portfolio rebalancing towards the commercial and retail segments.

The overarching idea is to continue to leverage on the Bank's strategic positioning in the industry as the biggest retail franchise to drive profitable growth while transforming and strengthening its core processes to acquire and service more customers efficiently across all business segments. Our 2014–2016 strategic initiatives capitalise on our strengths and will successfully address key challenges in our business. FirstBank has outlined an ambitious set of aspirations and targets to meet these expectations over a three-year period. In support of these efforts, the Bank has also outlined a set of strategic goals and key enablers.

The Bank is adopting a strategy centred on client segments in addition to transformation initiatives, and has set segment-specific market share aspirations for 2014–2016. In the retail market, the aspiration is to grow market share of the small and medium enterprise (SME) segment from 11% to 15% and of the affluent segment from 5% to 6%. In the wholesale market, the Bank aspires to defend its market share in the public sector and institutional sectors, while accelerating growth in the other segments. The Bank's aspiration is to grow market share of the corporate segment from 9% to 10% and the emerging corporate segment from 3% to 5%.

Our strategic approach is to implement initiatives that help the Bank leverage its strength in the retail space to fulfil its core function of mobilising deposits (utilising our robust/extensive branch/ATM architecture) from our large retail client base and creating risk assets by channelling such funds to the customers in various sectors of the economy.

The Commercial Banking group has, over the last decade, adopted a comprehensive strategic planning approach to driving its business, staying competitive and maintaining its leadership position in the financial services industry. While most of the previous strategic initiatives remain relevant in driving the Bank's performance going forward, we continue to recalibrate our strategy in light of notable changes/trends that have taken place within our internal and external business environments. This ensures a sustained approach in driving growth and improving the Bank's performance for the near future.

To continue building on the Bank's strengths and successfully address challenges, we have adopted a set of aspirations and targets over a three-year strategic cycle. In support of these efforts, the Bank has also outlined a set of strategic themes and key enablers.

The agreed strategic themes for 2016 are:

- to attain leadership in mid-corporate/commercial and SME segments;
- to improve cost and capital efficiency;
- to drive service delivery excellence; and
- to improve quality of risk asset.

Enhance the competitiveness of our Merchant Banking and Asset Management business

In pursuit of our goal of being the undisputed leader in the provision of financial services to our discerning customers in each market we serve, our Merchant Banking and Asset Management (MBAM) business made remarkable progress towards strengthening its sales and trading platform to address the need of a broader clientele. During 2015, we completed the acquisition of Kakawa Discount House Limited, and obtained a merchant banking licence. Commencement of merchant banking operations will enable us to provide end-to-end investment and financing solutions for our largest customers. In addition, the licence will enable us to gain deeper specialisation in our focus segments, widen our structured finance and lending to financial institutions, and operate in foreign exchange sales and trading.

Increase our share of the insurance market

As part of our strategy to deepen our insurance operations, the immediate priorities for 2014–2016 are three-fold:

1. Gain access to the general insurance segment of the market through the acquisition of Oasis.
2. Drive bancassurance products through the retail platform of the FirstBank Group.
3. Leverage ongoing collaboration with the telecom industry to drive deeper penetration of the insurance market through alternative channels and mobile insurance products.

In 2015, FBNInsurance acquired Oasis Insurance to diversify its existing life insurance business with a range of general insurance products and services. With this acquisition, FBNInsurance will continue to leverage synergies across the Group to grow its businesses profitably and reinforce its leadership position, while driving the business forward.

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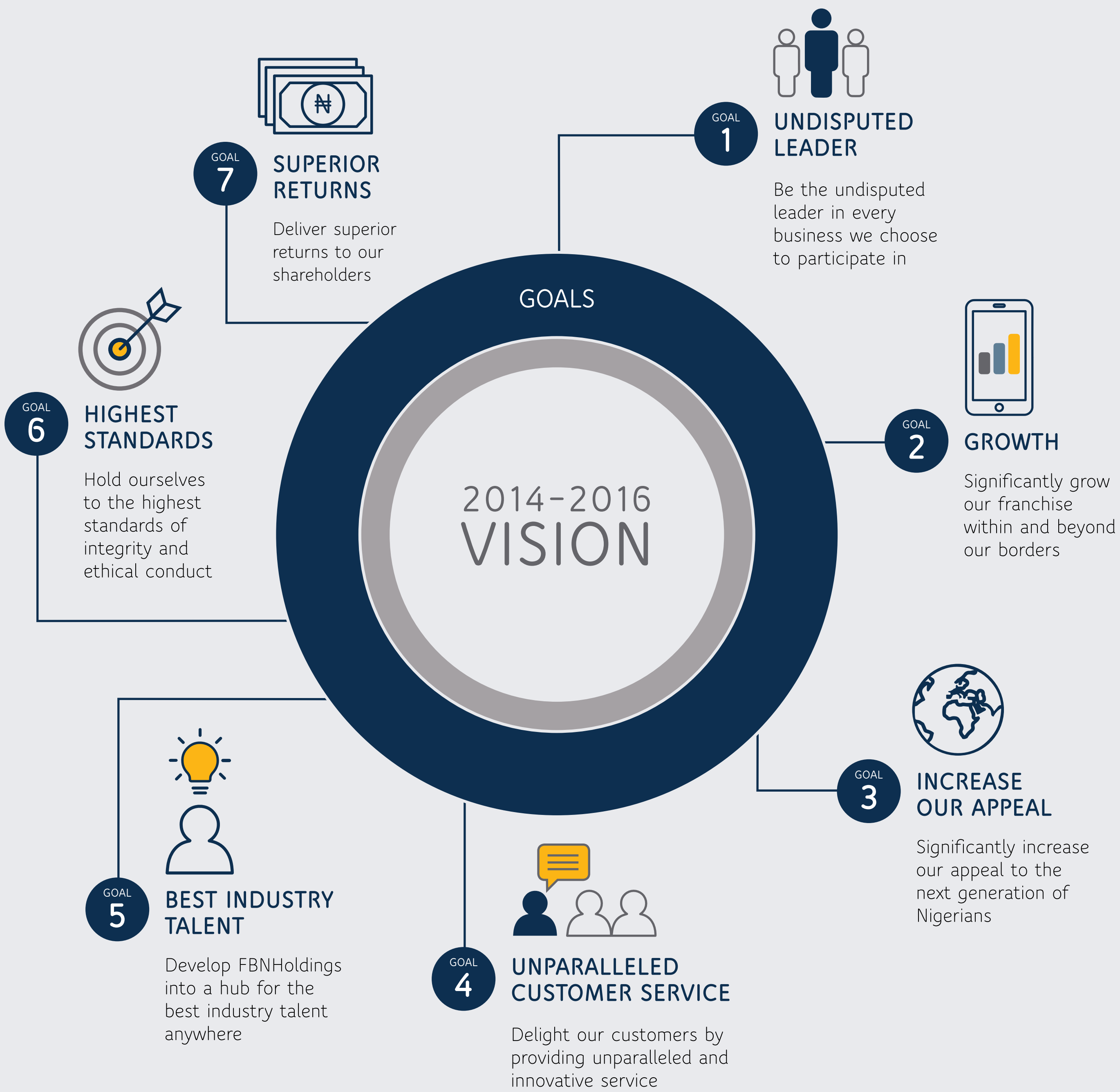
Strategic goals for 2014-2016

Our strategic focus for 2014-2016 is to deliver efficient, profitable growth. Our vision of becoming the pre-eminent financial services in Middle Africa revolves around three big themes and is underscored by seven strategic goals that run through all our operating companies.



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Assessment of the 2014–2016 strategic goals

STRATEGIC GOAL	METRIC	PROGRESS IN 2015
Be the undisputed leader in every business we choose to participate in	· Industry ranking (gross earnings, total assets and total deposits) · Local and international awards received across the business segments.	· Awarded Best Company Supporting SMEs two years in succession at the Social Enterprise Report and Awards (SERA) · Maintained our number one position in the Commercial Banking segment by total assets, total deposits and gross earnings · FBN Insurance Ltd was the fastest-growing insurance company in Nigeria over the last three years, with profitability ranking among the top four in the industry · Won Best Bank in Nigeria in the Global Finance Awards – the Bank's 12th win in the category · Named Best Retail Bank in Nigeria by The Asian Banker International Excellence in Retail Financial Services Awards 2015 · Named Private Bank of the Year: Nigeria 2015 by *The Banker* magazine and *Professional Wealth Management* magazine, both of the Financial Times Group · Awarded the most valuable bank brand in Nigeria for five consecutive years by *The Banker* magazine · Named Best Private Bank in Nigeria by EMEA Finance African Banking Awards · Received Global Reach Trade Finance Award Nigeria from Deutsche Bank · Awarded Best Mobile Operator by EFIna Financial Inclusion Awards · FBN Capital won Best Asset Manager in Nigeria at the EMEA Finance African Banking Awards.
Significant growth of our franchise within and beyond our borders	· International and local presence · Contribution of international businesses to Group earnings.	· Number of customer accounts across the Group increased by 26.5% in 2015 to 12.7 million · Global footprint in The Gambia, Guinea, Sierra Leone, Ghana, Senegal, Democratic Republic of Congo, United Kingdom, China, France, the United Arab Emirates and South Africa · Commenced full operations of FBNBank Senegal as a subsidiary of First Bank of Nigeria Ltd · Improved contribution of international businesses to the Group earnings from 8.1% to 10.1% between 2014 and 2015 · Rebranded Kakawa Discount House Ltd to FBN Merchant Bank and commenced merchant banking operations · Rebranded Oasis Insurance Plc to FBN Insurance Ltd following a 100% acquisition · Within Nigeria, Africa and around the world, we continued to serve our customers globally with an African sensibility.

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STRATEGIC GOAL	METRIC	PROGRESS IN 2015
Significantly increase our appeal to the next generation of Nigerians	· Number of subscribers on social media platforms · Market share of customers in the youth segment · Customer sign-on through KidsFirst (0–12 years), MeFirst (13–17 years) and XploreFirst (18–24 years) · Number of youth-based programmes organised in the year.	· Number of subscriptions for the KidsFirst, MeFirst and XploreFirst accounts grew by 13%, 19% and 67% respectively, leading to a significant growth in revenues from the segment in 2015 · The customer base of the youth (ages 0–24) products grew by 122% to 308,888 in 2015 · The FutureFirst programme reached over 10,000 students in about 50 schools across Nigeria in 2015. The events focused on experiential supplements to classes, helping the students develop critical thinking and leadership skills for enterprises · Launched a robust engagement programme entitled 'FirstBank SMEConnect' to provide business management resources and tools for use by SMEs · Awarded best diaspora offering by Banker Africa – West Africa Awards 2015 · Awarded the Best Mobile Banking Application in Nigeria by Global Banking and Finance Review Awards - 2015 · Best payment bank of the year – Nigeria Banking Technology Awards 2015 · FirstBank, in collaboration with CNN, designed a new programme aimed at the SME segment entitled 'African Start-Up'.
Provide unparalleled and innovative service	· Number of customer-centred awards won · Number of innovative products developed in the year.	· Ranked in the top three in the SME segment of the 2015 KPMG Banking Industry Customer Satisfaction Survey (BICSS) Index · Achieved 98% uptime on ATM machines, 86% successful transactions on the internet banking platform and 83% success rate for point of sale (POS) transactions · Launched the Western Union Account Based Money Transfer (ABMT), which has been growing at an average rate of 20% monthly since it commenced in July 2015 · FBN market share in MoneyGram grew to 41% in 2015 from 35% in 2014 · Significant growth of 20% in the number of successful transactions processed on the internet banking platform · Launched seven innovative products in 2015 to improve services to internal and external customers.

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Our strategy

STRATEGIC GOAL	METRIC	PROGRESS IN 2015
Develop FBNHoldings into a hub for the best industry talent anywhere	· Training hours achieved in the year · Number of programmes enrolled by FirstAcademy · Number of staff trained at the FirstBank Sustainability Centre · Attrition rate · Group Employee Engagement Survey · Group HR Monitoring and Reporting framework.	· Achieved 123% of the budgeted training hours in 2015: trained 100% of the staff · Maintained an attrition rate of less than 5% across the Group in 2015 · Over 120 instructors led training interventions and completed 21 e-learning sessions in 2015 based on job competency requirements, business needs and evolving business opportunities · A total number of 25,003 delegates trained (some staff attended both classes and more than one e-learning course) in 2015 · Commenced monitoring and reporting of subsidiary human resources (HR) initiatives with a view to establishing the impact of HR on the business and also to get a global perspective on HR affairs · Concluded the Group Employee Engagement Survey as part of the Group's wider programmes of 'people transformation' aimed to measure and determine employee commitment and engagement levels.
Hold ourselves to the highest standards of integrity and ethical conduct	· Corporate governance rating system	· FBNHoldings was admitted to the Premium Board of the Nigerian Stock Exchange, an indication of the regulator's statement of confidence in FBNHoldings' corporate governance practices · Achieved 100% score in the Corporate Governance Rating System (CGRS) · Ensure our governance structure continues to run smoothly and efficiently, with Board and management appointments, including transitions at executive level, made with ease and without business disruption · Continued with the regular sensitisation of employees on expected behavioural patterns through internal campaigns aimed at ensuring high ethical standards · Sustained our brand promise to always deliver the ultimate 'gold standard' of value and excellence.
Deliver superior returns to our shareholders	· Dividend per shares	· A cash dividend of ₦0.15 per share was declared and paid to shareholders (2014: ₦0.10).

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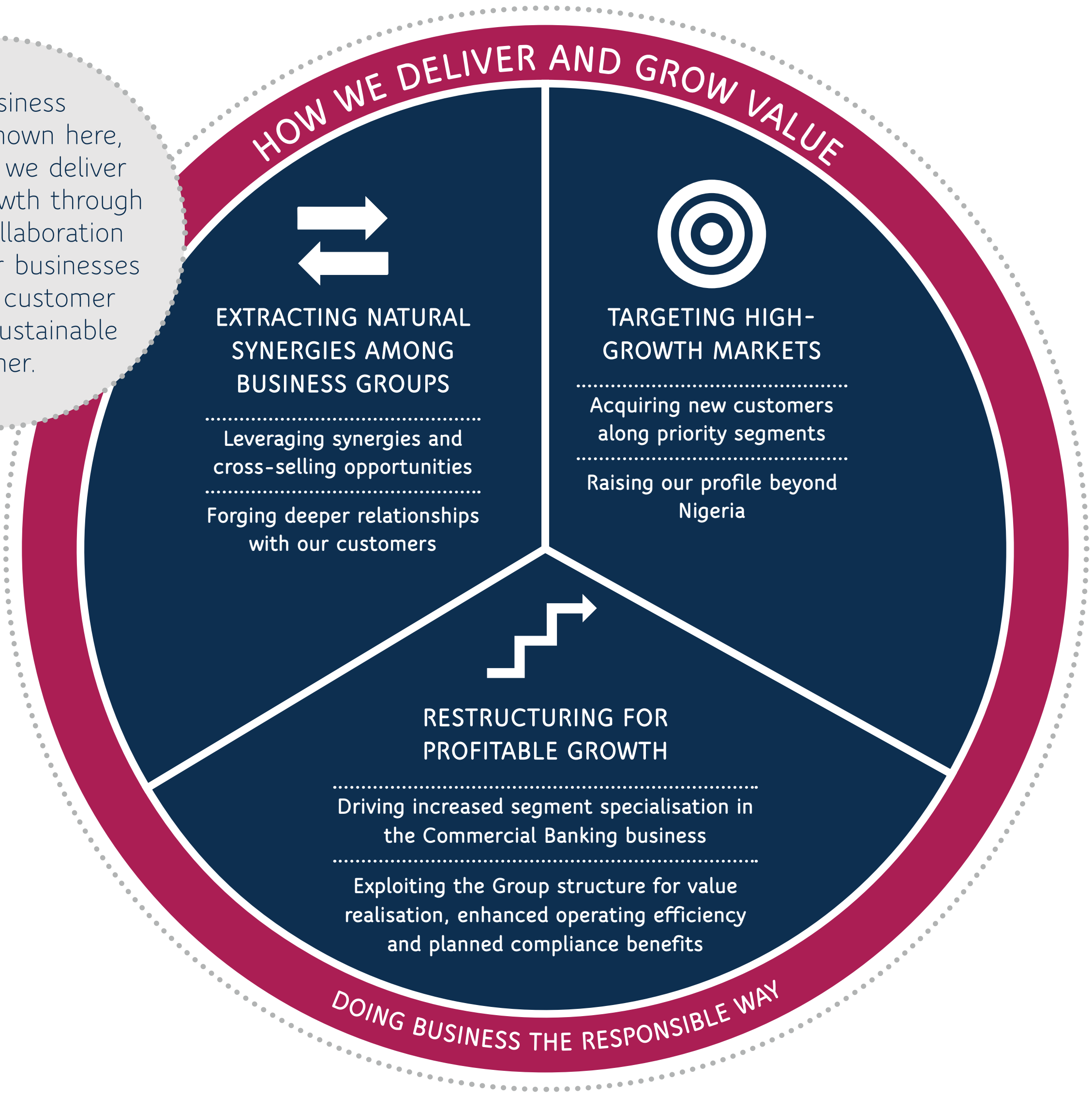
OUR BUSINESS MODEL

Our aspiration is to deliver growth by building a leading Sub-Saharan financial services group. The sustainability of our business performance is driven by our structure, people and geographical reach – giving us a true competitive advantage.

As one of Sub-Saharan Africa's largest full-scale, diversified financial services institutions, FBNHoldings delivers value through its breadth of tested products that are relevant throughout the customers' life-cycle and business products across the entire value chain. In our largest market, Nigeria, our unparalleled reach – with advanced technology and a branch network across the country – affords us a low-cost competitive advantage to partner for growth with customers in our diverse locations.

Our business model, as shown here, depicts how we deliver profitable growth through seamless collaboration among all our businesses and deliver customer value in a sustainable manner.



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Our resilient holding company structure, with clear focus on efficiency, strong collaboration and governance across all our operating entities play key factors in helping to sustain our growth momentum while addressing tomorrow's challenges and ensuring long-term success for the Group. Our largest business group, the Commercial Banking business, generates value by exploiting the vast retail banking franchise to trap and grow sustainable, low-cost deposits as a platform to create quality risk assets for the various wholesale banking businesses.

In delivering the fundamentals of banking, we have modelled the structure of our business to ensure it is aligned with the needs of our customers and how they would rather be served. Our business model is guided by the philosophy of continuous restructuring for growth, controlling and measuring this growth, and delivering business responsibly.

As a Group, we acknowledge the weaknesses that became apparent in our control environment and vulnerabilities in our business resulting in high non-performing loans and impairments in a number of sectors to which we have significant exposures in our commercial banking business. In view of this, and from a strategic stance, we have identified key imperatives. We are rebuilding our risk management processes and culture, improving efficiency and entrenching operational excellence across operating companies as well as enhancing cross selling and synergy extraction across our portfolio of businesses spanning Commercial Banking, Merchant Banking & Asset Management as well as Insurance.

To strengthen risk management, enhance and optimise productivity, appropriately deploy resources, deliver consistent product offerings and speed to market, as well as drive profitability at the commercial banking business, we have streamlined the FirstBank (Nigeria) operating model. The new business segments are Retail and Products, Corporate Banking, Commercial Banking, Public Sector, International Banking and Treasury and Financial Institutions. The business model optimisation demands a holistic approach to customer engagement, which provides huge opportunities for referrals and cross-selling across the various strategic business segments in the Bank, as well as the exploitation of synergies within FBNHoldings.

In spite of the recent challenges, the fundamentals of our business remains very strong and our underlying businesses continue to generate healthy of revenues as we deepen relationships, increase revenue and enhance the contribution of the non-commercial banking businesses.

HOW OUR BUSINESS GROUPS CREATE VALUE

Business Group	Primary Income Source	Description
COMMERCIAL BANKING	INTEREST AND FEES	We make a spread from the deposits received from customers and the funds lent. Fee income is made from transaction charges on funds lent and commissions made in facilitating other transactions.
MERCHANT BANKING AND ASSET MANAGEMENT	INTEREST, FEES AND TRADING INCOME	We provide a broad range of services including advising, financing, trading, investing and securing, to ensure we support the diverse financial needs of our customers.
INSURANCE	PREMIUM, COMMISSION AND INVESTMENT INCOME	We help customers manage risks by pooling and redistributing these risks for a stream of premium. In addition, income is made from investing the premiums generated. We also provide insurance brokerage services for commission.

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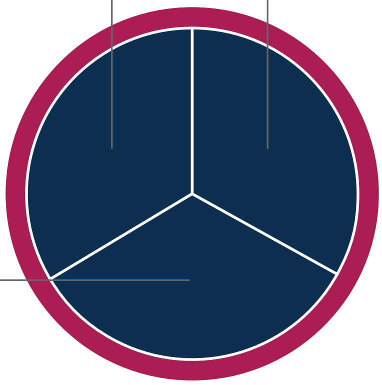
Our business model

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUP

We have successfully fine-tuned the process of synergy extraction from intra group collaboration between our various operating companies. We will continue to maximise the extraction of revenue and cost synergies opportunities inherent in the Group towards delivering improved overall value to our stakeholders.

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

The Group seeks to maximise shareholder value by focusing on high-growth markets segment across our businesses. We will continue to focus on acquiring new customers selectively along the priority segments



RESTRUCTURING FOR PROFITABLE GROWTH

We are implementing a more agile business model with a gradual shift from an asset-incentive and credit led model to a service led strategy. This is to drive our spectrum of diverse product and service offerings across the value chain of our customers' businesses while reducing the overall cost to serve.

SERVICES PROVIDED ACROSS OUR BUSINESS

COMMERCIAL BANKING[1]

- Retail banking
- Corporate banking
- Commercial banking
- Public sector banking
- International banking
- Pension custodian
- Mortgage finance

MERCHANT BANKING AND ASSET MANAGEMENT

- Corporate banking
- Investment banking
- Capital markets
- Trust and agency services
- Asset management
- Alternative investment
- Wealth management

INSURANCE

- Life underwriting
- General underwriting
- Insurance brokerage

[1] The commercial banking services listed here depicts the business segments with effect from 1 January 2016.

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WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

Our structure has clustered similar businesses to improve coordination and specialisation while ensuring an optimal legal and compliance framework. Specifically, the separation of the Commercial Banking from other non-commercial banking businesses provides a platform for enhanced focus on the growth of the non-commercial banking subsidiaries, allows for greater risk management supervision and enables optimal capital allocation decisions. Our shareholders desire sustainable returns, and it is our responsibility to ensure the business drivers are in place to support this aspiration.

FBN Holdings Plc has the primary responsibility for setting strategic direction, providing Group-wide oversight and ensuring the leveraging of synergies across the Group. It achieves this through the constitution of a governing board and committees at Group level to optimally align corporate governance and management roles. This has helped ring-fence the Commercial Banking business from non-commercial banking businesses and the associated risks, thereby protecting shareholder value. Our business model promotes seamless collaboration among all our businesses and delivers value to the diverse customers in a sustainable manner.

The Group has made principal commitments to ensure our business model will deliver sustainable returns. A brief outline of these is as follows:

Leadership and governance

Despite unfavourable and unstable macroeconomic indices in 2015, the Board stayed true to best corporate governance practices. In line with global best practice and in compliance with regulations and codes of corporate governance, the Board discharges its oversight function through the boards of directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate. At the Holding Company and in the other operating entities, the boards operate through various committees which are constituted in adherence to the various regulations and codes. Our robust framework ensures a good blend of Board autonomy and Group coordination at the operating company level.

The Board of FBNHoldings and indeed the boards of the operating companies remain strong and well functioning. They compose of individuals who possess not only the right technical abilities and business experience, but also the personal qualities required to be effective, dedicated and committed stewards of the Company. A review of the current composition across the boards of the various operating companies will reveal these qualities.

The Board of FBNHoldings is represented by distinguished individuals with in-depth and diverse experience. These eminent persons have displayed excellent, proven business knowledge and Board experience spanning an array of industries and sectors. The primary purpose of the Board is to build long-term shareholder value and ensure oversight of appropriate controls, systems and practices to safeguard the assets of FBNHoldings in a sustainable manner. To ensure appropriate oversight function, the Group Managing Director sits on the Board of the key subsidiaries (business groups) of FBNHoldings.

Though these are trying times for the economy, the financial services industry and our Company, we are resolute in our desire and commitment to emerge stronger and more resilient.

Risk management

The Group believes that managing risk effectively and selective risk taking are key element for survival and sustained growth that can ultimately create value for our shareholders. The risk management processes in the Group as contained in the Enterprise Risk Management (ERM) framework are designed to ensure that each business line understands the risks it faces, so that such risks can be effectively managed within a strong risk management culture and governance. Furthermore, the Group's strategy is governed by a willingness to take risk in the pursuit of value creation and, as such risk appetites form an integral part of the strategic decision-making and execution process.

Effective management of risk requires a robust governance structure in which everyone knows their individual and collective accountabilities for risk management, risk oversight and risk assurance. This is reinforced by appropriate delegation of authority from the Board, which sets the appropriate tone down through the management hierarchy, and is supported by a committee-based structure designed to ensure that the risk management system across the Group is in line with regulations and leading practices.

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The Board of Directors of the holding company (assisted by the Board Audit & Risk Assessment Committee) provides robust oversight of the Group's risk strategy, approves the Group risk appetite, and reviews the adequacy of the risk management framework and control effectiveness. The Group Risk Stakeholders Committee comprises the Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) of the business units and the Group Risk Manager. The committee ensures a strong and effective relationship between the risk management function of the business units and the holding company, as well as enhances the risk coordination process across the Group.

We continually modify and enhance our risk management policies and systems to reflect changes in markets, products and international best practices.

Relationships and responsibility

At FBNHoldings, relationships and corporate responsibility are intertwined. Our citizenship approach involves developing and sustaining mutually beneficial, trusting and meaningful relationships between our stakeholders and ourselves. We believe our sustainability is underpinned by building strong relationships with our customers, shareholders, employees and communities that inform our focus areas and priorities. This proactive approach ensures that our goal of driving long-term growth includes the protection of all stakeholders' interests, by going beyond profit-making to supporting the preservation of the environment and helping empower the communities in which we operate.

We are also committed to conducting businesses transparently and ethically by managing our business processes towards ensuring an inclusive, positive impact on society.

For more information, please visit the Investor Relations website.

COMPLAINTS HANDLING

The Group, through its subsidiaries, has identified the achievement of service excellence as an important non-financial priority. Crucial to this is the enrichment of customers' experience through the proactive management of complaints and issues. We respond to requests and enquiries, and resolve complaints 24 hours a day, seven days a week through our contact centre and various other channels available to customers, such as emails via the online platform, SMS text alerts through the relationship managers, and direct contact with customer service officers in branches. We also ensure customers are aware of our complaints channels by displaying information about them in all our branches. These include escalation channels for complaints that are not adequately resolved. To further protect customers, the Bank renders customers' complaints to the Central Bank of Nigeria (CBN) on a daily basis and is expected to resolve outstanding issues within defined timelines.

We put structures in place to ensure that we have a holistic view of all complaints received. This resulted in an increase in the number of complaints received; over 270,000 were reported in 2015 compared to about 77,000 complaints recorded in the previous year.

The use of the complaints dashboard has helped to identify recurring complaints, seasonal complaints and the source of these complaints, resulting in quick resolution while outstanding issues receive the required attention.

At FirstBank, to ensure customers' complaints are properly handled, every customer on the bank's book has a relationship manager (RM). The RM is the main point of contact for the customer and ensures each account is functioning in accordance with the customer's expectations. As part of Know Your Customer (KYC) requirement of verifying the identity of our customers, the RM reviews the account with the customer, currently on an annual basis. This process is overseen by the Bank's Compliance department as part of its compliance monitoring programme.

In First Pension Custodian, however, complaints are lodged and logged with the relationship management team. In a bid to achieve effective and efficient turnaround time and contribute to a high level of customer experience, achievement of service excellence – of which complaint handling is a subset – remains an important priority across the Group.

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Ethics and compliance

The Group prides itself on having one of the most compliant and industry-leading holding company structures. The Group has a robust governance structure with some Board and management appointments, including transitions at executive levels, made with ease and without rancour or business disruption. We are committed to the highest standards of openness, probity, accountability and high ethical behaviour by maintaining an environment where employees and other stakeholders can act appropriately, without fear of reprisal. In ensuring a high ethical standard, we established a code of ethics which sets out the minimum standards of conduct expected in the management of our businesses across the Group.

In the Group, our approach to conducting business is premised on high ethical standards and strict adherence to all provisions of the code of conduct guidelines. With an enviable corporate governance framework, and leveraging the quality of its workforce, the Group has experienced continued growth in its various business operations in line with its strategic priority 'to increase its share of the customer's wallet in the chosen market'. Among other things, the ability to deliver and sustain this mandate is dependent on the commitment, engagement and ability of staff. In addition to their high quality, the conduct of the Group's workforce remains professional, being based on well-established ethical and code of conduct frameworks that guide expected behaviour.

Employees are regularly sensitised to expected behavioural patterns through internal campaigns aimed at ensuring that our people operate in line with high ethical standards.

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LEADERSHIP AND GOVERNANCE

“We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our ‘tone at the top’ will consistently be driven to encourage adherence to good corporate practices.”

2015 was a deeply challenging year for us as a business, the economy and the country at large. These challenges have worsened the risk profile of the country, heightened vulnerability and fuelled capital flight as evidenced by the persistent bearish trend in the capital market.

In spite of the challenging environment, there were positives for the Group in 2015. FBN Holdings Plc was admitted to the Premium Board of the Nigerian Stock Exchange, a platform for first-rate listed companies in Nigeria. This is in recognition of the strength of our corporate governance practices and decades of unwavering support for the growth of the Nigerian Capital Market. We understand fully that adherence to good governance practices will provide us a foundation to realise the benefits inherent in our extensive footprint, rich heritage, extended offerings and public goodwill.

During the year, we took the bold decision to further enhance the breadth of our service offerings to the market by obtaining a merchant banking licence via the acquisition of Kakawa Discount House Limited and also renamed our general insurance business as part of the post-acquisition integration process subsequent to the acquisition of Oasis Insurance Plc (now FBN General Insurance Limited). With these acquisitions, we have significantly enhanced the resilience of our structure and diversified our earnings base to minimise our reliance on the Commercial Banking business.

Our performance for the financial year 2015 was negatively impacted by very high impairment charges on the loan book of our Commercial Banking business. As a result, we have had to review extensively our overall risk management framework, as well as practices, particularly as it relates to credit risk management.

I have the commitments of the Board as well as management that we will not only weather the storm, but emerge stronger, more resilient and better equipped for the next phase of our growth story. A detailed diagnostic of root causes has been carried out and key initiatives, both tactical and strategic, to aggressively reposition and improve the performance of the business are being implemented.

I expect that this will improve the quality of our assets, enhance the quality of our earnings, improve our efficiency, impact our risk-adjusted return and drive disciplined cost containment strategy and optimal extraction of synergies, central to our immediate strategy.

Our governance framework

Our governance framework is in line with global best practices and in compliance with the regulations and codes of corporate governance. Our oversight functions are discharged through the Boards of Directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate.

Governing for the long term

We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our ‘tone from the top’ will consistently be driven to encourage adherence to good corporate governance practices across the Group to keep us ahead of competition and ensure the sustainability of our business.

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Quality of disclosure

We do not take lightly our responsibility to shareholders and the investing public with respect to providing the market with timely and quality information. To this end, we continually enhance transparency and disclosure in our financial reports, and other communications to the market, ensuring that they are detailed and comprehensive enough to provide shareholders with sufficient context and help the investment decision process.

Our corporate culture

We understand that our corporate culture is influenced by the Board, brought to life by Management, and distilled Group-wide to drive our long-term business model. Within the Group, we recognise the value of diversity in our employee base that comes from a broad and representative mix of background and experience, as different perspectives allow us to see and develop new opportunities. We promote internal initiatives to support diversity and inclusion within the Group, and we realise we can only achieve our strategic objectives by building a sound reputation founded on the highest standards of responsible behaviour.

Conclusion

While these are trying times for our Company, the financial services industry and the economy at large, we are resolute in our desire and commitment to emerge stronger and more resilient. Dear shareholders, this is not the time to panic. You can be assured that, as a Board, we remain steadfast in ensuring that our processes are continually improved upon and that the Board, Management and employees internalise the implementation of the highest standards of corporate governance practices which will guarantee our Group's long-term sustainability.

Dr Oba Otudeko, CFR
Chairman, Board of Directors

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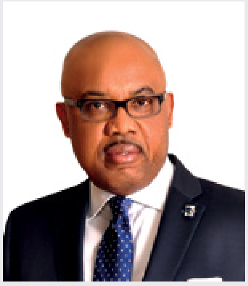
BOARD OF DIRECTORS

Dr Oba Otudeko, CFR
Group Chairman

Bello Maccido
Group Chief Executive Officer (Retired December 2015)



UK Eke, MFR
Group Managing Director (w.e.f.* January 2016)

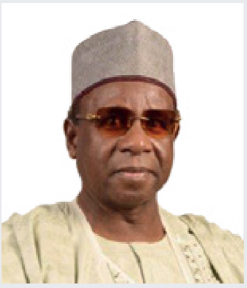
BFIC

Oye Hassan-Odukale, MFR
Non-Executive Director

SAC BFIC

'Debola Osibogun
Non-Executive Director

BGNC BARAC



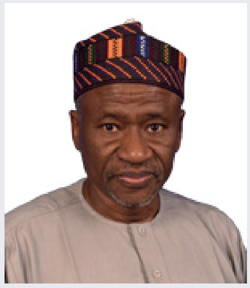
Abdullahi Mahmoud
Non-Executive Director (Retired December 2015)

Dr Hamza Wuro Bokki
Independent Non-Executive Director

SAC BFIC

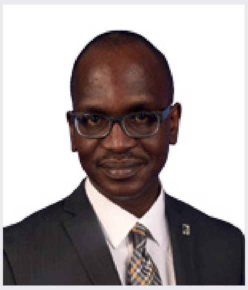
Bisi Onasanya
Non-Executive Director (Retired December 2015)

Dr Adesola Adeduntan
Non-Executive Director (w.e.f. January 2016)



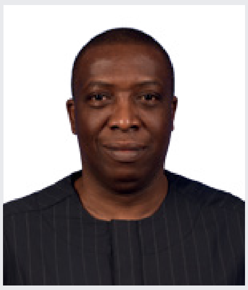
Muhammad K Ahmad, OON
Non-Executive Director

BGNC BARAC



Chidi Anya
Independent Non-Executive Director

BGNC BARAC SAC



Omatseyin Ayida
Non-Executive Director

BGNC BARAC

Tijjani Borodo
Company Secretary

Current Committee membership Key:

BGNC
Board Governance and Nomination Committee

BARAC
Board Audit & Risk Assessment Committee

BFIC
Board Finance & Investment Committee

SAC
Statutory Audit Committee

* w.e.f. – With effect from

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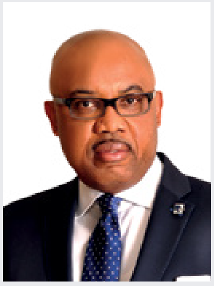
FBNHOLDINGS MANAGEMENT



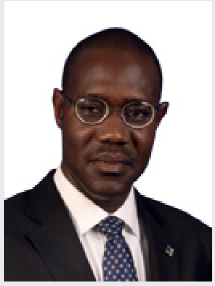
UK Eke, MFR
Group Managing Director (w.e.f. January 2016)

Tijjani Borodo
Company Secretary

Oyewale Ariyibi
Head, Finance

Folarin Alayande
Head, Strategy and Corporate Development

Oluyemisi Lanre-Phillips
Head, Investor Relations



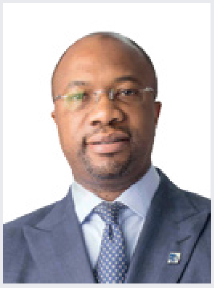
Olu Adegbola
Head, Risk Management

Our subsidiaries

COMMERCIAL BANKING

Dr Adesola Adeduntan
Managing Director, First Bank of Nigeria Limited and its Subsidiaries (w.e.f. January 2016)

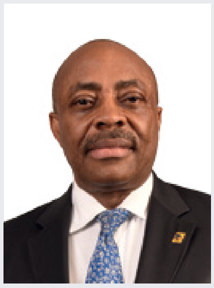
MERCHANT BANKING AND ASSET MANAGEMENT



Kayode Akinkugbe
Managing Director, FBN Merchant Bank Limited (w.e.f. January 2016)

INSURANCE

Valentine Ojumah
Managing Director, FBN Insurance Limited



Fidelis Ojeah
Managing Director, FBN Insurance Brokers Limited

STATUTORY AUDIT COMMITTEE MEMBERS

Job Onwughara
Chairman

Abubakar Yahyah

Ayodeji Shonubi

Oye Hassan-Odukale, MFR

Abdullahi Mahmoud
(Retired December 2015)

Chidi Anya

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RISK MANAGEMENT

OVERVIEW

Managing risk effectively is fundamental to delivering sustainable returns to our stakeholders – particularly our shareholders – and is at the heart of our strategy.

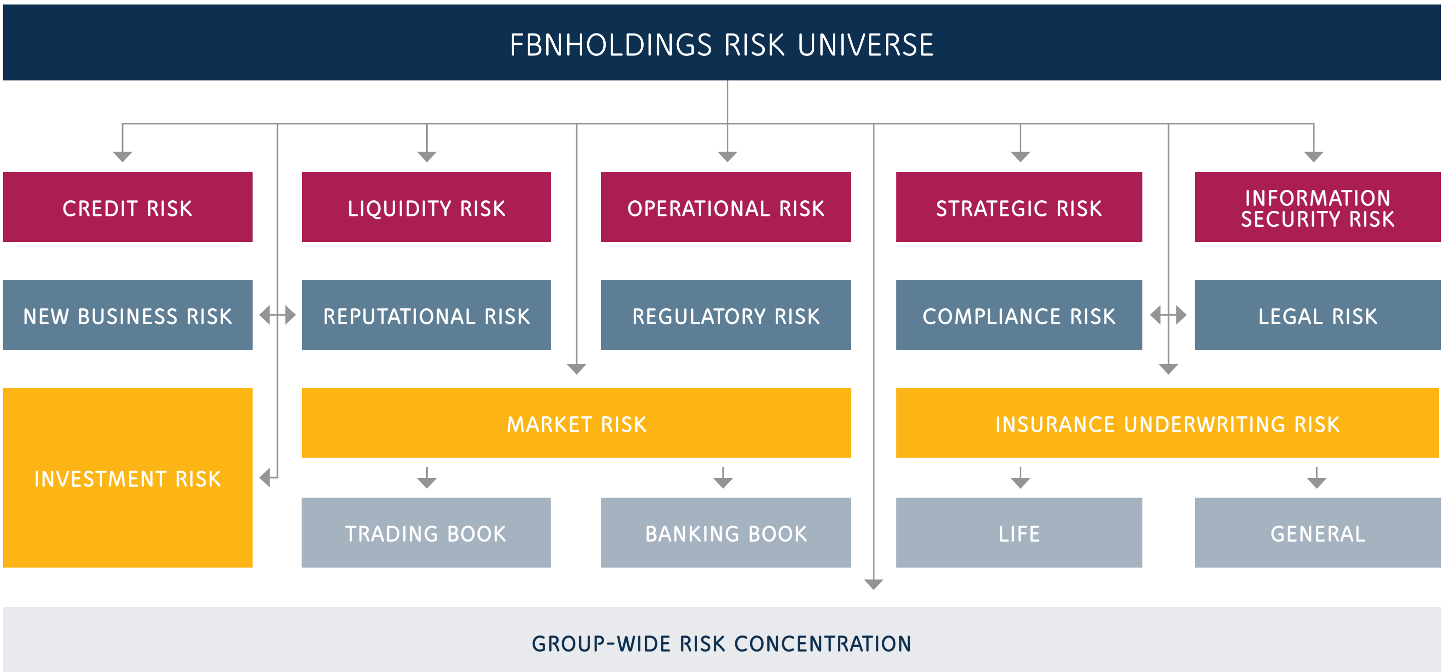
Our approach to risk management is premised on a robust control framework and strong risk management culture that promotes accountability for risks at all levels and across the Group. While the businesses are primarily accountable for the risks they take, the independent risk function provides proactive support and constructive challenges to the businesses to deliver sustainable growth within the Group's risk appetite. The Group uses an enterprise risk management (ERM) framework to ensure a robust and consistent approach to risk management. This supports the Group's enterprise risk management vision of enabling a collaborative risk management environment for effective coordination, monitoring and aggregation of risks across the Group.

The framework emphasises accountability, responsibility, independence, transparency and reporting, and will strengthen our risk management practice. The risk management framework was reviewed by one of the leading consulting firms in 2015, and is currently being embedded across the Group. The specific objectives of the framework are to:

- provide direction for each entity in the Group on how to manage risk in a consistent and interactive manner;
- guide each entity within the Group on how to design a comprehensive and systemic approach to identifying, anticipating and responding to major risks that threaten the Group;
- provide an overall framework that will help coordinate risk management methodology into a process that helps anticipate and minimise risks within acceptable thresholds in a systemic manner;
- ensure consistency in the methodology for identifying, measuring and monitoring major risks, and how risks interrelate in the Group; and
- ensure uniformity in the approach to managing risks across the Group and also ensure a strong Group-wide risk culture.

Enterprise-wide risk

As a well-diversified financial holding company, the Group is involved in the provision of diverse financial services to different segments of customers and customers. Inherent in these activities are the different types of risk to which the Group is exposed. The table below highlights the key risks.



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Risk governance

Each of the above risks is managed along the Group's 'three lines of defence' governance model. This entails managing risks by business units/owners (first Line), the Risk Oversight departments (second line) and the Internal Audit department (third line). In line with the Group's risk culture, there is a common understanding that risk management is everyone's business – from Board and executive-level committees down to risk owners and respective risk units across the Group. This is supported by a strong control framework that provides assurance on the effectiveness of the risk management process.

Risk governance across the Group is maintained through effective delegation of authority from the Board through the management hierarchy, supported by a committee structure at Board and management levels. The delegation of risk management responsibilities across the Group is structured to ensure that decisions are enacted at the most appropriate level in line with business objectives, subject to robust and effective review. Strategic business decisions are taken within a Board-approved risk appetite, with the executive and risk committees closely monitoring risk profiles against this appetite.

Finally, the Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. The diagram below illustrates how risk management is a joint responsibility across the Group.

RESPONSIBILITY FOR RISK MANAGEMENT

Performance in 2015

2015 saw the completion of the review of our Group enterprise risk management (ERM) framework by a leading consulting firm. As noted above, the framework is currently being embedded across the Group and will significantly strengthen risk management practice.

The Group Risk Stakeholders Committee (GRSC) met regularly throughout 2015 and was actively involved in the review of the proposed Group risk appetite, as well as putting measures in place towards managing emerging risks across the Group. The activities of the Committee has significantly reinforced the Group's desired strong risk culture.

To ensure service excellence and to manage reputational risk that might arise from poor service delivery, a Group Complaints Management Policy and Framework was established in 2015, in line with the Securities and Exchange Commission Framework for Complaints Management. Complaints received are logged, and reports sent to the Board Audit & Risk Assessment Committee (BARAC).

FirstBank Ltd also obtained international certification on complaints management in 2015.

Finally, as part of our strategy to expand our services and to be the leading financial services group in Sub-Saharan Africa, in 2015 the Group acquired a merchant banking licence and commenced operations. This will significantly diversify the Group's revenue base.

Looking ahead

Our risk management priorities in 2016 are to:

- start the assessment and measurement of risk culture across the Group, with the aim of instilling a strong risk management culture;
- embed the management of emerging risks in the Group's risk management process;
- ensure appropriate responses to all regulatory issues, and maintain a business-like approach to regulatory compliance across the Group; and
- strengthen and revitalise a strong risk culture and consciousness across the Group.

Risk factors overview

The table on the following pages shows a further analysis of the major risks to which the Group is exposed, together with their potential impact, mitigating measures and where responsibility lies.

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CREDIT RISKS

Credit risk

Risk of loss that may arise if an obligor fails to perform an obligation under a loan or trading contract. It includes:

- default/counterparty risk;
- performance risk;
- payment risk;
- diversion risk; and
- managerial risk.

POTENTIAL IMPACTS ON BUSINESS

- Poor asset quality arising from high level of non-performing loans and, ultimately, low yield on risk assets
- Financial loss due to increased loan loss provisions and charges on impaired assets
- Possibly leading to impairment of shareholders' funds.

MITIGATING MEASURES

- Strong credit analysis to identify the risk and proffer mitigants
- Clear loan covenants and transaction dynamics
- Effective credit control and monitoring processes
- Prompt identification of early signs of deterioration
- Adequacy and reliability of collateral
- Adoption of risk-based pricing for risk assets
- Strengthened risk management systems and processes to optimise portfolio quality and to ensure appropriate pricing of risk assets.

Portfolio limit risk

- Concentration risk
- Probability of loss arising from heavily lopsided exposure to a particular group of counterparties.

POTENTIAL IMPACTS ON BUSINESS

Breaches of portfolio limits and regulatory provisions could lead to sanctions and increased financial loss.

MITIGATING MEASURES

Adherence to portfolio limits and regulatory requirements.

RESPONSIBILITY

Strategic business units, Risk Management and Chief Risk Officer.

MARKET AND LIQUIDITY RISKS

Interest rate risk

- Repricing risk
- Yield curve risk
- Basis risk
- Optionality risk.

POTENTIAL IMPACTS ON BUSINESS

Could result in significant financial loss from reduction in net interest income and impairment of interest rate-related instruments, including fixed-rate and floating-rate debt securities and instruments that behave like them, and non-convertible preference shares.

MITIGATING MEASURES

- Regular monitoring of assets and liabilities mismatches and compliance with set limits
- Daily reporting of valuation results to executive management
- Strict adherence to the Group's internal policies, such as the use of limits and management action triggers
- The use of hedge contracts to mitigate interest rate risk exposures
- Experienced Market Risk Policy Committee (MRPC) that meets regularly.

Foreign exchange risk

This is the possibility of loss posed by exposure to unanticipated changes in the exchange rate between currencies. The various forms in which foreign exchange risk can take include:

- credit risk;
- interest rate risk;
- country risk; and
- settlement risk (time zone).

POTENTIAL IMPACTS ON BUSINESS

Could lead to diminution in the value of foreign currency position.

MITIGATING MEASURES

- Daily monitoring of foreign exchange trading position against risk limits
- Daily reporting of all foreign exchange exposures to executive management
- Hedging Policy in place
- Regular review of the Group's currency exposures by the MRPC
- Limiting transactions to approved counterparties.

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Market and liquidity risks continued

Investment risk

This is the probability that the actual return on an investment will be lower than the expectations.

POTENTIAL IMPACTS ON BUSINESS

Could lead to diminution in the value of investments.

MITIGATING MEASURES

- Significant investments approved by the Board and all others by the Management Committee (MANCO)
- Counterparties for investments approved by executive management and the Board
- Highly experienced professionals in the strategy unit advise on strategic investments
- Strong supervision by the parent company board of subsidiaries
- Portfolio selection and diversification strategies.

Counterparty risk

- Pre-settlement risk is the risk that one party to a contract will fail to meet the terms of the contract and default before the contract's settlement date
- Settlement risk is the risk that one party will fail to deliver the terms of a contract at the time of settlement.

POTENTIAL IMPACTS ON BUSINESS

Could lead to financial losses due to the default of a trading counterparty.

MITIGATING MEASURES

- Approved counterparties with pre-settlement risk lines
- Measurement and reporting of pre-settlement risk exposures to executive management.

Liquidity risk

- Funding liquidity
- Trading liquidity.

POTENTIAL IMPACTS ON BUSINESS

Could lead to insolvency and eventual reputational risk.

MITIGATING MEASURES

- Efficient Assets & Liabilities Management Committee (ALCO) that oversees liquidity management
- Diversified sources of funding
- Contingent funding plan
- Effective cash flow planning.

RESPONSIBILITY

Treasury unit, product groups trading desk, market and liquidity risk unit, and the Chief Risk Officer.

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OPERATIONAL RISKS

People risk

The risk of loss – financial, reputational or otherwise – arising from a failure to properly manage the Group's human capital. This could manifest itself in the form of staff fraud, high staff attrition, knowledge gaps and a demotivated and disgruntled workforce.

POTENTIAL IMPACTS ON BUSINESS

This would impact the Group by way of negative service experiences for our customers and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver the strong business performance that meets or exceeds stakeholders' expectations.

MITIGATING MEASURES

- Robust Human Capital Management and Development (HCMD) practices to achieve a strong workplace
- Effective background checks and thorough confirmation process on new hires
- Competitive remuneration package and other benefits to attract and retain the best talent
- Enforcement of strong supervisory control
- Zero tolerance to staff integrity issues and fraud
- A fully fledged learning and development unit, and infrastructures to cater for the training and development needs of staff
- Strict enforcement of the requirements of the staff handbook
- A disciplinary committee that meets regularly to deal with and resolve employee issues
- A comprehensive fidelity insurance policy
- Encouragement of a healthy work-life balance.

RESPONSIBILITY

Strategic business units and support functions, e.g., branches, operations group, e-business and HCMD.

Operations risk

The risk for the Group of incurring financial loss as a result of inadequacies or failures in operations processes, systems or staff. Operations risk also incorporates the risk arising from disruption of operations activities caused by external events. Examples include:

- transaction capture, execution and maintenance errors or failures;
- failures in the customer intake and documentation process;
- failed mandatory reporting obligations;
- limit breach due to inadequate internal processes;
- inadequate reconciliation processes; and
- manual-intensive processes.

POTENTIAL IMPACTS ON BUSINESS

Impacts on business range from negative customer impact and the attendant loss in market share, financial loss and reputational damage, to the cumulative effect of being unable to deliver a strong business performance that meets or exceeds stakeholders' expectations.

MITIGATING MEASURES

- A comprehensive Control Administrative and Accounting Procedure (CAAP) manual put in place to guide operational activities and processes of the Group
- The establishment of a central processing centre specialising in various operation areas, and the migration of some activities that were hitherto handled at the branches
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of the Group
- The introduction of a self-assessment programme to allow process owners to identify control weaknesses with a view to taking proactive remedial action
- Automation and re-engineering of our processes
- Putting in place robust business continuity planning and disaster recovery programmes
- Stepping up operational risk awareness training and programmes
- Monitoring and managing key risk indicators (KRIs) in processes, products and activities.

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Operational risks continued

System or technology risk

The risk of failing to develop, implement or operate the Group's technology platforms and solutions to meet stakeholders' requirements.

POTENTIAL IMPACTS ON BUSINESS

This could manifest itself in the form of: the system going down, resulting in irate customers and tarnished reputation; software failures; temporary unavailability of technical support; hardware failures; obsolete hardware; and lack of support from the manufacturers.

MITIGATING MEASURES

- A Disaster Recovery Centre
- A comprehensive Service Level Agreement (SLA) with IT service providers
- Regular IT audit and control
- Hardware policies covering hardware purchase, use, replacement and disposal
- Software policies covering purchase or design, use, enhancement, patching, replacement and disposal
- Resilience built into the Group's network platform through the installation of a back-up link to over 90% of our branches
- An articulated medium-term transformation plan to optimise the Group's investment in technology.

External events and third-party risk

Risk arising from external events such as external fraud, natural disaster and third-party failure.

POTENTIAL IMPACTS ON BUSINESS

External events could lead to disruption to business and financial loss to the Group. Third-party failure could lead to poor service, reputational damage and financial loss to the Group. Technology failure due to activities of hackers and inadequate financial capacity to fulfil obligations could impact negatively on the Group's service delivery.

MITIGATING MEASURES

- Hedging against external events with adequate insurance cover
- A robust business continuity management system that has passed the ISO 22301 certification to improve the Group's resilience
- Regular monitoring and review of all outsourcing arrangements in the Group
- Strict adherence to the Group's outsourcing policy
- Enforcement of SLA and sanctions for breach of contracts
- Real-time reporting of high-risk incidents or exposure
- A Physical Security and Personal and Business Protection Policy to mitigate internal and external threats.

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Operational risks continued

Regulatory and compliance risk

This could lead to financial and reputational losses to the Group as a result of failure to comply with the laws, regulations or codes applicable to the financial services industry.

POTENTIAL IMPACTS ON BUSINESS

The impact of this risk category on the Group ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or bans from certain market activities; possible loss in share price and negative investors' perception occasioned by disclosure of regulatory infractions in our Annual Report; and withdrawal of licence.

MITIGATING MEASURES

- A fully fledged compliance team to drive and implement the Group's compliance framework
- Effective monitoring of the Group's compliance with laws and regulations, its code of conduct and corporate governance practices
- A process for ensuring new and changed legal and regulatory requirements are identified, monitored and reflected in the Group's process and rule book
- Ensuring that regulatory requirements are incorporated in the operational procedures manual where appropriate
- Prompt submission of regulatory reports
- Sound corporate governance practices and setting the right tone from the top with respect to regulatory issues.

RESPONSIBILITY

Strategic business units and support functions, e.g. branches, operations group, e-business and Human Capital and Management Development (HCMD).

INFORMATION SECURITY RISKS

Unauthorised access, use, disclosure, modification, perusal, inspection, recording or destruction of information assets that could cause possible disruption of operations.

POTENTIAL IMPACTS ON BUSINESS

Information assets are critical to the Group's operations and crucial to the effective and efficient delivery of service by the Group to its customers.

Disruptions to these assets could have dire consequences for the Group.

MITIGATING MEASURES

- Continued risk evaluation through the use of proven risk assessment methodology that identifies key risk areas and prescribes the necessary controls necessary to reduce these risks to an acceptable level
- Documenting and standardising the processes within the Group while building appropriate controls into them
- Classifying all information assets with appropriate priorities, assigning ownership and ensuring that all assets are handled according to document-handling procedures
- Group-wide security risk assessment carried out by an independent security assessment company to determine the security risk profile of the Group and recommend appropriate safeguards to its information assets
- Developing a Group-wide awareness programme and making information security the responsibility of all staff
- Aligning the Group's processes to international standards and best practices such as the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS).

RESPONSIBILITY

The primary responsibility for the security of the Group's information assets and applicable legislations lies with members of staff, while the Board and management have the overall responsibility to ensure that all information assets within the Group are adequately protected.

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LEGAL RISKS

Litigation and adverse claims

POTENTIAL IMPACTS ON BUSINESS

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

MITIGATING MEASURES

- Consistent application of professional standards
- Transparency and fairness while transacting
- Bespoke documentation and clarity to reduce areas of possible conflict
- Availability of a dependable record retention system
- Protection of intellectual property through licensing
- Engagement of an external counsel with proven competence in the prosecution of the Group's claims against third parties and in the conduct of the Group's defence, and exploring alternative dispute resolution mechanisms, among others.

Asset security cover risk

POTENTIAL IMPACTS ON BUSINESS

Loss of revenues, weak legal position in recovery efforts, increase in litigations and an attendant negative impact.

MITIGATING MEASURES

- Thorough and experienced credit proposal reviews
- Use of independent experts for asset valuations
- Conducting due diligence on security of assets
- Watertight and legally defensible documentation to protect the Group's security interest
- Use of result-oriented solicitors for end-to-end perfection exercises
- Effective and proactive monitoring of credits.

Contractual performance risk

POTENTIAL IMPACTS ON BUSINESS

Increase in litigations, increased expenses/financial loss, strained relationships with service providers and customers, and negative reputational exposures.

Agreements and nimble, efficient preparation as well as deft review of contracts/agreements.

MITIGATING MEASURES

- Engagement of reputable service providers with proven pedigree
- Taking out appropriate insurance policies against identified contractual risks
- Availability of dependable systems and processes that ensure the Group's contractual obligations are met on a regular basis
- Insistence on service-level best practice.

RESPONSIBILITY

- Litigation and adverse claims – Heads, Legal Services
- Asset security cover risk – Heads, Legal Services, Specialised Lending, Credit Analysis and Processing, Credit Risk Management and all relationship managers
- Contractual performance risk – Heads, Legal Services, Information Technology, Operations and General Services.

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COMPLIANCE RISKS

Regulatory risk

This is the risk whereby procedures implemented by the Group to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective. It is also the exposure to financial loss arising from the probability that regulatory agencies will make changes in the current rules (or will impose new rules) that will negatively affect the trading positions already taken.

POTENTIAL IMPACTS ON BUSINESS

This could result in significant financial loss, impairment of shareholders' funds and/or outright closure of business, brought about by sanctions or fines on the Group, or loss or suspension of its licence.

MITIGATING MEASURES

- Proactive implementation of the Group's robust compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of the Group's rule books as well as training of all stakeholders to understand regulatory obligations and the consequence of non-compliance
- Adopting a global view and fostering a culture that allows change to occur easily at operational, financial and management levels and minimises the impact on business when regulations change.

RESPONSIBILITY

All members of staff conducting particular transactions or activities to which regulation applies. However, the Board of Directors is ultimately accountable for compliance through the Chief Compliance Officer.

Reputational risk

This is the risk whereby the Group might be exposed to negative publicity due to the contravention of applicable statutory, regulatory and supervisory requirements and/or providing a service that does not comply with fit and proper industry standards.

It is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the ability to maintain existing, or establish new, business relationships and continued access to sources of funding. Reputational risk, typically through the provision of implicit support, may give rise to credit, liquidity, market and legal risk, all of which can have a negative impact on the Group's earnings, liquidity and capital position.

POTENTIAL IMPACTS ON BUSINESS

- Negative publicity
- Loss of revenue
- Litigation
- Loss of customers
- Exit of key employees
- Share price decline
- Difficulty in recruiting talent
- Loss of correspondent banking relationships
- Loss of investor community confidence
- Significant financial loss.

MITIGATING MEASURES

- Maintaining timely and efficient communication among shareholders, customers, the Board of Directors and employees
- Establishing strong enterprise risk management policies and procedures throughout the organisation, including an effective anti-fraud programme
- Reinforcing a risk management culture by creating awareness throughout the organisation
- Responding promptly and accurately to bank regulators, oversight professionals (such as internal and external auditors) and law enforcement agencies
- Establishing a crisis management team in the event of a significant action that may trigger a negative impact on the organisation.

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INSURANCE RISKS

Insurance risk

Insurance risk is the risk of loss due to actual experience being different from that assumed when an insurance product was designed and priced. It generally entails inherent unpredictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events. Insurance risk exists in all our underwriting services and products, including annuities, life, accident, sickness and credit life.

Insurance risk consists of:

- claims risk – the risk that the actual magnitude or frequency of claims will differ from the levels assumed in the pricing or underwriting process. Claims risk includes mortality risk, morbidity risk, longevity risk and catastrophe risk;
- policyholder behaviour risk – the risk that the behaviour of policyholders relating to premium payments, withdrawals, or loans, policy lapses and surrenders and other voluntary terminations will differ from the behaviour assumed in the pricing calculations; and
- expense risk – the risk that actual expenses associated with acquiring and administering policies and claims processing will exceed the expected expenses assumed in pricing calculations.

POTENTIAL IMPACTS ON BUSINESS

- Financial loss due to increasing claim
- Possibly leading to impairment of shareholders' funds.

MITIGATING MEASURES

- A robust product approval process is a key requirement for identifying, assessing and mitigating risks associated with new insurance products or changes to existing products
- This process, combined with guidelines and practices for underwriting and claims management, promotes the effective identification, measurement and management of insurance risk
- Reinsurance, which involves transactions that transfer insurance risk to independent reinsurance companies, is also used to manage our exposure to insurance risk by diversifying risk and limiting claims.

RESPONSIBILITY

Strategic business units, Risk Management and Chief Risk Officer.

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RELATIONSHIPS AND RESPONSIBILITY

INTRODUCTION

As we strive to enhance our vision as the pre-eminent financial services group in Sub-Saharan Africa, FBNHoldings is committed to creating more value for our stakeholders. We attribute the successes at FBNHoldings mainly to the relationships with our stakeholders. Our ability to effectively manage the challenges resulting from the shocks in the global marketplace and the macroeconomic headwinds is due to our responsible approach to putting our stakeholders first. We believe in consistently building and nurturing mutually beneficial relationships, which has enabled us to provide the right products and services for our customers and their families, empower our employees and support the communities in which we live and work.

Employee empowerment, engagement and inclusive workplace

At FBNHoldings, we know that our people are critical to the success of our business. We are therefore committed to ensuring that the skills and talents of our people are properly harnessed to achieve the business goals of the organisation. The Group has a talent management framework that provides guidance on hiring, staff development and training, and matching competencies with job requirements. Added to this framework is the Group's competency framework/catalogue. It indicates the competencies, attitude and behaviour required by every employee at work.

To ensure we sustain a learning and development culture and that staff (irrespective of their location) are adequately equipped to perform optimally on the job, in 2015 we again committed to building staff capacity across the Group based on training needs analysis. To achieve the Group's business goals, our training of staff in the required skills and competencies, included:

- leveraging the skills of FBNBank UK's Structured Trade and Commodity Finance (STCF) desk to organise STCF training for relevant strategic business units – all staff from FBNBank UK were also trained during the programme;
- rolling out an intensive French language training programme aimed at building French language capabilities in staff to enable the Group: operate effectively in Sub-Saharan Africa Francophone countries – a total of 36 targeted Africa Integration Project staff were trained; and
- conducting an advanced International Financial Reporting Standards (IFRS) training programme for around 30 delegates from Financial Control, Internal Audit, Business Performance Monitoring, Treasury, Internal Control, Subsidiaries Finance Coordination, Market and Liquidity Risk, FBN Mortgages and Credit Risk Management departments.

In addition, the Banking Awareness Test, designed to ensure that every employee in the Bank has a balanced and updated knowledge of banking and developments in the environment, was implemented based on a training module. We have so far trained and tested a total of 3,557 staff out of 5,460, or 65.1% of all employees eligible for the test.

We have an organisational culture that encourages an open and clear line of communication between superiors and subordinates in order to foster collaboration and teamwork, as well as exchange of ideas. Implementing this has seen us develop an interactive platform that enables everyone across FBNHoldings to easily access the portal.

Our efforts at engendering diversity in the workplace include having in place a diversity policy that encourages inclusion. The Group's diversity and inclusion objective is to be a recognised industry leader in workforce diversity and leverage diversity for the growth of the Group and the success of the customers and communities we serve. We have a diversity team responsible for ensuring the Bank/Group has a diverse workforce and an inclusive workplace with opportunity for the talents of all employees to create value, deliver a superior customer experience and develop innovative solutions for the markets and the communities we serve.

Promoting financial inclusion: putting our customers' needs first

Our responsible approach to enhancing the quality of life and financial security of our customers and their families has seen us design sustainable products and services tailored to meet their needs and expectations. Inclusive finance is a good example. Through our mobile money platform, Firstmonie®, as well as the employment of the agency banking model, we have provided financial services for the unbanked and under-banked.

Firstmonie boasts of around one million subscribers who are non-bank account holders. This represents an 87% growth over 2014. In addition, we currently have about 15,000 agents spread all over the country to offer these financial services to our customers in their local environment.

We recognise that we have a diversified customer base and thus ensure that they have access to their accounts 24/7 by providing a wide variety of digital banking options. We have the largest ATM network in the country. The Bank closed with 2,749 ATMs and processed a total of 131.7 million transactions, representing 31% of the total industry transaction volume as at December 2015.

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We have a responsibility to always put the customer first. To help us achieve this, we listen continually to what customers tell us, from holding Voice of the Customer (VoC) meetings (which involves dedicated one-on-one customer engagement sessions) to conducting special surveys aimed at obtaining customer feedback on our service delivery. While the survey findings in 2015 revealed areas to be improved upon, such as issue resolution, our performance regarding relationship-building with our customers across most segments is strong. Under the External Customer Satisfaction Survey (ECSS), a total of 2,832 corporate and retail customers were interviewed. As at December 2015, the customer satisfaction rating for our complaints handling process stood at 83%.

Supporting our communities

Supporting the communities in which we live and work is our key corporate responsibility and sustainability (CR&S) strategic pillar. We understand that the survival of these communities underpins our sustainability. Therefore, to help drive long-lasting impact, we have adopted the citizenship approach (an aspect of CR&S) that entails considering our stakeholders' needs while making business decisions. Under community support, we focus on education, economic empowerment, and health and welfare. Our key programmes within these platforms are Hope Rising, FutureFirst, FirstBank Endowment, Employee Giving and Volunteering, Youth Leadership and Development, and the FirstBank Conservation Initiative.

Our corporate responsibility and sustainability approach

Corporate responsibility and sustainability (CR&S) involves meeting the needs of our current stakeholders without compromising the ability of our future stakeholders to meet their needs and aspirations. It goes beyond financing economic activity in a responsible way to ensuring an inclusive, positive impact on our communities. It is about creating long-term stakeholder value by adopting the opportunities and managing the associated environmental, social and governance risks.

CR&S is not bolted on to our corporate strategy. It is embedded in our business strategy and our daily operations.

Our CR&S approach is three-pronged: citizenship, stakeholder management and impact management. Citizenship and stakeholder management involve considering the needs of stakeholders when making decisions, while impact management is about minimising our negative impacts and increasing our positive impacts on society.

The CR&S approach is contained in the Group's corporate responsibility policy. The policy clearly outlines our commitments and approach to corporate responsibility, as well as the Group's CR&S governance framework. The policy's scope and respective guidelines apply to operations and activities throughout the Group, including the subsidiaries in all locations, stakeholders and associated partners representing the Group.

The sustainability strategy is designed to deliver value in a structured way along four key areas: driving sustainable finance and investments; empowering people; supporting our communities; and contributing to environmental sustainability.

DRIVING SUSTAINABLE FINANCE AND INVESTMENTS

Our customers remain a vital element of our business. We constantly seek ways of providing products and services to meet their needs while ensuring that we manage our environmental, social and governance impacts in the process, thus contributing to overall sustainable growth and development.

EMPOWERING PEOPLE

We are committed to growing our people by providing opportunities and a supportive environment and culture for personal development.

83%

AS AT DECEMBER 2015, OUR CUSTOMER SATISFACTION RATING FOR OUR COMPLAINTS HANDLING PROCESS STOOD AT 83%.

SUPPORTING OUR COMMUNITIES

We invest our time and resources as part of our responsibilities to enrich the communities in which we work and live.

CONTRIBUTING TO ENVIRONMENTAL SUSTAINABILITY

We are committed to avoiding or minimising environmental impacts beyond our responsible lending efforts.

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OUR CUSTOMER FOCUS

2015 IN RETROSPECT

In 2015, service stakeholders collectively designed our service strategy document highlighting the areas requiring urgent attention. This document was articulated using a segment-based approach to ensure that the specific needs of each customer segment were clearly identified and addressed. Following the articulation of the service focus areas, concerted effort was targeted at ensuring improvements in all identified areas with specific focus on the following:

- ensuring the security, stability and availability of our alternative platforms;
- effective migration of the crowd/queues out of our banking halls;
- institutionalising a best-in-class complaints/issue management framework;
- improving staff attitude; and
- improving knowledge levels regarding the Bank's products/services as well as the dynamics of the customers' business/industry.

Additional details about each of the service priority areas are given below:

Ensuring the security, stability and availability of our alternative platforms

As part of concerted efforts targeted at ensuring the security, stability and availability of our alternative platforms, the following actions were undertaken in 2015:

- deployment of a new corporate online banking solution to meet the specific needs of our corporate customers;
- revamp of the retail online banking platform with the inclusion of additional value-added services, namely the beneficiary management functionality that allows users to save beneficiary accounts' details during each transfer. Other value-added services on the platform include cheque and card management functionalities;
- commencement of the operations of the Security Operating Centre (SOC) under the Internal Control Anti-Fraud Automated System (ICAFAS) in February, for enhanced safety of funds and fraud prevention. This initiative has resulted in a dip in the value and volume of fraudulent transactions recorded;
- initiation of the HP Business Service Manager (BSM) project to assist with end-to-end monitoring of the performance of our alternative channels. With this project, we will be adopting a proactive approach in managing systems downtime; and
- establishment of the PoS Taskforce to manage the issues affecting our point of sale (POS) business. Feedback garnered from industry reports has shown significant improvements in our point of sale (POS) performance. In January 2015, the Bank ranked 10th within the industry, with a transaction volume and value of 101,259 and ₦1,167,880,533 respectively. However, by December, the Bank ranked fifth within the industry, with a transaction volume and customer value of 365,580 and ₦4,155,302,014 respectively.

Effective migration of crowd/queues out of our locations

In keeping with our aspiration to transform our branches into sales and service centres, stakeholders remained focused on achieving a seamless migration of customers to our alternative channels by adopting the following strategies:

- deployment of additional FirstExpress terminals to assist with providing a fast-track, self-service channel for in-branch cash deposits and withdrawal;
- deployment of 332 cash-drop boxes to branches with high traffic to speedily cater to the needs of customers depositing amounts below ₦40,000;
- introduction of the beneficiary management services on the FirstOnline platform (FPL+);
- introduction of abridged account opening packages to reduce the time spent on completing the forms without compromising on regulatory requirements;
- deployment of the new custody software for improved convenience and customer satisfaction;
- extensive review of services provided at the Customer Services Units, resulting in the discontinuation of the provision of some services such as balance enquiry and account number validation;
- roll-out of the CPC Beta Serve project to assist with streamlining the operations at our locations, thereby reducing the turnaround time for some critical services including account opening and loan approval processing;
- introduction of the SMS banking option as a self-service channel for obtaining account balances as well as a mini or full statement of accounts by texting the word 'HELP' to 0807 666 4444; and
- introduction of the short code *894*00# for use by Firstmonie subscribers for balance enquiry purposes.

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Institutionalising a best-in-class complaints/issue management framework

At the beginning of the year, our focus was on harnessing the gains of the enterprise-wide deployment of the Microsoft Dynamics™ Customer Relationship Management (CRM) application for collating, tracking, reporting and notifying customers of the status of complaints made to the Group. To fully optimise this deployment, it was critical to undertake a holistic review of our complaints management framework. This was done in conjunction with consultants from Ernst & Young, with a core deliverable of reviewing every aspect of our complaints resolution process and identifying impediments to customer satisfaction. The knowledge gained from this review formed the basis for the development of the Bank's Complaints Handling Policy, Complaints Handling Manual and Target Operating Model.

In the second quarter of 2015, we made the Complaints Handling Policy accessible to all customers through the Bank's website. This was done to ensure that customers are well informed of their rights in the complaints handling process, expectations from the process and escalation points in instances where they are unsatisfied with the resolutions provided to their complaints.

While it is important for us to continually seek ways to improve our processes internally, the impact of the improvement initiatives can only be determined from the customers' perspective. Therefore, in April we commenced a monthly complaints survey to gauge customers' satisfaction levels and gain key improvement insights from responses provided by customers. As at December, the customer satisfaction rating with our complaints handling process stood at 83%.

To ensure the adoption of a best-in-class complaints handling process even as the Group continues to expand its operations to other parts of Africa, we invited auditors from the British Standards Institute (BSI) to audit our complaints handling process in March and August. As a testament to the improvements achieved in our complaints handling process, in October the Bank was awarded the ISO 10002:2004 certification in complaints handling and customer satisfaction, a first for any financial institution in Nigeria. This certification confirms there are management controls and processes in place that handle customer complaints effectively and efficiently, making sure that customers are satisfied with the service we provide.

A breakdown of our complaints-handling figures for 2015 compared to the previous year, as well as the financial implications for the Bank, is shown below:

Customer complaints received in 2015

Serial no	Description	Number		Amount claimed (₦)		Amount refunded (₦)	
		2015	2014	2015	2014	2015	2014
1	Pending complaints brought forward	**9,527**	670	**434,293,529.73**	5,295,753,038.34	**43,221,238.65**	123,561,481.28
2	Received complaints	**270,028**	77,185	**63,401,953,964.70**	18,222,117,149.71	**3,930,348,674.43**	1,270,519,125.13
3	Resolved complaints	**270,529**	68,328	**63,484,100,612.27**	21,101,788,635.74	**3,930,348,674.43**	1,270,519,125.13
4	Unresolved complaints escalated to CBN for intervention	**0**	0	**0**	0	**0**	0
5	Unresolved complaints pending with the Bank carried forward	**9,026**	9,527	**352,146,882.16**	2,416,081,552.31	**0**	0

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Improving knowledge levels regarding the Bank's products/services as well as the dynamics of the customers' business/industry

To address the issues faced with poor knowledge levels, critical elements of the approved product knowledge framework aimed at ensuring the required capacity development for all staff were rolled out during the course of the year. Some of the key elements were:

- the roll-out of the Product Ambassador initiative, with a total of 187 staff trained in Lagos, Enugu and Kano to serve as Product Ambassadors;
- deployment of the product search engine to assist with easy retrieval of product information;
- the roll-out of the product e-brochure platform as learning support for staff; and
- commencement of the quarterly industry awareness (product knowledge) test to ensure that staff remain abreast of industry developments.

CUSTOMER ENGAGEMENT

In line with the Bank's strategic focus on ensuring that customers are provided with an opportunity to give feedback regarding the Bank's products and services, we undertook the following platforms:

- A total of five customer engagement sessions (Voice of the Customer) held in different locations, namely Lagos, Ibadan, Benin, Calabar and Owerri. Feedback received from these engagements sessions, which were attended by affluent retail customers, have been shared with relevant service enablers/business units to assist with designing service improvement plans.
- To ensure that we have a deeper understanding of our corporate customers' expectations as well as pain points, focused visits were made to some of our corporate customers.
- For internal customers, a total of four Voice of the Employee sessions held in Lagos, Ibadan, Abuja and Enugu to assist with understanding the issues faced by staff in delivering excellent service to customers and collectively proffer solutions to address the issues.

MD/CEO First Bank of Nigeria Ltd and its Subsidiaries at the Voice of the Customer (VoC) session held in Ibadan


GMD, FBNHoldings UK Eke MFR with customers at the VoC session held in Enugu

GMD, FBNHoldings UK Eke MFR with affluent retail customers in Owerri

Regional Head, Retail Banking (Lagos & West) Tunde Owolabi with retail affluent customers at the Lagos VoC event

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SYNERGISING FOR EXCELLENCE

The most valuable resource for any organisation is its people – the employees who interface directly or indirectly with the customers. With this knowledge well rooted across the Group, and with a strong desire to keep the employees motivated, the service rewards and recognition scheme was retained and further expanded in 2015. The rewards scheme is targeted at recognising groups and individuals who advance the Group's service goals and aspirations. Further, as support for staff, a Service Excellence handbook was developed to provide hands-on, quick reference tips for handling difficult situations and achieving service delivery excellence.

To ensure that service issues capable of hindering the achievement of service excellence are brought to the fore, Voice of the Employee sessions were held periodically across the regions with visible Executive Management participation. These served as an avenue for stakeholders to collectively address highlighted service pain points and agree improvement plans. Also, the Service Excellence learning curriculum was rolled out as a customised service training programme for staff, depending on the specific role they play in the service delivery excellence chain. In addition, the Service Excellence video, which covers service expectations across all touch points, was developed as part of the visual learning aids employed by FirstAcademy in deploying the Service Excellence learning curriculum Group-wide.

To ensure that staff embrace the zero tolerance policy on service failures, and to guarantee a balance between rewards for exceptional service performance and the application of sanctions for service infractions, the SMC was created to manage any service infractions identified within the Service Management Committee (SMC) Group.

MEASURING OUR SERVICE PERFORMANCE

The Group, through its subsidiaries, continuously monitors customers' satisfaction levels with the quality of service delivery and product offerings. In 2015, over 3,000 corporate and retail customers were interviewed and feedback from the survey indicated that the relationship between FirstBank and its customers is strong across the various segments. Mystery shopping visits were also made to all the branches on a quarterly basis to ensure that we walk in the customers' shoes and identify all bottlenecks in the customers' journey. Spot checks were conducted across the branches to ensure adherence to set service standards and provide on-the-spot resolution for some of the observed service gaps.

PROVIDING FAST, EFFICIENT AND SECURE SERVICES TO OUR CUSTOMERS

We realise that customers are more discerning, desiring faster, more efficient and secure means of transacting their business. Therefore, we are focused on providing safe and secure alternative means of banking with robust self-service options targeted at fast-tracking our movement away from the traditional 'bricks and mortar' banking systems. With our customer migration drive, we introduced the SMS banking service to that ensure that customers can access their mini or full account statements without visiting the branches. Also, with over 2,700 ATMs deployed across the country, concerted effort was made to ensure that the machines are available to customers 24 hours a day, seven days a week. To ensure the time spent by customers in our banking halls is further reduced, we launched the FirstXpress solution, a product designed to allow customers complete cash payments, cash withdrawals and fund transfers (intrabank) without filling out forms. With this solution, transaction details are inputted on a machine (PIN pad) at the teller point by the customer using their Verve or Naira MasterCard. The product's differentiating factor is the ability to consummate transactions without going through a third-party switching system. Key benefits to the customers include faster turnaround time, enhanced efficiency, increased flexibility and improved system availability and reliability.

We also ensured sustained improvement in the availability of Finacle 10 (our core banking application) at the branches. The observed improvements were the result of taking a number of proactive steps, which have also helped to improve the availability of our ATM/PoS channels as these are connected to the Finacle platform.

Some of the initiatives adopted include the following:

- introduction of additional monitoring tools and dedicated personnel to proactively monitor the performance of Finacle 10 services at all times;
- regular performance tuning of Finacle 10 servers with the support of our technical partners;
- implementation of additional infrastructure capacity to sustain the transaction growth rate; and
- process improvement and management efforts between the IT teams and the rest of the business, which helped to improve the ATM uptime to 96% in 2015.

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Specifically, FBN Mortgages introduced the Home Back Home Product Suite (HBHPS) for Nigerians living in diaspora. The HBHPS is a range of products that allows large numbers of Nigerians in diaspora to invest in building or buying properties in Nigeria, either for dwelling purposes whenever they visit the country or for longer-term value investment, and to also have access to mortgage loans. A number of other tailor-made, mortgage-inclined savings accounts were also developed to improve the Group's mortgage business campaign, namely: Home Ownership Mortgage Account (HOMA), Mortgage Flexi Savings Account (MOFLESSA), Mortgage Plan Savings Account (MPSA) and Children's Savings Account (CSA).

As a Group with a growing, dynamic customer base, we continually seek to improve our complaints handling process. In 2016, we plan to extend our Customer Relationship Management (CRM) functionality to customers, empowering them with the ability to log, track and escalate complaints via a 24/7 online complaints management portal.

To improve our turnaround time on complaints resolution, we will deploy the dispute resolution module of our Business Process Management Suite and integrate it with our CRM application to ensure a faster resolution of electronic channel-related complaints and increase visibility of key customer complaint types. This visibility will facilitate a seamless root-cause analysis, thereby reducing the volume of complaints.

While we retain our focus on ensuring our complaints handling process is best in class, in 2016 we will also focus on improving the quality of resolutions we provide when customers make complaints. To ensure this process is also best in class we will be working with the British Standards Institute to obtain the ISO 9001:2015 accreditation, a quality management certification that will ensure we are consistent and customer focused.

OUR 2016 SERVICE FOCUS

Following feedback received from varied sources, including the external customer satisfaction surveys, customer engagement sessions and customer-focused visits, the 2016 service focus areas have been articulated and ratified by the Service Steering Committee. Consequently, there will be systematic focus on the following broad areas:

- reducing the number of failed transactions on our alternative channels;
- improving the quality of staff interaction with customers and overall service attitude;
- improving the stability and availability of our Electronic Payment Systems (EPS);
- improving our complaints handling process by entrenching a standard complaints handling framework while also leveraging on the recently deployed FirstCustomer CRM solution and ensuring adherence to the laid-down complaints handling standards;
- improving employees' knowledge levels of our customers' industries and business, as well as the Group's products and services; and
- reducing wait time and queues at the branches.

96%

ADDITIONAL COLLABORATIVE PROCESS IMPROVEMENT AND MANAGEMENT EFFORTS...HELPED TO IMPROVE THE ATM UPTIME TO 96% IN 2015.

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INNOVATING TO SUPPORT OUR CUSTOMERS

SIMPLIFYING BANKING THROUGH DIGITISATION

As a group that always puts customers first, we continue to focus on 24/7 self-service banking. We encourage our customers to embrace our various electronic platforms for convenient banking at their fingertips. They are increasingly doing so, with a large rise in online banking transactions and the successful take-up of our new mobile banking app.

FIRSTMOBILE

In line with the global trend of digital banking, we launched a new mobile banking app designed to enhance our customers' banking experience. The app enables any FirstBank card holder to download, set up and instantly begin to enjoy a wide range of banking services on the go. This eliminates the need to visit the branch, thereby offering convenience without compromising our tight security controls. Since its launch in September 2015, the app has been downloaded by 70,970 customers, who have used it to carry out 241,407 transactions worth a total of over ₦19.6 billion. Our existing internet banking platform, FirstOnline, has also grown significantly, from 3.8 million transactions in 2014 to 6.1 million transactions in 2015, a 61% increase.

FIRST TOKEN

Committed to finding innovative ways of serving our customers, we have also developed a 'soft token' mobile application – First Token. First Token is an app that can be used to replace physical security tokens. The app has the same functionality as a physical token, but offers mobility via customers' mobile phones. Like its physical counterpart, the soft token can be used for both online (FirstOnline) and mobile (FirstMobile) banking transactions. Developing the token in both hard and soft formats reinforces our commitment to putting our customers first by offering convenience alongside security.

The combination of these digital products – our all new FirstMobile app and our First Token app – is designed to offer more secure and convenient 24/7 banking services to our esteemed customers.

USSD BANKING

In the same vein, frequently used services such as mobile airtime recharge and requests for bank account balances were introduced to USSD banking. This one-step process enables customers to perform these transactions instantly on their mobile phones without the need for internet access.

Offering convenient payment processes

In a bid to achieve a balance of tight security as well as convenience, we simplified authentication of our web-based MasterCard transactions. This simplified process requires the use of a one-time pin (OTP) for performing MasterCard web transactions, thereby eliminating the cumbersome process of registering, creating and memorising a specific password.

Also in the financial year, FirstBank introduced the MasterCard Integrated Gateway Service (MIGS), which offers online payment services to customers and allows the Bank to accept and process payments with international cards (whether issued internationally or locally). This enables customers to accept payments internationally, thereby expanding their reach. Since we began full operations in April 2015, we have processed about USD1.4 million in 3,578 transactions and ₦1.4 billion in 41,632 transactions on the MIGS platform.

We also developed customised point of sale (POS) solutions for specific businesses/organisations from churches to fuel stations. These solutions offer a range of functions, including collecting tithes and offerings, and aggregating loyalty points, which help simplify the reconciliation process for our customers' businesses. During the year, we processed 2.6 million transactions worth about ₦30 billion.

Strengthening our ATM service

To improve our ATM service further, and ensure customer satisfaction, a total of 152 ATM terminals were deployed in the course of the year, 5.9% more than in 2014. As the Bank with the largest ATM network in Nigeria (16% of the total), we continue to employ effective monitoring tools to ensure service availability on our ATMs, both for our customers and for those who bank elsewhere.

In 2015, our ATMs dispensed a total of ₦2.1 trillion, of which ₦1.6 trillion was dispensed to our customers in a total of 131.7 million transactions. FirstBank remains the leader in ATM service, processing 31% of the total industry transaction volume as at December 2015.

Giving our diverse customers the power to choose

In recognition of the rich diversity of our customer base, we constantly provide our customers with the choice of service channel and card best suited to their lifestyle. This is reflected in our array of cards, which cater for the needs of everyone from the average account holder who requires minimum banking services to top executives of multinational corporations who require more sophisticated services as well as benefits.

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Our debit card gives customers 24/7 access to their bank account anywhere in the world. Our credit card (Naira Credit Card) offers a line of credit for the rainy day (with an interest-free period), while our prepaid cards (local or international) provide all the benefits of the debit card without direct access to an actual bank account – giving the customer an added layer of protection. In 2015, FirstBank's total debit card base grew by 24% to 8.4 million cards from 6.8 million in 2014, while our credit card base grew by 63%.

Promoting financial inclusion

We continue to extend our reach in offering financial services to individuals in remote parts of the country through our mobile money solution. Throughout 2015, working with partners such as USAID, the Cherie Blair Foundation for Women and Catholic Relief Services, we disbursed funds to previously unbanked customers through the Conditional Cash Transfer scheme.

87%

OUR MOBILE MONEY PLATFORM – FIRSTMONIE – BOASTS OF ABOUT ONE MILLION SUBSCRIBERS WHO ARE NON-BANK ACCOUNT HOLDERS. THIS REPRESENTS AN 87% GROWTH COMPARED WITH 2014.

Through our agency banking model, we are constantly recruiting, supporting, managing and empowering women and men as agents to create financial service hubs for the unbanked and under-banked, especially in the hinterlands where formal financial services are lacking. Without doubt, this scheme has financially empowered these Firstmonie agents and created an enriched access to basic financial services for rural dwellers. Firstmonie agents now act as our 'local financial shops' in these locations, and we currently have about 15,000 agents spread across the country.

Looking forward

In the coming year, we remain committed to putting our customers first through excellent service delivery that will result from an increased focus on operational efficiency and by listening to, and acting on, the voice of our customers.

We are always trying to find innovative solutions for customers via our electronic platforms and thereby making payments faster, simpler and more intuitive. We will continue to focus on deepening the usage of existing products through incentives and strategic partnerships for the convenience of our customers.

We will also continue to drive the change in our customers' behaviour, from using their payment cards (debit, credit or prepaid) only for cash withdrawals at ATMs to performing non-cash transactions via the POS as well as onine.

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OUR SOCIAL ROLE

FBNHoldings is committed to encouraging and supporting the Central Bank of Nigeria's (CBN) financial inclusiveness drive. In pursuit of this goal, the Bank designed and launched in the year under review an innovative service offering, a third-party cheque clearing service for microfinance bank (MFB) customers. This is a bespoke product, offering the Bank a seamless and profitable third-party service relationship with MFBs. Since its launch, this service offering has been extended to other customers of primary mortgage institutions (PMIs), discount houses, investment banks and other finance institutions.

Stimulating growth of small and medium enterprises

Globally, small and medium enterprises (SMEs) constitute a reliable tool for empowering the citizens and driving economic growth. Significantly, they occupy an important and strategic place in economic development and represent the driving force for large number of innovations to the growth of any country's economy through employment creation, investment and exports.

During the year under review, the group continued to provide financial support through a structured mechanism to SMEs across multiple sectors of the economy, despite the difficult operating environment. Specifically, we founded the SME segment credit lines in excess of ₦70 billion around key sectors of cement distributorships, telecoms infrastructure and partnership, fast-moving consumer goods (FMCGs) value chains, oil and gas, and general commerce.

Benefits to the SME include:

- Increase in volume of business due to availability of funds to the SME.
- Better cash flow, which has improved the SME's credit rating/profiling.
- Opportunity to grow turnover beyond normal projections.

In the Bank's strategic effort to drive commerce and domestic trading activities, we redesigned FirstTraders' Solution – a special overdraft product variant that offers short-term overdraft facilities to market traders holding accounts with the Bank, based on cash flow. The product's enabling features offered opportunities to market traders to grow volumes and turnover through increased working capital by taking advantage of volume discounts on higher sales volumes. This invariably translated into higher growth and profitability. The Bank also sustained a strategic alignment with government sector-oriented policies and product development initiatives to drive growth in the SME segment, a priority sector for the Nigerian economy. This strategy contributed to the Bank's success in receiving the SME Bank of the Year Award 2015 from SERA (Social Enterprise Report & Awards).

Enhancing local content development in the oil and gas sector

The oil and gas sector is one of the growth potential areas of the Nigerian economy. The Federal Government invests well over USD10 billion annually in servicing the oil and gas industry, but lamentably, its contribution to GDP growth has been minimal. It is in recognition of this deficiency that the Government introduced the Oil and Gas Local Content Policy in the year 2000. In early 2010, an enabling legislation on the policy was signed with a view to strengthening the technological capacity of indigenous firms in the oil and gas industry.

Regrettably, the oil industry, with its history of booms and busts, is currently in its deepest downturn since the 1990s.

Despite this setback in the sector, the group in 2015 remained resolute and committed to building capacity in the oil and gas sector, particularly to indigenous contractors/vendors in line with local content policy.

In upholding its commitment to the growth and development of this critical sector, the bank has signed Memoranda of Understanding (MoU) with strategic institutions in the Nigeria SME oil and gas value chain:

- MoU signed with the Shell Petroleum Development Company (SPDC), to create a USD1 billion fund to ease access to loans by locals contractors and place them at the frontline for service delivery to the oil and gas industry, and to actualise the Nigeria content target.
- USD200 million MoU under Nigerian Liquefied Natural Gas Company (NLNG) Finance Scheme for local contractors. The scheme is designed to enable registered NLNG contractors to approach the Banks and apply for loans by presenting a work order, purchase order or contract document from the NLNG.

However, in the wake of the dwindling crude oil prices, the group had been prudent in managing its risk appetite to this sector.

The Local Content Policy has delivered tremendous dividends to the Nigerian socioeconomic development efforts in the areas of:

- **Employment generation:** many people are being employed within the community to provide jobs and services.
- **Skills and technology transfer:** part of the benefits will be in the area of knowledge/skills transfer from the expatriates to our indigenous players to build competencies and capacity.
- **Improved standard of living:** by inference, once there is job creation, pipeline vandalism and joblessness will reduce, which will impact on security and assist to improve people's standard of living.
- **Enhanced GDP growth:** improving economic activities of the local vendors will enhance productivity and increase our gross domestic production.

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Creating a happier society through convenience in money transfer

FirstBank maintained its leadership in the remittance market, with over 40% of the market share and an increase in direct transfer into customers' accounts with FirstBank and the third party accounts in other banks through FirstBank. In a bid to offer more convenience with minimal constraints for Nigerians to receive funds directly into their accounts with FirstBank, we launched an Account Based Money Transfer (ABMT) service through Western Union in 2015. Through this service, customers resident in Nigeria can receive funds directly into their accounts either through ATMs or FirstOnline (our internet banking platform) from the Quickteller platform. The speed of delivery and the safety and security of the platform have given customers the added comfort in making remittances through this medium and further boosting the cashless policy.

In 2016, our resolve to always put our customers FIRST will be further expressed with the launch of mobile money transfer.

Making savings fun for young people

Our series of youth engagement programmes – KidsFirst, MeFirst and XploreFirst – were redesigned to foster financial inclusion, inculcate money management skills and encourage a savings habit among the young population. Roadshow activities, campus storms and youth engagement programmes organised by the Bank have resulted in increased financial literacy and inclusion of the youth segment of the population. More young people now understand how to earn, save and invest money right from the cradle and all through their life-time experience with the FirstBank youth products designed with them in mind.

2016 in view: Deepening customer experience

In 2016, our resolve to always put our customers FIRST will see the Bank launch mobile money transfer, which covers our international money transfer services. This will be further integrated with the West African subsidiaries to leverage on the group's current expansion drive. Our customers will find it easier to share their love with friends and family; which in a way helps to create a happier society. We also intend to form strategic partnerships with other money transfer operators, especially in regions where our current agents are weak.

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INVESTING IN OUR PEOPLE

INTRODUCTION

Following the adoption of a holding company structure, FBNHoldings has launched a series of transformation initiatives aimed at consolidating the Group's position as the foremost financial services group in Sub-Saharan Africa, providing value to our customers and distinctive returns to our shareholders.

As a Group, we believe that achieving this objective is predominantly dependent on our people and the value they bring. This is why the Group Human Resources (HR) function works tirelessly to ensure that the skills and talents of our people are properly harnessed to deliver the expected results.

In line with this, we have a commitment to improving our HR practices across the Group and to be true to our aspiration of being 'the hub for industry talent'.

All HR issues within the Group are overseen by the HR Operating Committee (HROC). HROC has embarked on a number of initiatives and interventions aimed at enabling the Group to achieve its strategic aspiration.

Talent management

FirstBank group has a functional Talent Management Framework, which guides how we attract, develop and retain people with the right skills and competencies to meet the strategic objectives of the business. Having such a framework has benefits both for our employees and for the Group. For employees, it provides clear understanding of available development and career management options, and creates an opportunity to broaden skill sets via various cross-functional career management initiatives. For the Group, the framework offers an effective staff management structure and helps build a high-performance work environment to support the business's strategic objectives.

The talent management framework includes opportunities for staff secondments and cross-postings. To support this, we ensure that our employees are properly profiled and adequately equipped through relevant developmental initiatives to be successful wherever they are assigned. This is possible because we have been able to effectively integrate relevant aspects of our global people management practices into the talent management framework.

Overall, in 2015 a total of 51 employees were involved in different secondment and cross-posting assignments across selected representative offices and foreign locations within the Group.

Similarly, and in line with our talent management framework, we also designed the competency framework/catalogue for FBN Holdings Plc. The competency catalogue reflects the competencies required by all employees, from both functional and behavioural perspectives. The catalogue will drive HR activities, including performance management, learning and development, recruitment and career management.

Staff capacity building

One of the major focus areas of the Group's HR strategy is to build and develop employee capacity to help drive the achievement of the Group's aspirations.

As the Group continues to drive expansion into more foreign locations, we understand the role our people play in ensuring that success is achieved. Equally, however, we need to ensure that they have the right set of skills and competencies to do so – hence the emphasis on the implementation of capacity-building initiatives. In line with this, the following were implemented in 2015:

- Leveraged skills of FBNBank UK's Structured Trade & Commodity Finance (STCF) desk to organise STCF training for relevant strategic business units. All staff from FBN UK were also trained during the programme.
- Rolled out an intensive French-language training programme aimed at building employees' language capabilities to enable the Group to operate effectively in the Sub-Saharan Africa Francophone countries. In total, 36 staff from the Africa Integration Project were trained.
- Conducted an Advanced International Financial Reporting Standards (IFRS) training programme for around 30 delegates from the following departments: Financial Control, Internal Audit, Business Performance Monitoring, Treasury, Internal Control, Subsidiaries Finance Coordination, Market and Liquidity Risk, FBN Mortgages and Credit Risk Management.

...we have a commitment to improving our HR practices across the Group and to be true to our aspiration of being 'the hub for industry talent'.

To sustain a learning and development culture, while ensuring that staff (irrespective of their location) are adequately equipped to perform optimally on the job, we carried out training needs analyses for staff on assignments across our representative offices and foreign subsidiaries.

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Performance management

We have developed a robust performance management system that encourages the right behaviours, serves as a developmental tool and aligns individual performance with corporate performance. Our intention, in this regard, is to continuously improve on the existing performance management system so that we can drive talent management across the Group. The following performance management initiatives were implemented in 2015:

- Concluded the review of the performance scorecard for staff on secondment in order to reflect their current job accountabilities.
- Full integration of individual employee scorecards into the performance appraisal module. This level of automation has totally eliminated incidences of manipulation or errors.
- Separated the Behavioural Competency Assessment from the periodic Performance Appraisal exercise. This has allowed the Bank to identify each employee's developmental needs and address them with the relevant training interventions.

We pride ourselves in being an equal opportunity employer and have integrated diversity and inclusion policies and awareness into our practices.

Employee engagement

It is important for us to foster a 'one people' brand and cultural identity across the Group; an environment that encourages collaboration, innovation and synergy. We believe that these are also essential drivers of employee engagement.

In order to encourage collaboration and the exchange of ideas, which ultimately leads to an engaged workforce, we developed and implemented the HR Collaborative Portal. This interactive platform can be accessed across the Group. One of the immense benefits of this portal as mentioned above is that it enables collaboration and interaction. It also serves as a channel through which employees share ideas and knowledge that will enable them work even better.

Change Agents initiative: In 2015, change agents were revalidated with a view to selecting individuals who will serve as navigators and tools for driving change, development and appropriate behaviours across the Group. The change agents held several team engagement meetings during the course of the year, and actively partnered and helped drive engagement for our People First initiatives, including the HCMD 'Let's Connect' initiative and the Workers' Day competition, both of which were a huge success.

FirstBank Awareness Test: The need was identified to ensure that every employee in the Bank has a balanced and updated knowledge of banking and developments in the field. To this end, the FirstBank Awareness Test was launched. The test is a periodic assessment designed to check employees' level of knowledge in specific banking competency areas such as:

- Nigerian economy and macroeconomic environment;
- general market place and customers' industries;
- delete products and services; and
- recent banking industry regulations and basic banking operations.

We believe that this will further drive employee engagement because it is also a training platform to keep our staff updated.

To date we have trained and tested a total of 3,557 employees out of 5,460, representing 65.1%.

Culture programme: In 2015, we initiated a Culture programme. This initiative was geared towards facilitating the instilling of the Bank's culture and core values into staff, and helping to reinforce positive attitudes and behaviours.

Promoting and enabling diversity and inclusion

We pride ourselves in being an equal opportunity employer and have integrated diversity and inclusion policies and awareness into our practices. The following are highlights of some of the areas where we have incorporated this:

- We have a diversity team responsible for ensuring the Group has a diverse workforce and is an inclusive workplace, with opportunity for all employees to create value, deliver a superior client experience and develop innovative solutions for the markets and the communities we serve. In the team, we have a visually impaired employee as one of our Diversity Champions (key driver of diversity initiatives). We have also set aside a Diversity & Inclusion Day to create awareness and ensure an inclusive workplace/work culture.
- Diversity and inclusion are embedded in the recruitment selection process without prejudicing the meritocracy that needs to be entrenched in the system.
- We have created a working environment in which different generations will thrive. We have also reviewed our gender policies and demographics.
- We have a male:female ratio of 61:39 across the workforce. This aligns very closely with the CBN male:female requirement of 60:40.

The Group's diversity and inclusion objectives are to be a recognised industry leader in workforce diversity and to leverage diversity for the growth of the Group and the success of the customers and communities we serve.

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Health, safety and wellbeing

FirstBank operates one of the best medical schemes in the industry. To ensure we maintained the high standards already set, in 2015 a Bank-wide inspection/review of approved hospitals was embarked upon with a view to retaining/appointing facilities with high-quality services. The following were also carried out in 2015:

- We continued our periodic health screening exercises, one of which was conducted on World Health Day. The aim was to pick up undiagnosed cases of chronic diseases and preventive illnesses and treat them promptly.
- Conducted cancer screenings specifically for female employees.
- Recreational clubs and activities such as aerobics continued to take place in the Bank.
- Regular health newsletter distributed to all staff.

Conclusion

The Group HR focus in 2016 will further reinforce the need to be more efficient and creative. The intention will be to 'do more with less'. We believe that this is particularly necessary in the wake of the current and projected economic conditions. Other ambitious priorities in 2016 will include:

- drive talent management and capacity building;
- improve staff attitudes;
- increase the use of technology to drive training;
- deploy more employee-engagement initiatives;
- enhance a culture that aligns performance and rewards;
- cultivate a 'one people' brand and culture identity across the group; and
- build collaboration and synergy among teams and business units.

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SUPPORTING OUR COMMUNITIES

FBNHoldings has remained committed to the community in which it operates.

Our involvement with our various stakeholders is not just about profit generation; it is also the realisation that often our most effective currency is the skills and opportunities we can share with them. We have aptly expressed this and combined it with our mantra of 'People, Passion and Partnership' in our brand promise – 'You First'. This assurance signals our resolve to constantly build broader, deeper and more enduring symbiotic relationships to deliver long-term value for our shareholders through putting our stakeholders' needs first.

We realise that strengthening the communities we serve is fundamental to the future of our business. With over 9,680 employees, and an international presence through our subsidiaries our economic, human, physical and social resources give us enormous reach to make a significant impact on people and communities around the world and to contribute effectively towards more sustainable growth.

Our commitment to our host communities forms a greater core of our corporate responsibility and sustainability efforts, which we have structured around four key priorities – Education, Health and Welfare, Economic empowerment and the Environment – to deliver long-lasting impact. These are further subdivided into the following programmes: Educational Endowment, FutureFirst, Youth Leadership, Infrastructure Development, Employee Engagement and Volunteering, and Hope Rising.

Educational endowment programme

EMPOWERING YOUTHS AND STAKEHOLDERS THROUGH EDUCATION

The FirstBank endowment programme was initiated in 1994 with the establishment of the Samuel Asabia Endowment in Business Ethics at the University of Lagos. The Bank has endowed 16 Federal universities, some of which have been converted into infrastructure projects, including the University of Abuja Entrepreneurial Centre, the ICT Park at the Ahmadu Bello University Zaria, and the Lecture Theatre at the Federal University of Technology Minna. Currently, the Bank's total endowment portfolio is approximately ₦450 million.

In 2015, FirstBank engaged the services of its sister company, FBN Capital, to manage the endowments' investment portfolios to ensure maximum yield for each investment in order to promote research and learning in the universities. To date, FBN Capital has begun managing three such endowment portfolios, at the University of Lagos, the Federal University of Technology Akure (FUTA), and the University of Uyo.

The Samuel Asabia Endowment of the University of Lagos enables groundbreaking research activities to be carried out, while the FirstBank Professorial Chair at FUTA has resulted in the publication of numerous award-winning research papers.

Capacity Building and Women Empowerment: Participants at the Sustainability workshop for Women in SMEs

THE FIRSTBANK SUSTAINABILITY CENTRE

In 2013, the Bank partnered with the Lagos Business School Pan-Atlantic University to establish the FirstBank Sustainability Centre as a hub for knowledge creation, application and dissemination.

The establishment of the Centre is a demonstration of the Bank's commitment to promoting sustainable finance and adhering to global best practices in its business operations, especially in the areas of collaborative partnerships and capacity building.

The Centre is designed to empower the staff of the Group and of other financial institutions who are signatories to the Nigeria Sustainable Banking Principles (NSBPs), The Group's customers, and other stakeholders, including NGOs, media practitioners and SMEs.

We realise that strengthening the communities we serve is fundamental to the future of our business.

Activities implemented at the FirstBank Sustainability Centre in 2015 included sustainability workshops for SMEs and media practitioners; capacity building for professionals, including regulators, in partnership with the University of Edinburgh; workshops for NGOs; a CEO roundtable on sustainability; and an international conference on sustainability.

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Hope Rising programme

The Hope Rising initiative is one of the Group's key programmes and is designed to empower people living with disabilities. Its key objectives are: engendering inclusivity and diversity through education, advocacy and enlightenment; skills acquisition through training; and staging inclusive events. Some of the initiatives we supported in 2015 under this programme were:

- Continued higher education support for Osun State Polytechnic Iree student Abdulateef Alani Azeez.
- The Chike Okoli Foundation's cardiovascular health campaign and Heart and Soul Gala.
- Para-badminton gold medallist Folawiyo Jimoh Adisa.
- The Down Syndrome Foundation Nigeria.
- The Benola Cerebral Palsy Initiative.
- Disabilities support group Theseabilities Ltd.
- The Nigeria Society for the Blind.
- The Pacceli School for the Blind.
- Star Children's Development Initiative.
- The International Association of the Scientific Study of Intellectual and Developmental Disabilities.
- The Sickle Cell Foundation Nigeria.
- The Golden Hearts Touching Lives Initiative.
- The Sebeccly Cancer Care initiative.
- The Segun Aina Foundation.
- Ade Adelekan, a physically challenged student at Lagos State University.

Disability Support: Staff of the Bank visit and share with children of the Down Syndrome Foundation Nigeria

Youth leadership and development programme

The youth leadership and development programme is designed by the Bank for young people between the ages of 14 and 35 years old. The key objectives of the programme are: to provide a platform for young people to imbibe a deeper understanding of the necessary but rewarding sacrifices and qualities of great leadership and to equip them with the relevant tools and skills to become great leaders; to create opportunities for youth participation in developing the country through sustainable community development programmes; and to provide mentorship for young people in value-based leadership.

The Bank currently partners with the Nigeria Leadership Initiative (NLI), Junior Achievement Nigeria (JAN) and LEAP (Leadership, Effectiveness, Accountability and Professionalism) Africa in driving this initiative.

The Hope Rising initiative is one of the Group's key programmes and is designed to empower people living with disabilities.

PARTNERSHIP WITH NIGERIA LEADERSHIP INITIATIVE (NLI)

The Bank has partnered with the NLI since 2008. During this period, about 400 NLI associates have been trained and mentored as future leaders. The annual Future Leaders seminar sees the Bank nominate two outstanding staff to participate alongside other Nigerians who excel in their different professions across the globe, all under the age of 35. Both the Future Leaders seminar and the Guest Speaker forum serve as platforms for promoting value-based leadership among Nigerians through seminars, workshops, leadership projects and essay competitions designed to increase engagement between the citizenry and leadership.

PARTNERSHIP WITH LEAP AFRICA

The Bank continued its partnership with LEAP Africa in 2015, helping to implement the youth development training programme in different schools in Lagos State. The programme was executed under the employee volunteering scheme, which saw FBN staff teaching approximately 2,000 students about leadership and ethics after undergoing a 'training the trainer' exercise. Among the topics taught were the Act and art of leadership, Connecting to your inner self, Building self-confidence, and developing your personal mission statement. In total, about 6,000 volunteering hours were expended.

The youth Leadership programme focuses on ensuring that youths become socially responsible and responsive, and strategically positioned to achieve their life goals and effect positive change in their local communities across Nigeria. This is achieved through the inculcation of knowledge on leadership, ethics and civics. In this way the programme fosters mutual understanding, respect and civic engagement among young Nigerians.

The Bank also supports LEAP Africa to host the LEAP Africa CEO Forum, designed to promote entrepreneurship among young people through the provision of cutting-edge solutions by industry experts.

FutureFirst programme

FutureFirst has two aspects: financial literacy and career counselling. The FutureFirst Financial Literacy Programme is part of the Group's efforts at engendering financial inclusion amongst the unbanked. It is also a platform where students in secondary school are taught about the importance of having a savings culture and early entrepreneurship. A total of 8,000 secondary school students have been reached so far, with over 35,000 volunteering hours expended.

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PARTNERSHIP WITH JUNIOR ACHIEVEMENT NIGERIA (JAN)

As in previous years, in 2015 the Bank partnered with Junior Achievement Nigeria to implement the Company Programme (CP). The programme was held in four locations in the country – Lagos, Port Harcourt, Enugu and Abuja.

The CP provides senior secondary school students with practical business experience through the organisation and operation of an after-school business enterprise. It provides an experiential supplement to the students' business and economics education, helping them to better understand how businesses are organised and operated. It also enables participants to develop critical thinking, speaking and leadership skills, demonstrate the rewards of the free enterprise system, find out about career opportunities, and learn basic workforce-readiness skills. The programme fosters a positive relationship between youths and the business community.

Employee giving and volunteering

The Employee Volunteering Scheme (EVS) is designed to provide a platform for staff to dedicate their time, knowledge and experience to address short and long-term development needs/challenges of the communities in which they live and work. This is achieved through participation in various initiatives based on their areas of interest and in line with the EVS focus areas, which are directly linked with the core pillars of the Group's CR&S strategy.

In 2015, staff volunteers from the Bank participated in the annual Down Syndrome Inter-House Sports Competition by taking part in some of the sporting activities alongside the children, such as the March Past. Volunteers from the Bank also encouraged and cheered the children in the different sporting activities, thus making them feel loved and appreciated. The annual competition is aimed at improving the physical and intellectual development of people living with Down Syndrome through sporting activities designed to inculcate appropriate skills and values such as good sense of judgement, hard work, integrity, confidence and relationship-building.

Staff of the Bank pay a visit to the City of Refuge Orphanage Abuja as part of the Bank's Employee Volunteering activities.

The Employee Volunteering Scheme (EVS) is designed to provide a platform for staff to dedicate their time, knowledge and experience to address short and long-term development needs/challenges of the communities in which they live and work.

Due to the need to increase public awareness about Down Syndrome by breaking the myths surrounding the condition, staff volunteers from the Bank again participated in Down Syndrome Awareness Week. As part of the activities, an EVS visit was made to the Down Syndrome Foundation Resource Centre, where gifts were presented to the children.

Volunteers from the Group also visited the City of Refuge Orphanage in Abuja, donating gift items to the children and generally participating in fun outdoor activities with them.

Additional community support programmes

Other one-off youth leadership programmes supported by the Bank in 2015 were:

- The League of Abiriba professionals in the construction of their Abiriba Skills and Enterprise Centre.
- Ani Ajumogobia Science Foundation concert designed to raise funds for the promotion of the teaching and learning of science.
- The Youths Rescue & Care's Rescue the Scholars initiative, designed as a vocational learning opportunity for youths during the holidays.
- Elderberry Integrated Resources for its I.N.V.E.N.T. leadership summit and mentorship programme for intermediate youths in secondary schools.
- The After-school Graduate Development Centre for teacher training programmes in Lagos State.
- Unsearchable Technology, for the U-search spelling bee competition for children and youths.

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SCORECARD

OBJECTIVE/ PROGRAMME MEASURE	THIS YEAR'S ACCOMPLISHMENTS	MEASURE	2016 TARGETS
1. Infrastructure development programme			
Promoting and supporting infrastructure development in schools and the society	Maintenance of Ivory Park at Banana Island Residents and visitors of the estate.	Number of projects and number of people that benefited from the projects.	Maintenance of two infrastructural projects.
2. Hope Rising initiative			
Engender inclusivity and diversity through education, advocacy and skills acquisition	Consistent partnership with the Down Syndrome Foundation Nigeria (DSFN) Supported DS Annual Awareness Week. EVS to Down Syndrome Foundation Resource Center, provided advert support for World Down Syndrome Day Partnership in hosting a Children's Day event for children with disabilities Support to Chike Okoli Foundation Cardiovascular Health Campaign in select secondary schools in Lagos State Support to Para-Badminton Sports and physically handicapped students Several one-off projects designed to add value to the lives of stakeholders Demonstrate care and support for children with down syndrome at the DSFN resource centre numbering over 200. Advert provided public enlightenment on the disorder to hundreds of thousands of Nigerians who saw the advert About 50 visually and hearing impaired children were reached out to and taught vocational skills such as painting and weaving on Children's Day Impacted approximately 10,000 secondary school students through the health campaign	Number of people reached	Increase support to the DSFN by 20% To reach out to about 150 physically challenged persons To provide support to at least five NGOs and impact 25,000 persons To provide support to 10 physically challenged persons
3. Youth Leadership and Development initiative			
Provide platform and relevant tools for youth to imbibe qualities of great leadership	Partnership with NLI: Future Leaders Seminar Partnership with LEAP Africa: Youth Leadership Development Programme Supported several one-off youth events About 350 associates inducted so far as NLI fellows Over 1,500 students impacted through LEAP Africa programme	Percentage of positive feedback from participants. Number of youths that participated in the different youth initiatives and reached via the mainstream media and digital media	95% 92%

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SCORECARD

OBJECTIVE/ PROGRAMME MEASURE	THIS YEAR'S ACCOMPLISHMENTS	MEASURE	2016 TARGETS
4. Future First programme			
Ensure financial literacy and career counselling for young ones	Partnership with JAN on financial literacy 12,000 students impacted Programme held in 36 schools in Lagos, Port Harcourt, Enugu and Abuja	Number of students impacted	To support programme in at least 50 schools and impact approximately 25,000 students
5. Educational Endowment programme			
Enhance sustainability and academic excellence towards the long-term development of Nigeria	FUTA Endowment Samuel Asabia Endowment of the University of Lagos University of Uyo Endowment FirstBank Sustainability Centre Over 6,000 people impacted About 2,000 participants attended the FirstBank Sustainability Centre's conferences, workshops and seminars	Number of people impacted	Endowment to impact approximately 35,000 students and lecturers at the University of Uyo and University of Lagos
6. Employee giving and volunteering			
Provide a platform for employee giving, volunteering and engagement	Volunteering on Future First, Youth Leadership Programme, EVS visit to Lagos and Abuja and other one-off health programmes 34,000 hours	Number of volunteering hours	40,000 hours

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BUILDING SUPPLIER RELATIONSHIPS

OUR SOURCING GOAL

At FBNHoldings, we partner with our suppliers with a view to ensuring that we create long-term value both for our Group and for our suppliers. We base our collaboration on strategic procurement principles that place emphasis on trust and mutual interest. Following the recent restructuring and enhancement of our procurement functions and reporting lines, we decided to embark on an investment in technology, such as software to automate our procurement process, to better manage our supplier relationships. This investment, which is expected to replace the current manual approach and thus increase efficiency, was approved recently by our Board of Directors. It addresses, among other things, sourcing and procurements functions for the entire Group.

How we evaluate our suppliers

At FBNHoldings, we believe that our suppliers and vendors play a key role in our organisation's success. We therefore have a formalised and technology-driven system in place to track and evaluate supplier and vendor performance, which is essential to the smooth operation and profitability of the organisation. We embrace our suppliers, viewing them as partners helping to grow the business, while making sure the relationship is mutually beneficial and helps improve our negotiated prices and quality of service. Suppliers are therefore evaluated on their ability to meet the following criteria:

- supplier competence/compliance to specifications;
- customer service/commitment;
- quality system for deliverables;
- capability;
- fast performance/consistency;
- strategic (location and networking);
- innovation;
- financial viability;
- risk and insurance;
- conflict of interest;
- legal proceedings;
- total cost of ownership/best value;
- financial review; and
- negotiated service level agreements.

With the enablement of technology, we now have adequate systems in place to effectively monitor and track key performance indicators.

Consolidating our supplier relationship

Consolidating suppliers within specific supply markets has become a proven strategy to concentrate buying power and reduce purchase prices. By simplifying and automating interactions with preferred suppliers, procurement can more effectively work these relationships beyond just cost savings, to include support for more strategic enterprise imperatives regarding sustainability, innovation, risk reduction, diversity and other key objectives.

Today's global business environment is increasingly complex. Over time, this complexity costs money. For example, as more goods and services are sourced to third parties, companies invariably end up buying too many things from too many suppliers. The resultant supply-base complexity adds cost on many fronts. By consolidating our supplier relationship, we identified and subsequently eliminated the causes of waste, expenses and risk.

The specific business benefits derived from the consolidation of our supplier relationship are:

- increased efficiency and communication;
- reduced purchase costs;
- reduced procurement and supplier management costs; and
- reduced non-compliance and increased stakeholder satisfaction.

We understand that the goal of reducing complexity should not just apply to the supply base, but also to the processes and systems that are used to interact with the supply base. We therefore embarked on rationalisation of approved methods for buying and paying for goods and services. Adherence to the strategic procurement principle in 2015 resulted in the renegotiation of pre-approved prices with our strategic partners and gave rise to improved cost savings, despite the instability of the naira against the US dollar.

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STANDARDS AND CODES

ISO 26000

Our commitment to international standards has made us adopt only principles that can be supported by the relevant frameworks as well as those that are strategically aligned to our business.

ISO 26000 is an international standard giving guidance on social responsibility. It is intended for use by organisations of all types, in both public and private sectors, in developed and developing countries, as well as in economies in transition. It is designed to help organisations in their efforts to operate in a socially responsible manner. ISO 26000 contains voluntary guidance, not requirements, and therefore is not for use as a certification standard.

THE SEVEN CORE SUBJECTS

1. ACCOUNTABILITY; TRANSPARENCY; ETHICAL BEHAVIOUR; RESPECT FOR THE RULE OF LAW; RESPECT FOR INTERNATIONAL NORMS OF BEHAVIOUR; COMMUNITY INVOLVEMENT AND DEVELOPMENT
2. HUMAN RIGHTS
3. LABOUR PRACTICES
4. THE ENVIRONMENT
5. FAIR OPERATING PRACTICES
6. CONSUMER ISSUES
7. ORGANISATIONAL GOVERNANCE

FirstBank, one of the subsidiaries of FBNHoldings, is a technical partner in the Nigerian adoption process tagged 'ISO 26000: NAP', which began in 2013. As a technical partner, we are fully committed to the seven key underlying principles of social responsibility and the seven core subjects of ISO 26000 guidance.

Clearly, being part of the process has allowed us to shape the thinking and outcomes in line with local understanding and relevance.

The Nigerian Sustainable Banking Principles (NSBP)

The NSBP programme was constituted under the auspices of the Central Bank of Nigeria and the Bankers' Committee (an umbrella body comprising the Central Bank of Nigeria, Deposit Money Banks (DMBs) and Discount Houses) to formulate sustainable banking standards and guidelines for Nigerian banks. This led to the birth of the Strategic Sustainability Working Group (SSWG), of which First Bank of Nigeria, a subsidiary of FBNHoldings, is a member.

The Bank actively participated in two of the sub-committees (agriculture and oil and gas), which made submissions that were approved by the Bankers' Committee for implementation by the sector regulators, banks and other related financial institutions.

FirstBank is a member of the steering committee responsible for providing implementation guidance on the NSBP for signatories to the principles.

NIGERIAN SUSTAINABLE BANKING PRINCIPLES IMPLEMENTATION UPDATE

In 2015, as in the previous year, we have worked towards meeting all the requirements of the principles. While there has been a general improvement regarding the requirements (such as beginning the process of putting in place a performance management and reporting tool), we have made reasonable progress especially in four of the nine principles. These are principles one, four, seven and eight. In principle one, for example, the Board of Directors did not only approve the use of the document, but also potential transactions were truly screened for ESG risks and tracked. We plan to improve on our performance in 2016. Below is the status update.

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PRINCIPLE	REQUIREMENTS	STATUS UPDATE
Principle 1: Our Business Activities: **Environmental and Social Risk Management**		
To integrate environmental and social considerations into decision-making processes relating to our business activities to avoid, minimise or offset negative impacts	· Development of appropriate environmental and social (E&S) policies · Development of appropriate E&S procedures · Development and customisation of E&S due diligence procedures · Articulation of E&S governance and approval authority measures · Monitoring E&S risks and reviewing E&S conditions · Provision of client engagement guidance on E&S issues · Development of appropriate E&S reporting criteria · Reporting on implementation progress · Support for investment in sustainable, innovative business opportunities.	· Environmental, Social & Governance Management System (ESGMS) document has been developed · This document has been reviewed and signed by relevant stakeholders in the Bank, and a framework for implementation has been developed · A total of 32 transactions worth ₦171,042,918.40 have been screened for ESG.
Principle 2: Our Business Operations: **Environmental and Social Footprint**		
We will avoid, minimise or offset the negative impacts of our business operations on the environment and local communities in which we operate and, where possible, promote positive impacts	· Development of an environmental management programme with facilities management; this should address climate change and greenhouse gas (GHG) emissions reduction, water efficiency, waste management and environmentally friendly construction and management · Compliance with relevant labour and social standards · Implementation of a community investment programme · Application of E&S standards to relevant party.	· Print optimisation monitoring team in place with staff of the CR&S to chair and observe paper usage by other members of staff. Reduction in printer access by staff, especially colour printing · Increase in the use of conference calls rather than travelling to attend face-to-face meetings, thereby minimising fuel consumption and carbon emission from vehicles · Implementing community development programmes to promote positive impacts on stakeholders, including infrastructural development, FutureFirst and Hope Rising initiatives, youth development programmes, etc.

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PRINCIPLE	REQUIREMENTS	STATUS UPDATE
Principle 3: Human Rights		
We will respect human rights in our business operations and business activities	· Development and implementation of a human rights policy (including labour and working conditions) · Integration of human rights due diligence into E&S procedures · Investment in resources and training of staff on human rights issues.	· The ESGMS consists of a policy and procedures for screening transactions. 'Human Rights' is one of the nine ESG categories that FBN commits to screening potential transactions · The Bank maintains an organisational culture that encourages an open line of communication between superiors and subordinates · Maintenance of a fair and efficient process for resolving disputes within the Bank and ensuring disciplinary measures that are fair and effective without breaching labour laws or standards.
Principle 4: Women's Economic Empowerment		
We will promote women's economic empowerment through a gender-inclusive workplace culture in our business operations, and seek to provide products and services designed specifically for women through our business activities	· Developing and implementing a women's economic empowerment policy · Establish a women's economic empowerment committee · Develop initiatives and programmes to promote and celebrate women's empowerment · Invest and dedicate resources for female talent · Support the establishment of a sector-wide women's empowerment fund.	· The Group's CR&S Policy covers this principle · The Bank has a market share of 26% under the Federal Government's Growth Enhancement Support Scheme for SMEs · Over 3,000 SMEs run by women get support from FirstBank · Female composition at the management level is 116 out of 323, representing 36% · Women economic empowerment policy formulated · The Bank partners with Women of West Africa Entrepreneurship (WOWE) and Women in Business and Management (WIMBIZ) on women's development · Diversity policy for promoting inclusion and diversity.

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PRINCIPLE	REQUIREMENTS	STATUS UPDATE
Principle 5: Financial Inclusion		
We will promote financial inclusion, seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector	· Developing and implementing a financial inclusion policy · Providing development and growth support to SMEs · Improving financial literacy and institutional practices · Improving access to bank facilities and services.	· Financial inclusion is part of the Group's Corporate Sustainability Policy · Provided financial services, including loans, for about 200,000 SMEs · Provided financial services for over 660,000 unbanked through Firstmonie and FirstInstant accounts · Promoting financial literacy through FutureFirst and other programmes.
Principle 6: E&S Governance		
We will implement robust and transparent E&S governance practices in our respective institutions and assess the governance practices of our customers	· Establish E&S governance responsibility · Develop institutional E&S governance practices · Actively support key industry initiatives that aim to address E&S governance issues with customers operating in sensitive sectors · Implement E&S performance-linked compensation and incentive schemes · Establish internal and, where appropriate, external E&S audit procedures.	· Developed sustainability governance chaired by the Chief Risk Officer · A member of the NSBP steering committee.
Principle 7: Capacity Building		
We will develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our business activities and operations	· Identify relevant roles and responsibilities for delivery against sustainable banking commitments · Provide sustainable banking training sessions · Create practical E&S training tools and resources · Multi-stakeholder capacity building.	· Board and executive management have been trained on sustainability · Forty strategic key heads of SBUs and departments who were part of the team that developed the sustainability strategy have been trained · Partnering with NSBP and IFC in training key staff. Plans within the Group to ensure each staff member is trained in sustainability.

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PRINCIPLE	REQUIREMENTS	STATUS UPDATE
Principle 8: Collaborative Partnership		
We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Nigerian development needs	· Collaborate and coordinate with other banks · Convene sector-wide workshops and events · Commit to international standards and best practice initiatives · Establish and participate in Nigerian sector-level initiatives.	· A member of NSBP steering committee · Participate in industry-wide workshops · Member of the United Nations Global Compact (UNGC; submitted COP report for 2013, 2014 and 2015) · Financial Secretary of Local Network. The Bank has participated in developing a work plan for the Local Network aimed at energising the activities of the network among business actors in Nigeria and encouraging non-participants to adopt the UNGC principles.
Principle 9: Reporting		
We will regularly review and report on our progress in meeting these Principles at the individual institution and sector level	· Establish a Sustainable Banking reporting template · Set clear targets and relevant performance indicators · Ensure the necessary systems are in place to collect data · Agree the frequency, nature and format of internal and external reporting · Contribute to sector-level reporting.	· Developed a reporting template · Targets and KPIs set. Implementation from 2014 · Developing a system to collect data: internal reporting yearly; external quarterly · Internal report – quarterly; external, yearly. 2013 and 2014 Citizenship Reports published and distributed to stakeholders. These can be found on FBNHoldings website under Citizenship page.

United Nations Global Compact

The UN Global Compact (UNGC) is currently the highest body for corporate citizenship in the world today. Established in 2000 to serve as a platform for dialogue, learning and partnership for organisations willing to commit to adopting corporate responsibility as part of their business strategy and daily operations, the UNGC has successfully attracted and mobilised over 7,000 businesses in over 130 countries across the world to become members.

Membership into the UNGC implies an organisation's willingness to align with UN values and support initiatives that advance the UN goals as contained in the Millennium Development Goals (MDGs) – now Sustainable Development Goals (SDGs). Participants simply commit to align their strategies and operations with 10 principles in the areas of labour, human rights, environment and anti-corruption.

We started the process for UNGC membership in late 2012 with the goal of supporting the principles of the organisation. We became a member in the first quarter of 2013.

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STAKEHOLDER ENGAGEMENT

Our stakeholders are broadly categorised into two groups: internal and external. Our internal stakeholders are our employees, while our external stakeholders comprise our investors, customers, NGOs, host communities, regulators, the media and different tiers of government.

As in previous years, we continued to engage our stakeholders in 2015. This provided opportunities for us to align our business practices further with societal needs and expectations, and drive long-term sustainability and shareholder value.

CASE STUDY

Meeting stakeholder needs through partnership

FutureFirst is one of the Group's key Corporate Responsibility & Sustainability (CR&S) programmes. It has two phases – career counselling and financial literacy – and focuses mainly on empowering secondary school students between the ages of 13 and 17. The key objectives are to help the students build fulfilling careers and equip them with the tools and knowledge for long-term financial independence. To achieve these objectives, the Bank is committed to delivering career counselling and financial literacy modules to the students through employee volunteers in partnership with NGOs. Given the growing relevance of NGOs in the business space, and in line with the Group's CR&S approach, we have partnered with Junior Achievement Nigeria (JAN), the Nigerian arm of Junior Achievement Worldwide.

Junior Achievement (JA) is the world's oldest and largest non-profit economic education organisation, operating in 112 countries. JA is dedicated to building a bridge between the classroom and the workplace by encouraging young people to participate in a range of educational programmes designed to help them understand the world of work. JA started operations in Nigeria in 1999. Since then, with the help of over 700 teachers and volunteers, JA has reached over 380,000 students in more than 650 schools in Lagos, Sagamu, Ota, Abeokuta, Ibadan, Ilorin, Abuja, Jos, Kano, Kaduna, Bauchi, Port Harcourt, Warri, Uyo, Calabar and Enugu. FirstBank is not only on the board of JAN, but has also contributed significantly to the success of the organisation.

THE CHALLENGE

The main challenge of implementing the financial literacy phase of the FutureFirst programme was that volunteers were unable to consistently deliver the approved modules due to conflicting timing with their work schedule and sometimes, with the school school schedule.

SOLUTION

Our constant engagement with JAN helped identify the problem and a subsequent solution. One of JAN's key strengths is the relationship/affiliations it has with numerous schools. In partnership with the Group's CR&S team, JAN engaged the schools concerned to work out a flexible timing that will benefit all partners and this has produced the desired results. The mechanism of consultation was meeting with the schools committees responsible for driving social activities. Facilitated by JAN, the meetings provided an opportunity to identify two reasons why there were clashes. Firstly, in the schools calendars, there are dedicated days for extra-curricular activities and the FutureFirst programme should ideally be scheduled for these periods. Instead, the delivery time for the programme was often times in conflict with the regular time for class work. Secondly, because there was no clear directive on timing communicated appropriately, some of the teachers followed the established rules when there were conflicting timetables. It was agreed at the meeting to deliver the financial literacy sessions on the extracurricular days – this resolution solved the problem.

The engagement has helped improve the relationship as well as enhanced trust between the Group and the schools. This was seen in the increased support provided by the teachers, thus enabling the volunteers to exceed the 34,000 targeted volunteering hours.

Some volunteers at a training session facilitated by Junior Achievement in partnership with First Academy

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Below is an overview of how we engage with our key stakeholders:

	REASONS FOR THE ENGAGEMENT	TYPES OF ENGAGEMENT
Employees	· To ensure that FBNHoldings Group remains a great place to work by providing a secure, positive and inspiring working environment · To ensure employees are connected and aligned with the Group's culture, thereby encouraging communication, dialogue and, ultimately, increased productivity and staff retention · To ensure all staff are aware of the Group's vision and activities and the role they are required to play.	· These include focus groups, knowledge sharing sessions, roadshows, engagement surveys, emails, intranet communications, magazines and training.
Customers	· To have a better understanding of the financial services needs of our customers and meeting those needs by providing appropriate solutions.	· Interactions through branch service points, relationship managers, contact centres, complaint lines (FirstContact and specific email addresses), customer engagement forums, social media (Facebook, LinkedIn, Twitter, YouTube, etc.), surveys and marketing, and advertising activities in the traditional media.
Investors/shareholders	· To provide current and future shareholders with the necessary information on strategy, performance and outlook · To improve the market's understanding of the Company's investment proposition towards achieving a fair valuation.	· Investor meetings, conferences and presentations and roadshows · Communications and responses to investor and analyst queries · Annual General Meetings.
Regulators	· To build and enhance relationships with regulators by ensuring all legal and compliance requirements are met to minimise associated risks and safeguard our licence to operate.	· Meetings · Statutory reporting.
Communities	· To develop and sustain mutually beneficial, trusting and meaningful relationships with our communities, focusing on the Group's corporate responsibility and sustainability goals · To obtain inputs from communities regarding the Group's corporate responsibility programmes and how their needs can be better met · To partner with individuals, groups and NGOs in ensuring that the Group's activities and operations are conducted responsibly · To create awareness of the Group's corporate responsibility and sustainability initiatives.	· Citizenship approach – ongoing support of projects and interaction with a wide variety of NGOs and government organisations · Steering Committee – Sustainability Champions of the Nigeria Sustainable Banking Principles.

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OUR PERFORMANCE

In this section, we provide an overview of the Group's performance in 2015.

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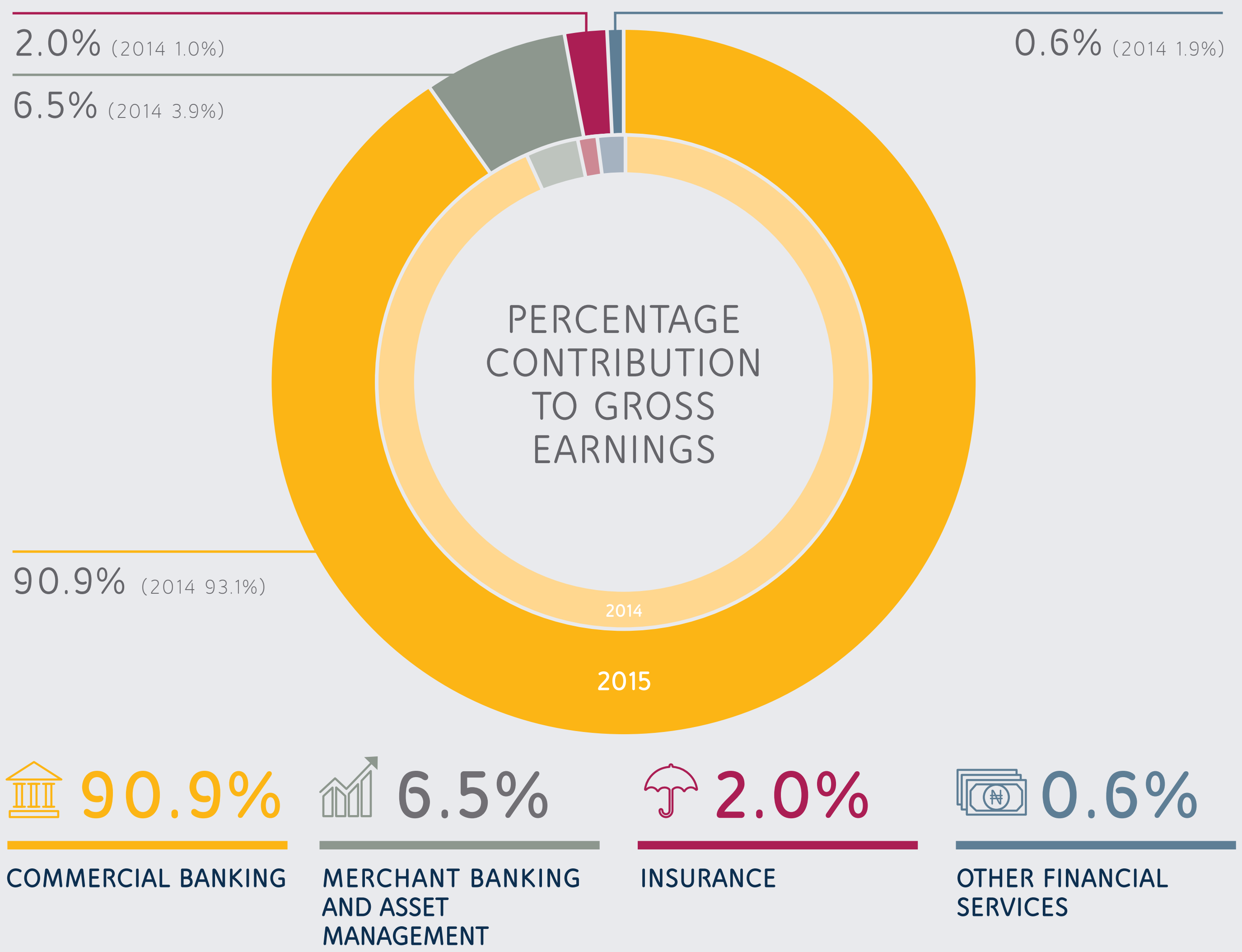
PERFORMANCE SUMMARY

FINANCIAL REVIEW

FBN Holdings Plc. is the premier and largest financial services group in Nigeria by total assets, gross earnings, deposits and loans & advances to customers. The Holding Company emerged from the erstwhile FirstBank Group in November 2012 and maintains a strong shareholders' equity at ₦578.80 billion, a 10.4% growth from ₦524.06 billion in 2014.

FBN Holdings Plc. is the most diversified financial services group in Sub-Saharan Africa offering a broad range of services across commercial banking in eight African countries[1] and offices in London, Paris, Beijing and Abu Dhabi. Other businesses include Merchant Banking and Asset Management as well as Insurance. (Lagos, Nigeria; London, United Kingdom; Paris, France; Johannesburg, South Africa; Beijing, China; Abu Dhabi, UAE; Kinshasa, Democratic Republic of Congo, Accra, Ghana; Banjul, Gambia, Conakry, Guinea, Freetown, Sierra Leone and Dakar, Senegal).The Group, employs over 9,300 staff, has over 10.9 million active customers, through more than 850 business locations and over 2,700 ATMs.

FIG 1: GROSS EARNINGS BREAKDOWN BY CONTRIBUTION FROM BUSINESS GROUPS (%)



[1] Lagos, Nigeria; Johannesburg, South Africa; Kinshaha, DRC Congo; Accra, Ghana; Gambia, Conakry; Freetown, Sierra Leone and Dakar, Senegal

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FBNHoldings' principal subsidiary is First Bank of Nigeria Limited (FirstBank), a commercial banking group. The Commercial banking business group business provides core commercial banking activities for both individual and corporate customers including non-banking financial intermediation in pension fund custodian and primary mortgage finance services. First Bank of Nigeria Limited has the following subsidiaries: FBNBank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, and FBNBank DRC[2], FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea, FBNBank Gambia and FBNBank Senegal.

The Merchant Banking and Asset Management business comprise FBN Merchant Bank Limited and FBN Capital Group. Both entities are wholly owned by the Holding company. The FBN Capital group comprises FBN Capital Ltd and its subsidiaries; FBN Securities Limited, FBN Capital Asset Management Limited, FBN Trustees Limited, FBN Funds Limited and FBN Capital Partners Limited. The group creates value by advising, financing, trading, investing and securing for our customers.

The Insurance business group includes FBN Insurance Limited (owned by FBNH 65% and Sanlam 35%) and FBN Insurance Brokers (100% owned subsidiary). The business group offers Life and General insurance services as well as insurance brokerage services.

We have leveraged on our broad range of customers across the Group to promote synergy opportunities in Commercial banking, Merchant Bank and Asset Management as well as in the Insurance business.

FBNHoldings performance

The financial sector witnessed macro-economic pressures in 2015 in addition to falling crude oil prices, political and policy uncertainties, declining external reserves of the country as well as pressure on the currency. The year was also an election year resulting in economic activities taking the back seat in place of political related activities.

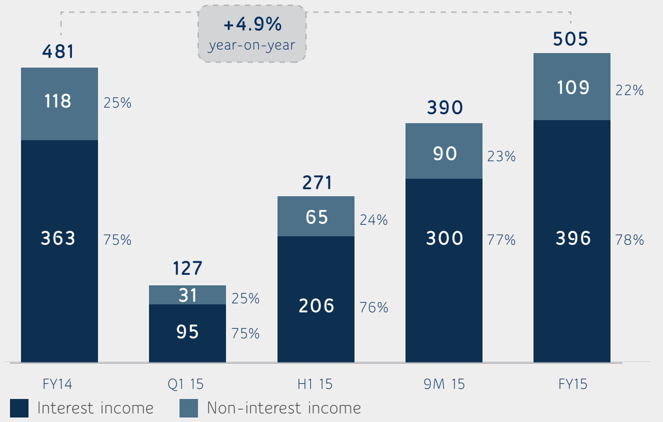
Despite the tough macroeconomic and regulatory backdrop during the year, our underlying business remained strong as reflected in the gross earnings growth of 4.9% to ₦505.2 billion – clearly a leading position in the financial industry. Furthermore, the Holding company platform has provided support in mitigating the impact of credit losses and the vulnerabilities experienced by our Commercial Banking business.

Gross earnings increased by 4.9% year on year to ₦505.2 billion (Dec 2014: ₦481.8 billion), driven by a 9.3% year-on-year growth in interest income to ₦396.2 billion; supported by growth in increased interest income on loans to customers by 8.2% year on year as well as higher volumes in treasury activities. On the back of the changes in the regulatory and macroeconomic environment, non-interest income decreased by 12.0% to ₦99.4 billion.

Interest income grew 9.3% year on year to ₦396.2 billion, due to an 8.2% year-on-year growth in interest on loans to customers; a 9.6% year-on-year growth in interest from investment securities and 22.1% growth in interest on loans to banks. This is despite the impact of the, bonds for loans' initiative during the year and the overall decline in loans at year end. In ensuring optimal risk-adjusted pricing, assets were re-priced resulting in higher yields on customer loans from 12.7% in the previous year to 13.6%.

Net interest income increased by 8.7% year on year to ₦265.0 billion (Dec 2014: ₦243.9 billion) despite a 10.5% year-on-year increase in interest expense to ₦131.2 billion. Net interest income grew by ₦72.1 billion in the fourth quarter, mainly due to the reduction in interest expense on customers' deposit following reduction in term and borrowings. This is due to the low interest environment in the last quarter; our significant repricing maturing expensive deposits, and to reduced funding for letters of credits for international trade. Interest expenses grew by 10.5% year on year to ₦131.2 billion, reflecting a higher interest rate environment that characterised most part of the year but the last quarter. Until the September 21-22 MPC meeting, the Cash Reserve Ratio (CRR) was higher and applied separately to public (75%) and private sector (25%) deposits which resulted in heightened competition for deposits and higher funding costs. Subsequently, the CRR was harmonised to 31% and then revised initially to 25%, and then to 22.5% in March 2015. In addition, in November 2015, the MPC reviewed the monetary policy rate from 13% to 11% resulting in a reduction in the minimum savings deposit rate from 3.9% to 3.3%. Interest expense on customers' deposit, constituting 80.4% (Dec 2014: 82.6%) of total interest and similar expense, grew 7.5% year on year but dropped 54.6% quarter on quarter[3] to ₦105.4 billion at year end. Interest on borrowings, which represent 11.6% (Dec 2014: 15.2%) of total interest expense, reduced by 15.1% year on year to close at ₦15.3 billion (Dec 2014: ₦18.0 billion).

Gross earnings[4] breakdown (₦bn)



2 Democratic Republic of Congo
3 Where quarter-on-quarter is used, it refers to Q4 15 vs Q3 15.
4 Non-interest income here is gross and does not account for fee and commission expense.

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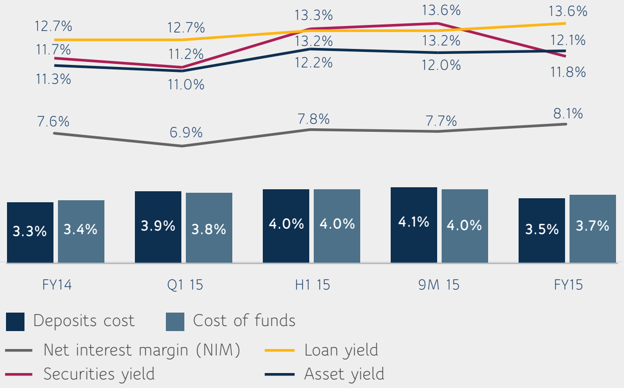
Cost of funds closed at 3.7% (Dec 2014: 3.5%) at year end from a peak of 4.0% in half year 2015 and nine months 2015, as we re-priced maturing deposits lower as well as reflecting the trend in the interest rate environment. Yields on bank loans and customers' loans increased from 4.3% and 12.7% last year to 5.5% and 13.6% respectively, while yields on investment securities remained stable at 11.8%. Overall, the blended yield on interest earning assets improved to 12.1% (Dec 2014: 11.3%). Given the higher proportionate increase in average yields on interest earning assets over average cost of funds, the net interest margins improved to 8.1% (Dec 2014: 7.6%).

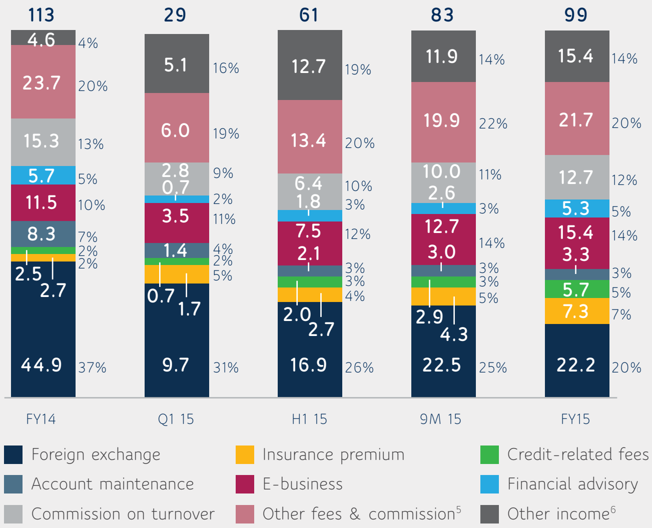
Net interest margin drivers



Non-interest income (NII) declined by 12.0% year on year to ₦99.4 billion (Dec 2014: ₦112.99 billion) due to the decrease in earnings from foreign exchange revaluation gain and foreign exchange trading income in view of the relatively steady exchange rate environment. This was mitigated by the gains from the disposal of FBN Microfinance Ltd. (₦1.6 billion) and the disposal of an equity investment (₦5.0 billion) at FirstBank (Nigeria). Normalising for the gains on foreign exchange revaluation from the current and prior year, including stripping for the gains in the sale of FBN Microfinance and the disposal of the equity investment, non-interest income would have been flat (-0.3 year-on-year) at ₦82.2 billion.

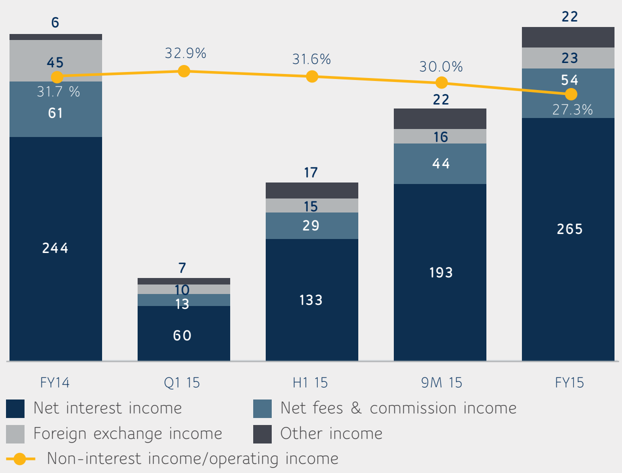
Fees and commission (F&C) income, representing 64.4% (Dec 2014: 59.3%) of total non-interest income, reduced by 4.4% to close at ₦64.1 billion (Dec 2014: ₦66.98 billion). This is as a result of the decline in commission on turnover (COT), from ₦15.3 billion to ₦12.7 billion, in spite of the 50% regulatory reduction in the rate, COT declined by 17.2% year on year.

Non-interest income breakdown (₦bn)



Non-interest income to net revenue closed at 27.3% (Dec 2014: 31.7%), demonstrating the resilience of the Group in generating non-funded income. In line with our strategy of growing e-business transactions, electronic banking fees grew by 34.1% year-on-year to ₦15.4 billion (Dec 2014: ₦11.5 billion). Electronic banking makes up 24% of the fees and commission income (Dec 2014: 17.1%), and it is now its highest contributor. In addition, net revenue from insurance premiums also contributed strongly to non-interest income from sustained growth in our insurance business. Net premium revenue grew by +171.5% year-on-year to ₦7.3 billion (Dec 2014: ₦2.7 billion).

Operating income breakdown (₦bn)



5 Other fees and commission include commission on bonds and guarantees, fee and commission expense, remittance fees, LC commission, money transfer, custodian fees, fund management fees and brokerage & intermediation.

6 Other income includes net (losses)/gains on investment securities, net (losses)/gains from financial assets at fair value, dividend income and share of profit/loss from associates.

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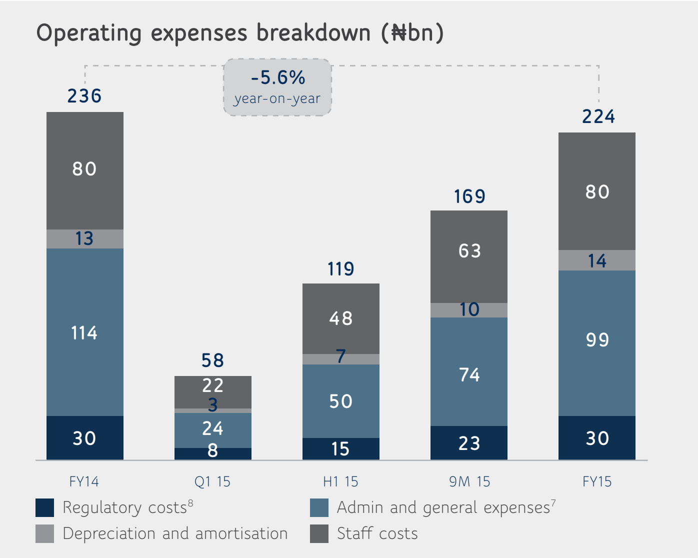
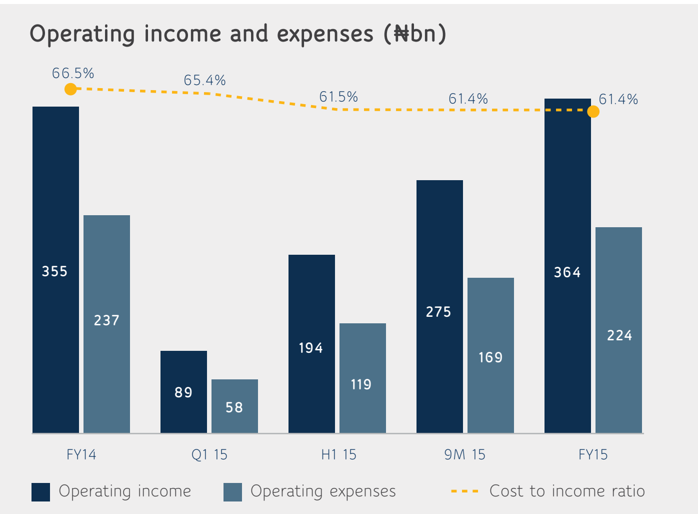
Operating expenses decreased by 5.6% year-on-year to ₦223.6 billion (Dec 2014: ₦236.8 billion), in a 9.6% inflation environment. This was driven primarily by a decrease in regulatory cost (-0.3%) to ₦30.1 billion; maintenance cost (-1.4%) to ₦19.3 billion; advert and corporate promotions (-33.7%) to ₦8.5 billion; and donations and subscriptions (-23.7%) to ₦1.4 billion. Staff cost remained relatively flat (+0.7%) at ₦80.4 billion. The above achievements highlight our resolve in ensuring sustainable operational efficiency permeates every aspect of our business. The bulk of these cost savings were achieved in FirstBank (Nigeria).

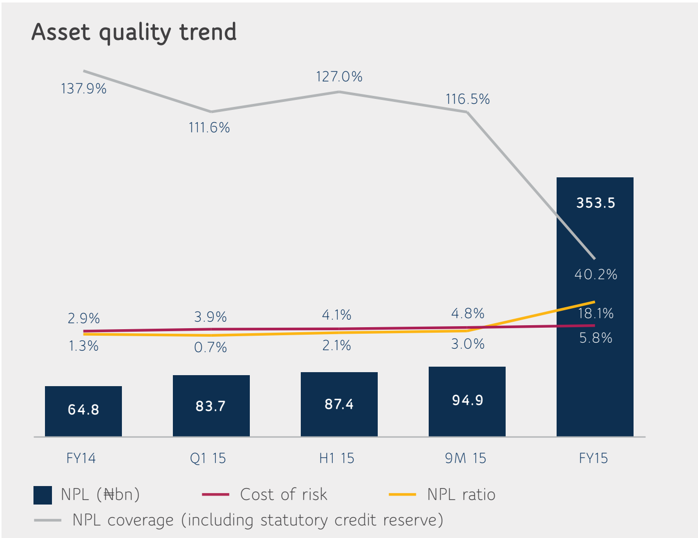


Cost-to-income ratio improved to 61.4% (Dec 2014: 66.5%) on the back of the 5.6% year-on-year decline in operating expenses and 2.3% increase in operating income. We have already implemented additional cost management and optimisation measures to continue to reduce operational expenses year-on-year. This, coupled with the focus to operate our business in a more efficient manner, should lead to improvements in our efficiency ratios.



Net impairment charge on credit losses amounted to ₦119.3 billion (Dec 2014: ₦25.9 billion). This was attributable to the recognition of impairment on some specific accounts as well as collective exposures following reassessment of the loan book in the commercial banking business due to the sharp decline in global oil prices, volatile macro environment as well as fiscal and monetary headwinds which have resulted in marked reduction in domestic output. Active remedial actions on the specific impaired accounts have commenced. The main sectors impacted are oil and gas, real estate and general commerce; contributing 59.7%, 12.3% and 10.2% to the impairment charge respectively.

Cost of risk closed at 5.7% (Dec 2014: 1.3%), exacerbated by the 11.6% decline year-on-year in gross loans, while the NPL ratio increased to 18.1% as at 31 December 2015 (Dec 2014: 2.9%). 2015 was a very challenging year in our risk management performance, specifically within our principal subsidiary, FirstBank (Nigeria). A critical review of the culture and practice of our risk management function has been undertaken. We are implementing structural initiatives as we retool and reshape the ethos of the underwriting practice towards building a resilient loan portfolio under a new leadership.



Across our business groups, revenue from the commercial banking business closed ₦465.8 billion, a growth of 2.3% over 2014. The Merchant Banking and Asset Management business grew by 40.0%, closing the year at ₦32.9 billion from ₦23.6 billion in 2014. Similarly, the insurance business posted revenue of ₦10.5 billion in 2015 from ₦6.5 billion in 2014, representing an impressive growth of 60.6%. However, in spite of the healthy growth in our gross earnings, profit before tax declined by 77.1% from ₦94.1 billion in 2014 to ₦21.5 billion in 2015, largely as a result of impairment charges of ₦119 billion.

7 Admin and general expenses include maintenance, advert & corporate promotion, legal and other professional fees, stationery and other operating expenses.
8 Regulatory costs is made up by NDIC premium, AMCON resolution cost and others.

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Profit before tax closed at ₦21.5 billion (Dec 2014: ₦94.1 billion) down 77.1% year-on-year. Income tax expense for the year was ₦6.4 billion (Dec 2014: ₦10.0 billion). Effective tax rate for the year was 29.6% resulting in a profit after tax of ₦15.1 billion (Dec 2014: ₦84.0 billion). **Post-tax return on average equity** for the year was 2.7% (Dec 2014: 16.7%) and **post-tax return on average total assets** 0.4% (Dec 2014: 2.0%), while earnings per share closed at ₦0.43 (Dec 2014: ₦2.35).

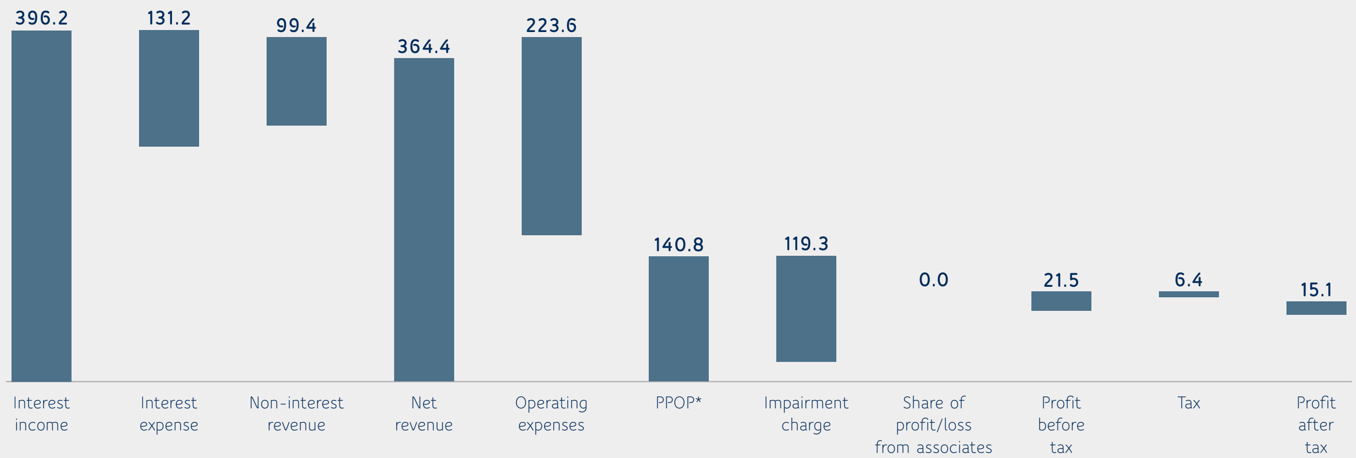
Statement of financial position

Total assets decreased by 4.1% year-on-year to ₦4.2 trillion due to a decline in loans to customers, as well as the impact of the "bonds for loans" initiative of the CBN during the year. These led to a reduction in total interest earning assets by 6.0% to ₦3.2 trillion from ₦3.4 trillion. While customer loans reduced by 16.6%, balances on interest earning investment securities increased by 32.0%.

Total customer deposits declined by 2.6% year-on-year to ₦2.97 trillion (Dec 2014: ₦3.1 trillion). To ensure we keep our cost of funds at a competitive level, we re-priced some maturing expensive deposits whilst terming out other expensive deposits. At Group level, savings deposits now constitute 27.9% (Dec 2014: 23.9%) of total deposits, closing at ₦829.8 billion (+13.9% year-on-year).

During the year, the Federal Government ensured compliance with the Treasury Single account (TSA) by qualified Ministries, Departments and Agencies with the withdrawal of FGN deposits with Deposit Money Banks (DMBs), further impacting deposit growth. Foreign currency deposits now represent 14.5% of the Group's total deposits (Dec 2014: 16.9%) but 17.8% (Dec 2014: 20.1%) of the Bank's deposits at ₦429.4 billion. Retail deposits grew from ₦1.5 trillion in 2014 to ₦1.58 trillion at the end of 2015; demonstrating the strength of our franchise and ability to continually attract a well-diversified and sustainable funding base. Retail deposits constitute 66.2%[9] of the Group's total deposit (Dec 2014: 57.3%), while Corporate banking deposits make up 18.3% (Dec 2014: 19.6%).

Fig 2: Evolution of FY 2015 profit after tax



* PPOP: pre-provision operating profit; computed as profit before tax – share of associate results and credit impairments.

9 This excludes Private banking deposits

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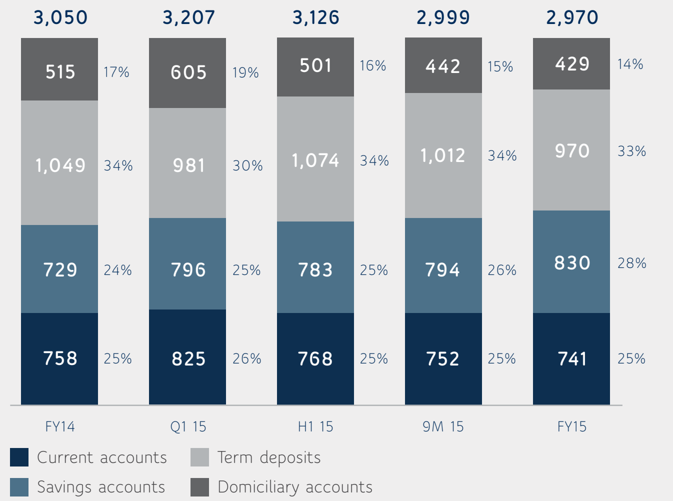
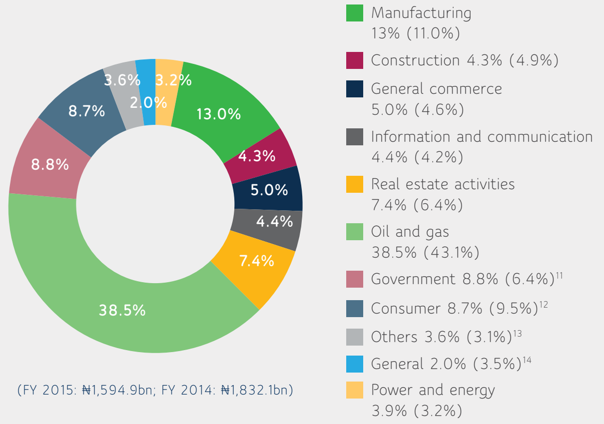
The negative impact of cash reserve ratio at 31% on yields was moderated towards the end of 2015 with the reduction to 20%. At year end, FirstBank (Nigeria) had ₦473.1 billion in CRR balances with the Central Bank of Nigeria (Dec 2014: ₦560.1 billion). This represents 19.9% of the Bank's customer deposits.

Deposits by type (₦bn)



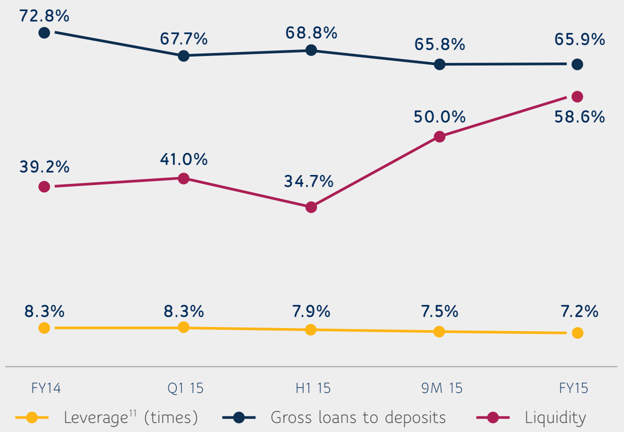
Total loans & advances to customers (net) declined by 16.6% year-on-year to ₦1.8 trillion (Dec 2014: ₦2.2 trillion) driven largely by an 18.8% decline in customer loans in FirstBank (Nigeria). The sectors driving this decline include oil and gas, manufacturing, government; and general commerce. Corporate[10] banking customers constitute 72% (Dec 2014: 70%) of the loan book with retail loans now at 14% (Dec 2014: 16.1%). At FirstBank (Nigeria), foreign currency on net loans decreased by 18.7% year-on-year to ₦672.2 billion as at FY2015, but remained flat at 46.1% of total net loans to customers as a result of the reduction in net loans. The foreign currency exposures were to the oil and gas, power, short-cycle trade transactions and multinationals in manufacturing and consumer sectors. Oil and gas exposure comprise 38.1% of the loan portfolio (Dec 2014: 43.1%) and makes up about 60% of the total foreign currency loans.

FirstBank (Nigeria) gross loans by sectors



Shareholders' funds closed at ₦578.8 billion, up 10.4% year-on-year (Dec 2014: ₦524.1 billion). The Capital adequacy ratio of FirstBank (Nigeria) closed at 17.1% (Dec 2014: 15.8%); above the regulatory requirement of 16% for systemically important banks due to be enforced by the end of June 2016, while tier 1 ratio was 13.3% (Dec 2014: 12.3%). Capital adequacy ratio (CAR) for the banking group closed at 18.0% (Dec 2014:16.7%), while the CAR for FBN Merchant Bank closed at 24.9% (Dec 2014: 22.5%) above the 10% required by regulation. Mindful of total returns to shareholders, FBNHoldings proposed a dividend of ₦0.15 per share (150% of 2014 dividend payments), reflecting the increasing diversification of the Group's revenue stream as a Holding company. Liquidity ratio closed at 58.6% (Dec 2014: 44.0%) demonstrating the strong and stable funding profile.

Balance sheet efficiency



10 Previously Corporate and Institutional banking prior to 1 January, 2016.
11 Government loans are loans to the public sector (federal and state)
12 Consumer represents loan in our retail portfolio
13 Others include finance and insurance, capital market, residential mortgage
14 General includes personal and professional, hotel and leisure, logistics and religious bodies

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Commercial Banking

Commercial Banking comprises FirstBank and its Subsidiaries with operations in 12 countries offering commercial banking services to both individual and corporate customers. FirstBank and its Subsidiaries recorded a 2.3% year-on-year increase in gross earnings which however translated into an 89.2% decline in profit before tax. The soft performance was driven by the high impairment charges resulting from the adverse macro-economic environment.

Below is the performance highlight of the commercial banking group:

- Gross earnings rose by 2.3% year-on-year to ₦465.8 billion (Dec 2014: ₦455.1 billion)
- Net interest income increased by 8.0% to ₦258.8 billion (Dec 2014: ₦239.6 billion)
- Non-interest income declined by 22.7% to ₦77.4 billion (Dec 2014: ₦99.6 billion)
- Net revenue declined by 0.7% to ₦336.4 billion (Dec 2014: ₦338.6 billion)
- Profit before tax of ₦10.2 billion (Dec 2014: ₦94.5 billion)
- Profit after tax of ₦2.9 billion (Dec 2014: ₦84.9 billion)
- Total assets decreased by 3.8% year-on-year to ₦3.97 trillion
- Customers' loans and advances (net) of ₦1.8 trillion, was down 17.2% year-on-year (Dec 2014: ₦2.2 trillion)
- Customers' deposits decreased (-2.8% year-on-year) to ₦2.9 trillion (Dec 2014: ₦2.99 trillion)

Fig 3: Net revenue (₦bn)

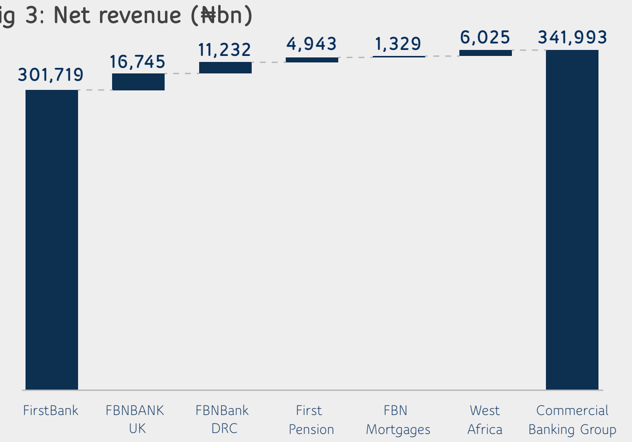
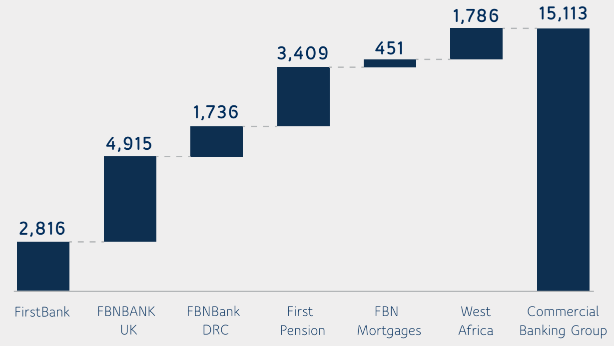


Fig 4: Profit before tax (₦bn)



First Bank of Nigeria Limited

Gross earnings of FirstBank rose 3.6% year on year to ₦421.2 billion in 2015, driven largely by an increase in interest income of 9.0% to ₦337.8 billion, but muted by the 16.3% rise in interest expense to ₦109.9 billion (2014: ₦94.5 billion), as a result of continued intense competition for deposits. As a result net interest income increased 5.8% to ₦227.9 billion, while non-interest income declined by 16.0% to ₦73.8 billion.

The decrease in operating expenses, which closed at ₦178.9 billion (2014: ₦201.1 billion), largely reflected the impact of the cost containment drive of the Bank and ensuring improvement in the cost-to-income ratio at 59.3% (2014: 66.3 %). Profit before tax (PBT) decreased to ₦2.8 billion (2014: ₦81.4 billion).

Gross loans, on the other hand, dropped by 12.9% to ₦1.6 trillion (2014: ₦1.8 trillion), mainly as a result of our deliberate attempt to slow down our loan portfolio growth (LPG) in view of the challenging economic conditions in Nigeria impacting domestic output). During the year, 12.3% of FirstBank's gross loans were restructured essentially to realign business cash flows with loan repayments. The Oil & gas sector has the highest proportion of the loan book representing 38.5%.The short- to medium-term target for the oil and gas sector is to reduce the proportion further (FY2014: 43.1 %).

The Bank closed with non-performing loans (NPLs) of ₦338.7 billion (2014: ₦60.3 billion). Going forward, our strategic focus is to grow retail and trade finance business to enhance liquidity and yield, and optimise portfolio mix. Total assets decreased 4.5% year on year to ₦3.3 trillion (2014: ₦3.5 trillion), largely from the reduction in loans and advances.

Customer deposits declined by 5.9% year-on-year to close at ₦2.4 trillion (Dec 2014: ₦2.6 trillion). This was largely as a result of the impact of Treasury Single Account (TSA) policy that was fully implemented in the year. Term deposits, at FirstBank (Nigeria) have reduced from 24.1% in the previous year to 21.2% of total deposits at the end of 2015. The Bank continues to attract sticky and good quality deposits, highlighted by the increasing duration of deposits as well as the contribution of the low-cost deposits to 78.8% of total deposits (Dec 2014: 75.9%). Current account balance remains strong at ₦640.6 billion in spite of the 8.3% year-on-year decline from ₦698.7 billion. Savings accounts on the other hand representing 34.0% of deposit liabilities grew by 14.0% year on year to ₦814.8 billion, primarily due to increased focus on harnessing opportunities from our extensive distribution platform in addition to demonstrating the strength of our franchise and ability to continually attract a well-diversified and sustainable funding base.

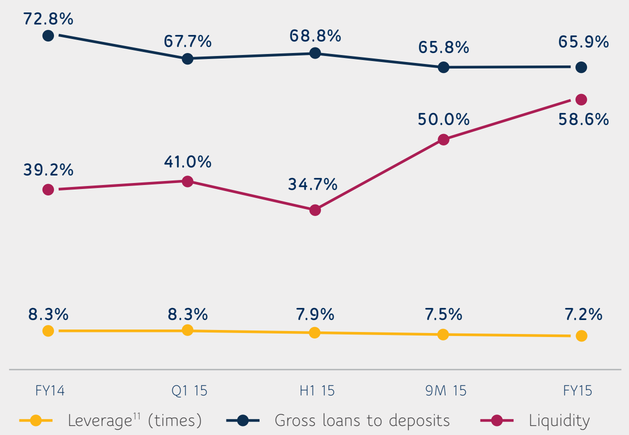
Customer's deposit liabilities constitute 72.0% of funding[15] (2014: 73.1%). Equity and long-term borrowings respectively represent 13.8% and 8.7%, while other liabilities made up 5.5%. Funding and liquidity positions have been strong throughout the period as the Bank continued to attract low-cost deposits, while the capital resource remained adequate to support lending activities. Cost of funds stood at 4.4% (2014: 3.9%) reflecting the high interest rate environment and intense competition for deposits.

The Bank's focus is to deepen existing relationships and increase penetration in the various customer segments to further harness possible opportunities and enhance service delivery and offerings. Our focus remains on increasing penetration in each of our customer segments, especially in retail and commercial banking. This will be done by leveraging our extensive retail platform with the goal of diversifying our deposit base. Retail banking at the moment accounts for 66% (2014: 57%) of the deposit liabilities.

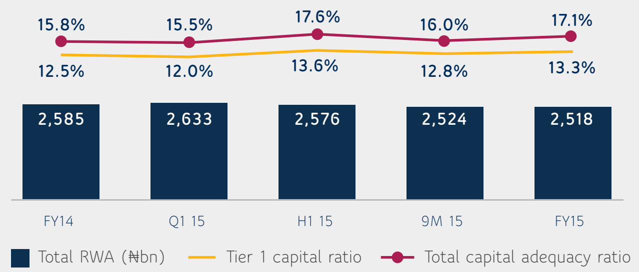
The pictorial representations below further illustrates FirstBank performance.

BALANCE SHEET EFFICIENCY AND CAPITAL EVOLUTION

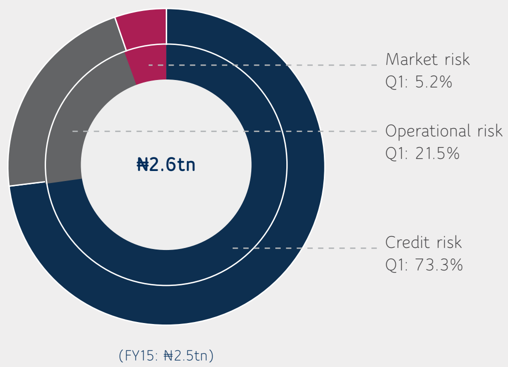
Balance sheet efficiency



Capital ratios – FirstBank (Nigeria)

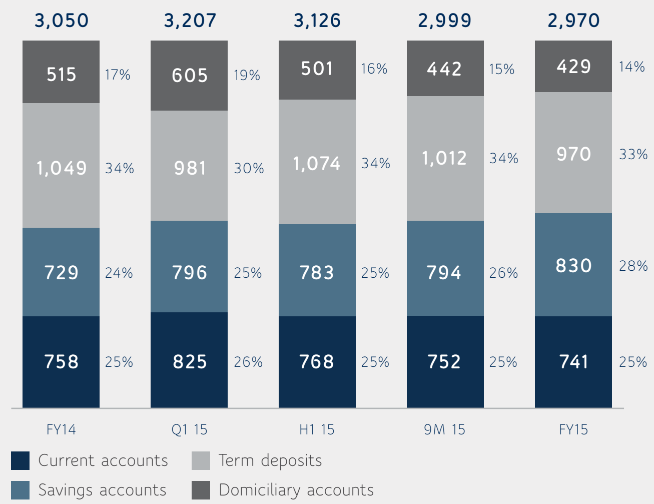


RWA components



STABLE FUNDING BASE

Deposits by type (₦bn)



15 Liabilities and shareholders' fund

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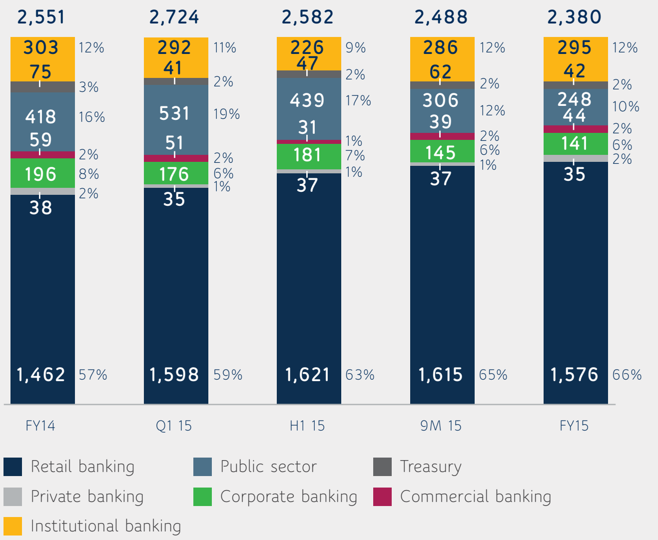
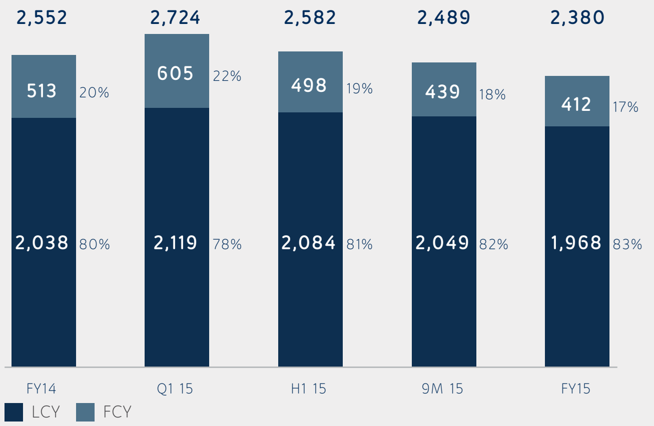
Deposits by SBU trend (₦bn)

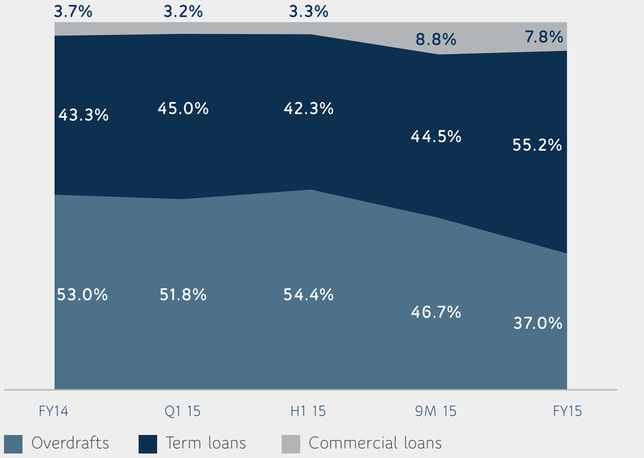


Deposits by currency (₦bn)

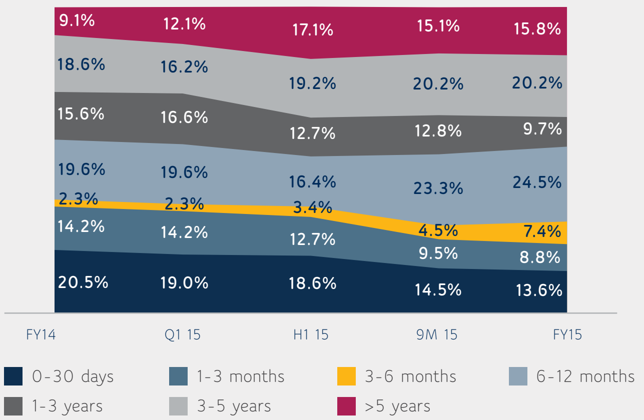


ASSET QUALITY

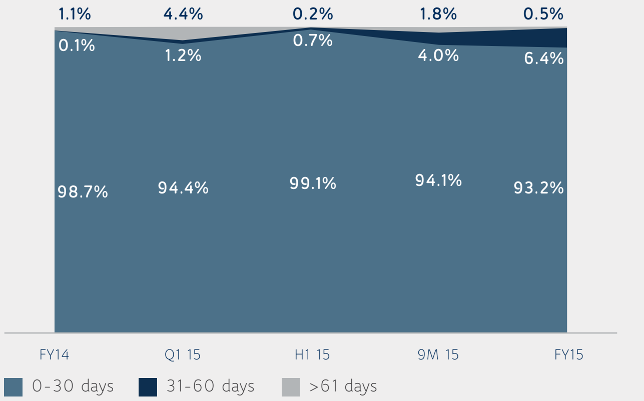
Loans and advances by type



Loans and advances by maturity



Ageing analysis of performing loans and advances



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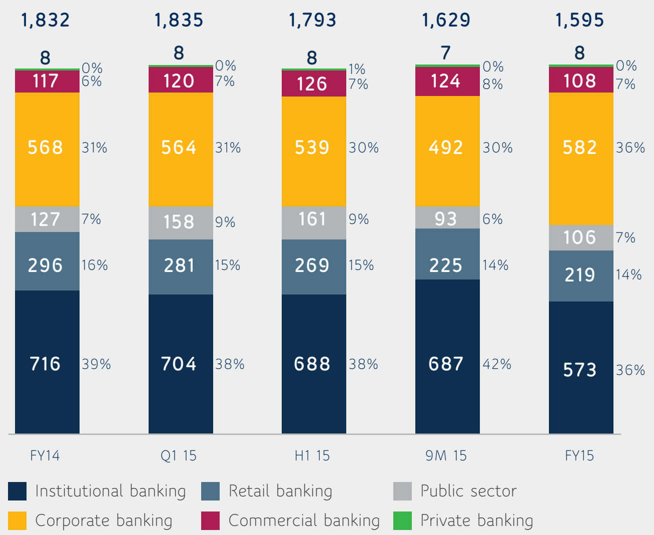
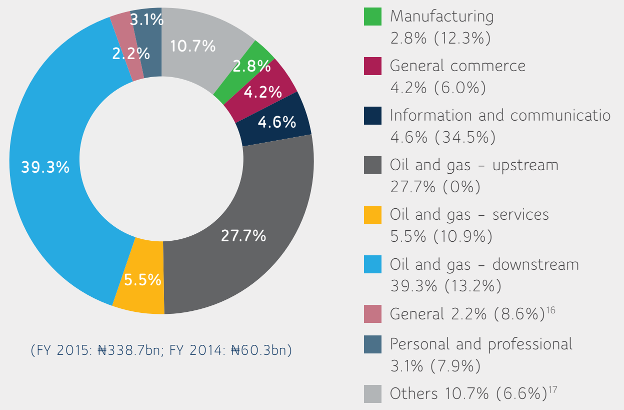
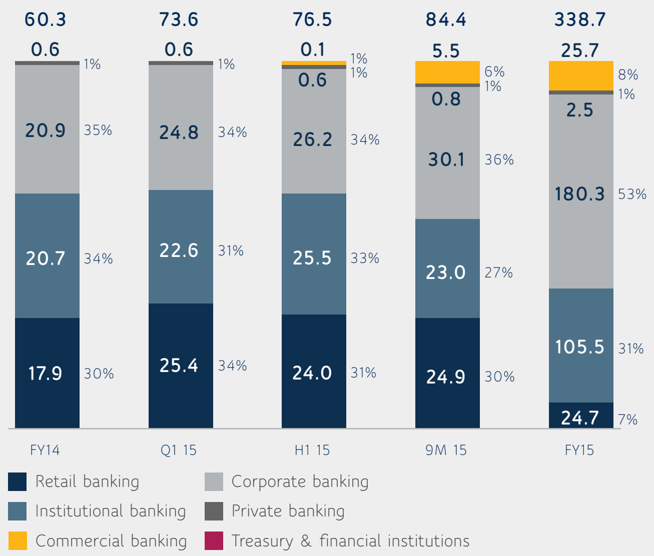
FirstBank (Nigeria) gross loans by SBU (₦bn)



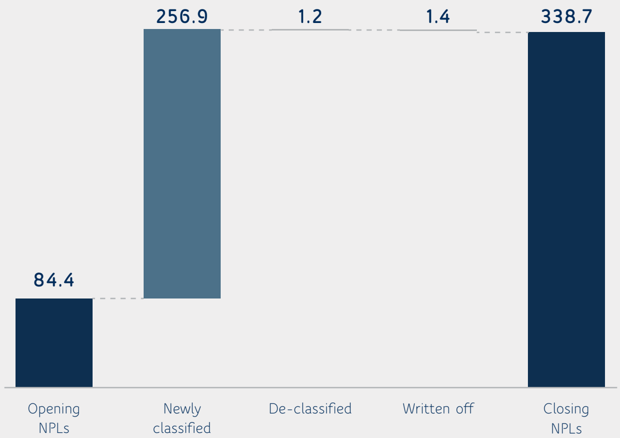
NPL breakdown by sector



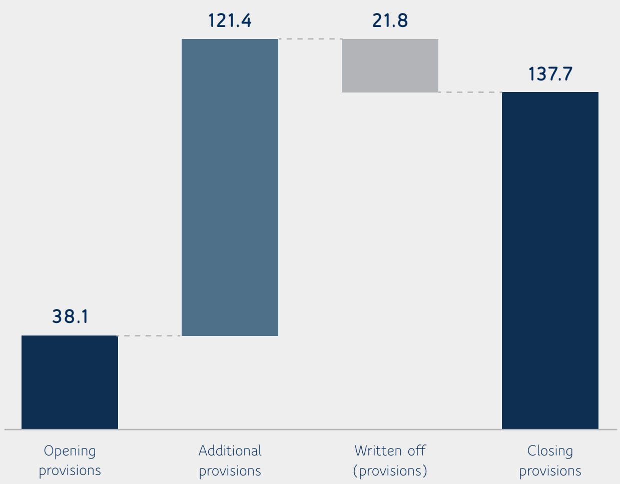
NPLs by SBU (₦bn)



NPL evolution (₦bn)



FY15 provisions evolution (₦bn)



16 General includes: hotels and leisure, logistics, religious bodies.
17 Others include finance, transportation, construction, agriculture and real estate activities.

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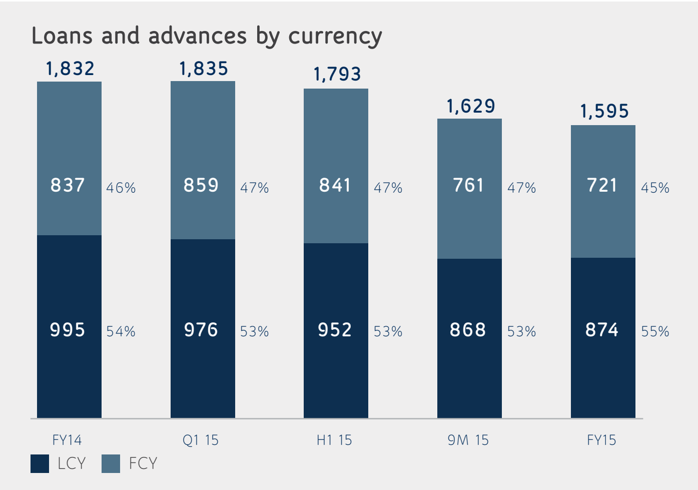

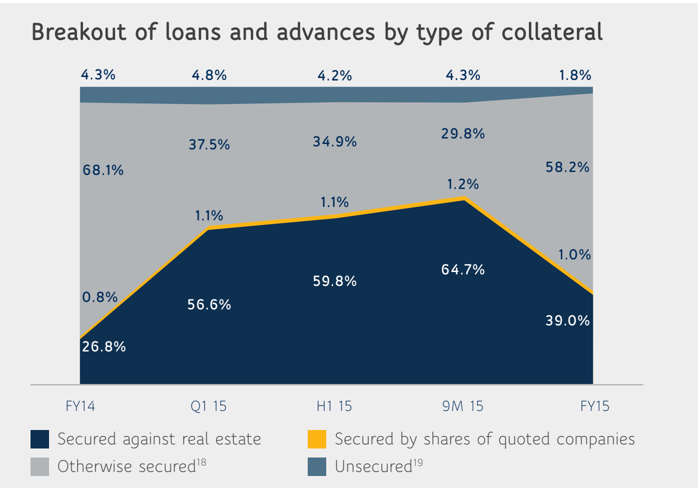

Given recent key management changes, we have restructured the composition of FirstBank (Nigeria) Management Committee (MANCO) and appointed new business units heads. To strengthen risk management, enhance and optimise productivity, appropriately deploy resources, deliver consistent product offerings and speed to market, as well as drive profitability, we have streamlined the FirstBank (Nigeria) operating model. The new business segments are Retail and Products, Corporate Banking, Commercial Banking, Public Sector, International Banking as well as Treasury and Financial Institutions.

The fundamentals of our business remains very strong; our underlying business continues to generate healthy of revenues as we deepen relationships and acquire new customers. At the end of 2015, the total number of active customer accounts increased by 12.5% year-on-year to over 10.9 million. Over 95% of the additional customers' accounts are from the retail segment which re-emphasises the strategic direction of the Bank going forward.

Electronic banking remains a major focus of the Bank to grow its revenue in an increasingly cost-efficient manner. Electronic banking fees grew by 34.1% year-on-year for the Bank to close at ₦15.4 billion (Dec 2014: ₦11.5 billion). The Bank's cards and acceptance channels have continued to improve the Bank's service delivery quality and diversify earnings stream, generating non-interest revenues, growing the quality of accounts and forging partnerships that will continue to strategically position the bank.

The total debit card base grew by 24% from 6.8 million in 2014 to 8.4 million cards in 2015. The Bank had a total of 2,749 ATMs as at year end (Dec 2014: 2,597), a growth of 5.9% year-on-year, as we continue to improve on customer proximity and convenience of banking with innovative banking solutions. We are changing customers' behaviour from using ATMs for only cash withdrawals to other value-added services such as bill payments, airtime purchases, and funds transfers, through increased awareness and signage. As at December 2015, 45% of bill payment services on the Automated Teller Machines in the Nation's banking industry were processed with FirstBank (Nigeria), demonstrating our strength in the e-payment space.

We have also continued to see growth in the value of transactions through our other alternative channels. Value of transactions through our internet banking and mobile banking increased by 12.2% and by 108.9% respectively to ₦945.0 billion and ₦65.8 billion. FirstBank (Nigeria) was awarded the 'Best Mobile Technology Bank of the year 2015' and 'Best Payment Bank of the year 2015' by Nigerian Banking Technology Award. Furthermore, we continue to be the leader in Bank collections volume in 2015 with an overall market share of 18%.

18 Otherwise secured refers to credits secured through cash/ treasury bills, guarantees/receivable of investment grade banks and corporates, enforceable lien on fast moving inventory in bonded warehouses/ tripartite warehousing agreement, all asset debentures, charge on asset financed, insurance policy, postdated cheques, domiciliation.

19 Unsecured credits represent clean lending to top tier corporates.

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FBNBank UK[20]

FBNBank UK posted a strong profit performance in 2015, in light of the prevailing market conditions, with a slight reduction in balance sheet footing, a reflection of a difficult business environment, increased loan provisioning and a strict regulatory environment. The capital position was strengthened through high loan-to-equity conversion and high retention of profit, while funding and liquidity positions remained solid throughout the year.

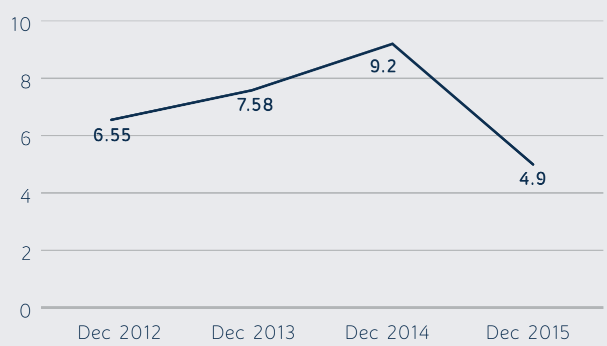
Gross earnings increased by 7.62% to ₦25.1 billion. The increase in gross earnings compared to the prior year resulted from a combination of expansion of customer lending and improved asset yield. Our portfolio of earning assets reduced by 1.75% in line with the Bank's business consolidation strategy. Net interest income grew by 13.95% to ₦20.4 billion, resulting from additional interest income driven by increased customer lending activities and improved asset yield. Interest costs decreased by 1.14% to ₦8.3 billion as a result of a favourable deposit liability mix.

Total commissions and fee income generated in 2015 decreased by 31% to ₦1.8 billion. The reduction in commission and fee income is attributable to a weak turnover of trade finance and other fee-related activities due to the implementation of an unfavourable exchange control policy by some countries in Africa.

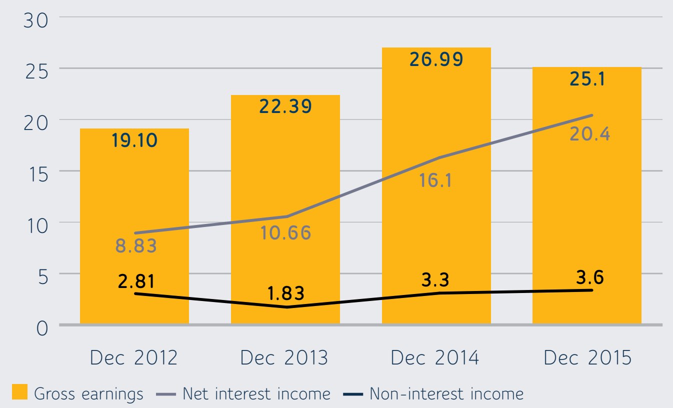
Operating costs declined by 13.44% to ₦7.4 billion. Appropriate levels of operational framework and systems remained in place to support the Bank's business and safeguard assets. However, a reduction in staff costs was recorded, which mainly explains the fall in operating costs despite the strong growth in operating income. The increased amount of impaired loan charges of ₦4.7 billion (2014: ₦2.8 billion) resulted in a worse cost-to-income ratio[21] of 42.5% (2014: 38.2%) compared to the previous year.

Specific credit impairment charges increased to ₦7.2 billion from ₦1.99 billion in 2014 in relation to stressed risk assets portfolio. The Bank also decided to increase collective impairment provision by ₦5.2 billion in 2015 in relation to performing asset portfolio. Consequently, FBNBank UK posted a profit before tax (PBT) of ₦4.9 billion for the year ended December 2015. The amount was short of the previous year's PBT by ₦4.3 billion.

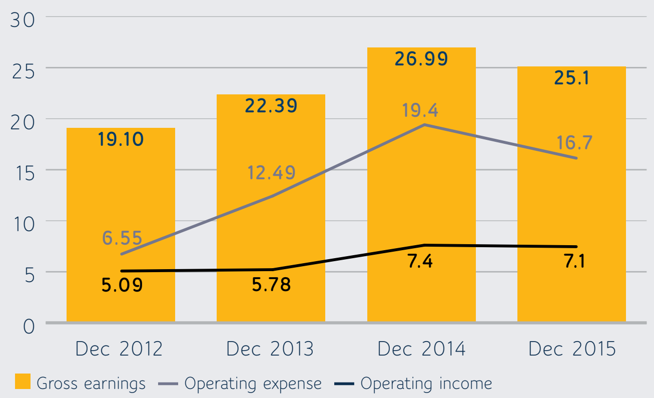
Profit before tax (₦bn)



Income (₦bn)



Operating income and expense (₦bn)



The balance sheet contracted by 1.9% to ₦657.7 billion, in line with the Bank's deleveraging strategy.

Earning assets decreased by 1.9% to ₦671.6 billion in 2015. Loans to customers decreased by 8.18% to ₦344.9 billion, loans to banks increased by (4.18 %) to ₦261.3 billion as FBNBank UK continued to lend to the productive sectors. FBNBank UK increased its exposure to short-term related assets. The non-performing assets ratio increased to 1.77% (2014: 0.64%) of total earning assets, and was fully provisioned net of collateral. Deposit liabilities decreased by 3.65% to ₦546.2 billion in 2015. The reduction in deposits was strategically driven to achieve an optimal funding mix and interest cost reduction.

Total shareholders' equity increased by 27.8% to ₦81.7 billion from a combination of good profit retention and new equity injection to strengthen the capital base. ₦1.5 billion (£50 million) debt capital was liquidated and the proceeds invested in equity.

Dividend payments of ₦2.2 billion (+49.2%) were made in 2015 to the shareholders. FBNBank UK continued to operate a sustainable business model based on its diversified stable funding base and high-quality assets portfolio held.

20 Actual performance of the business is discussed noting the exchange rate. ₦301.7862/1GBP. The numbers reported in the prior year have been stated in the graphs.

21 Excluding impairment charge.

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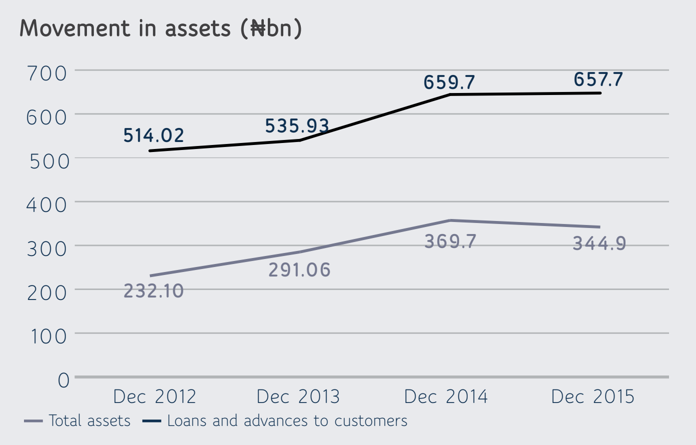

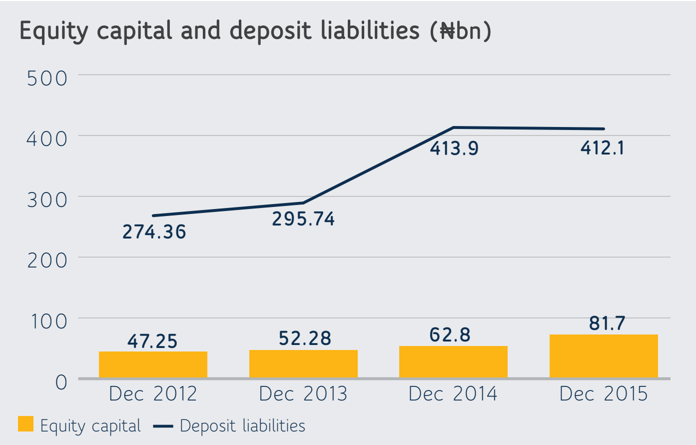

FBNBank UK's funding strategy is to maintain a well-diversified funding base and to continually seek alternative funding sources in order to manage costs and guard against funding disruption. At 31 December 2015, FBNBank UK had ₦546.2 billion in customer deposits, composed of ₦134.1 billion in wholesale funding and ₦412.1 billion in retail customer deposits, diversified among over 40,000 retail customers. A significant percentage of the retail deposits was generated through the FirstSave deposit product.

In 2015, the FirstSave euro deposit product, which was launched in 2014, grew significantly to over 2,250 in customer base. The FirstSave postal deposit product and capital broadened the funding source base.

Liquidity remained strong during the year as FBNBank UK continued to hold high-quality, unencumbered liquid assets and maintained a reserve account at the Bank of England in line with the regulatory buffer asset requirements. In addition, significant highly liquid money market instruments were held to support liquidity requirements.

Loans and advances to customers were largely funded by customer deposits, long-term wholesale debt and equity. Wholesale deposit funding was mostly matched with assets of a similar tenor to mitigate unnecessary liquidity stress.

FBNBank UK will continue to monitor compliance with existing regulatory buffer asset requirements and relevant Basel III metrics, including the liquidity coverage ratio and net stable funding ratio.

At 31 December 2015, FBNBank UK recorded a capital adequacy ratio of 17.12% (2014: 18.60%) with a core tier 1 capital ratio of 17.12% (2014: 14.90%), reflecting the increase in core lending and changes to risk-weighting rules for assets in third countries.

The capital ratios were in excess of regulatory requirements as at the reporting date and demonstrated the strong capital position of FBNBank UK. Risk-weighted assets increased by 17.78% to ₦479.8 billion in December 2015, reflecting the increased risk weightings assigned to financial institutions, especially those in third countries. It is expected that with the strength of our current capital ratios, our ability to retain future profit and our optimal mix of risk weighted assets, FBNBank UK will be able to meet its regulatory capital requirements in the future.

FBNBank DRC[22]

FBNBank DRC continues on a growth path despite the tough operating environment. Gross earnings increased by 5.49% to ₦12.1 billion. The increase in gross earnings compared to the prior year resulted from the expansion of customer lending activities as our portfolio of loans and advances increased by 12.2% for the year to ₦39.96 billion.

Net interest income grew by 12.2% to ₦5.7 billion, resulting from a rise in interest income driven by a combination of increased customer lending activities and improved asset yield. Interest costs increased by 18.6% to ₦903.2 million as a result of growth in deposit volume as well as increasing demand for higher rates by customers.

Total commissions and fee income generated in 2015 declined by 7.4% to ₦4.2. This slight decline is attributed to the loss of commission on transfer business caused by the termination of our banking relationship with our major correspondent bank.

Operating costs increased by 10.2% to ₦8.8 billion. This performance was essentially driven by appropriate levels of an operational framework and systems now in place to support increased business and safeguard assets. The improvement in the framework and systems led to a rise in staff costs, professional fees and premises costs. Though our operating income grew, operating expenses also rose slightly resulting in a cost to income ratio of 78.4% (2014: 73.8%).

Consequently, FBNBank DRC S.A. posted a profit before tax (PBT) of ₦1.74 billion for the year ended December 2015, a 38.8% increase over the previous year.

22 Actual performance of the business is discussed noting the exchange rate. ₦0.2137/1CDF

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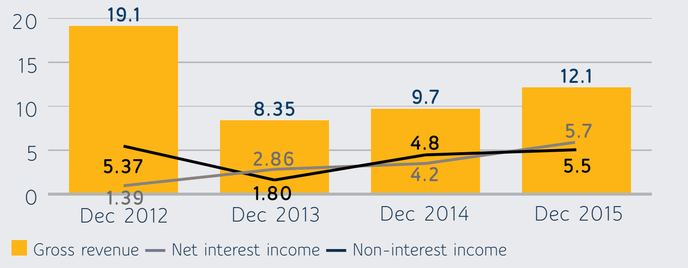
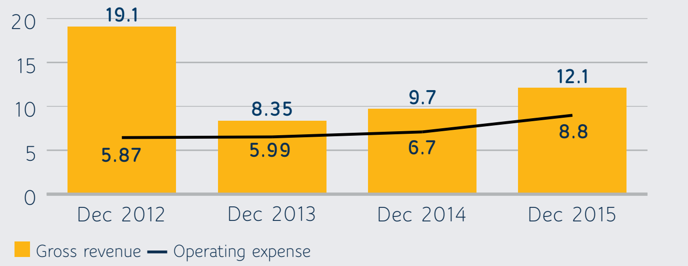
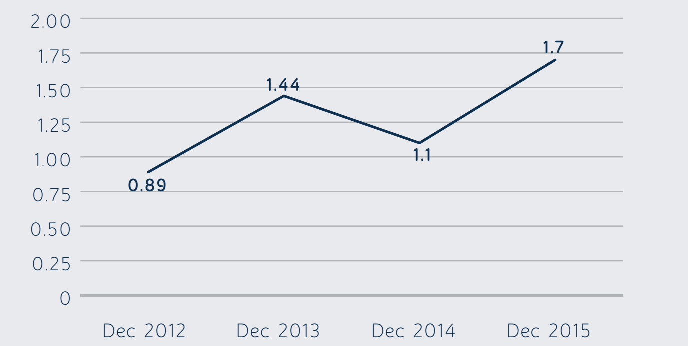
Income (₦bn)



Operating income and expense (₦bn)

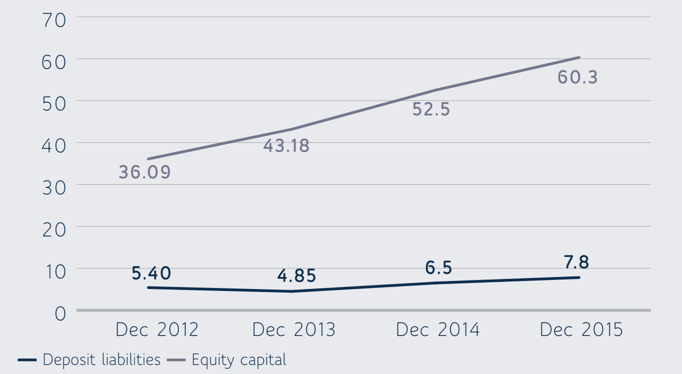


Profit before tax (₦bn)



The balance sheet expanded 9.8% to ₦74.8 billion, driven by growth in customer deposits generated to support increased lending activities. Gross loans and advances increased by 14.9% to ₦42.8 billion in 2015 with net loans to customers increasing by 15.7% to ₦39.96 billion. Deposit liabilities grew by 7.5% to ₦60.3 billion in 2015. The growth in deposits recorded was strategically driven to achieve an optimal funding mix and interest cost reduction. In addition, advances to customers were largely funded by customer deposits and equity. Total shareholders' equity increased by 11.2% to ₦7.8 billion, driven by profit retention to strengthen the capital base.

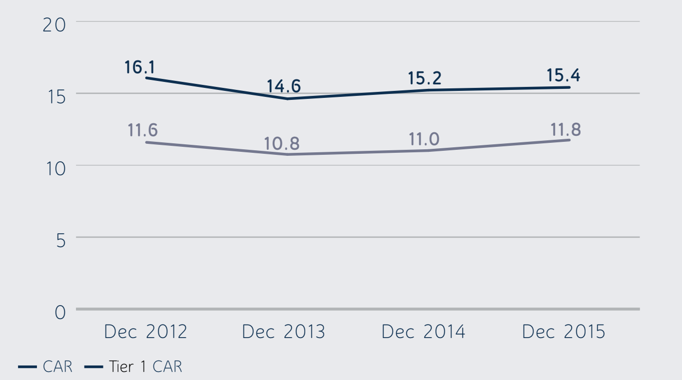
Movement in assets
Equity capital and deposit liabilities (₦bn)



FBNBank DRC S.A.'s funding strategy is to maintain a well-diversified funding base and to continually seek alternative funding sources in order to manage costs and guard against funding disruption. Liquidity remained strong during the year as the Bank continued to hold high-quality, unencumbered liquid assets and maintained a reserve account at Central Bank of Congo, in line with the regulatory buffer asset requirements.

At 31 December 2015, FBNBank DRC S.A. recorded a capital adequacy ratio of 15.41% (2014: 15.22%) with a core tier 1 capital ratio of 11.75% (2014: 11.02%), reflecting the contribution from a increased profit retention and optimal balance sheet management. The capital ratios remain in excess of regulatory requirements and demonstrating strong capital position for FBN Bank DRC S.A.

Capital adequacy ratio (%)



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OUTLOOK

It is anticipated that 2016 will be challenging for FBNBank DRC S.A., particularly as commodity prices are likely to remain low, the economic situation is still below full recovery and the regulatory environment continues to operate harder rules.

The political environment is already experiencing some level of uncertainty. Nevertheless, we look forward with optimism and confidence to identifying and executing viable business opportunities, which in turn should produce excellent financial performance.

First Pension Custodian Nigeria Limited (FPCNL)

During the 2015 financial year, we made progress in the delivery of our strategy and achieved a strong financial performance despite the challenging operating environment. Strong financial management is at the heart of our strategic priorities. Focusing on this, we finished the year in a stronger financial position.

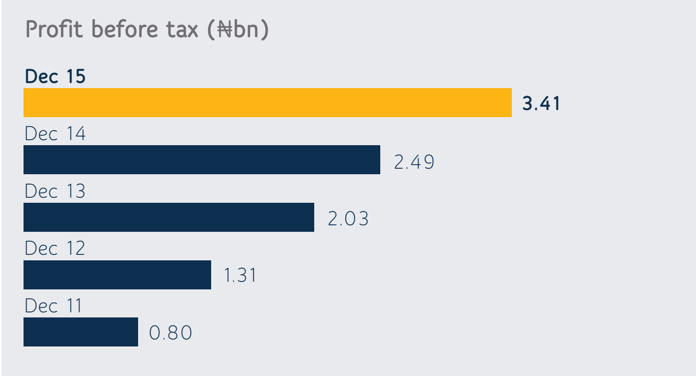
The Company's underlying profit increased by 36.7% in 2015 to ₦3.41 billion (2014: ₦2.49 billion). This reflected strong growth in income of 22.7%, boosted by continued progress in our cost management initiatives, leading to a reduction of 0.04% in operating costs. Profit after tax in 2015 was ₦2.42 billion (2014: ₦1.71 billion).

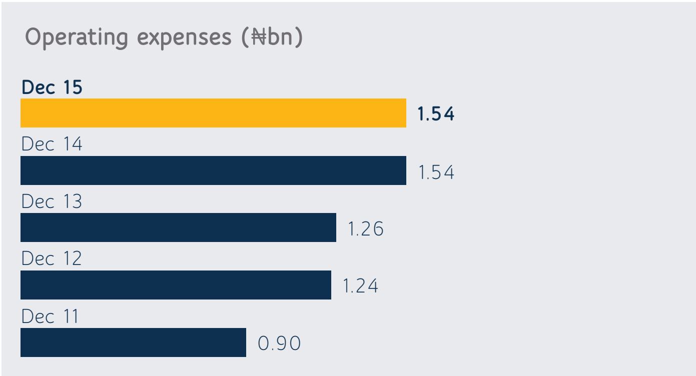
Total income recorded in 2015 was ₦4.95 billion, a rise of 22.7% (2014: ₦4.03 billion). This result was driven by strong growth in custody fees and interest income offsetting the lower other income. Custody fee income increased by 18.9% to ₦4.18 billion. This was driven by 16.5% growth in assets under custody to ₦2.11 trillion (2014: ₦1.82 trillion), assisted largely by newly added volumes from new businesses. Net interest income increased by 50% to ₦0.76 billion (2014: ₦0.51 billion), driven mainly by growth in investible funds. Other income in the year was 2% lower, at ₦0.83 billion (2014: ₦0.85 billion).

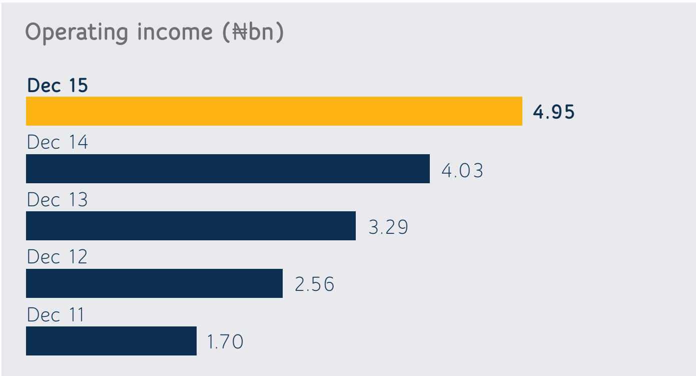
Total operating expenses recorded in 2015 was ₦1.538 billion, a reduction from the 2014 figure of ₦1.539 billion by 0.04%. This demonstrates the effectiveness of our cost-containment initiative during the year. Costs in the fourth quarter included the ₦40 million donation to the pension industry-wide corporate social responsibility (CSR) initiative and the ₦52.76 million in benefits (cash and noncash) paid to members of staff who took advantage of the Board approved voluntary early retirement scheme in December 2015. We continue to invest to improve our IT infrastructure for increased operational efficiency and customer satisfaction.

Basic earnings per share increased by 41.2% to 120.84 kobo (2014: 85.59 kobo) per share. The weighted average number of shares in issue during the period was the same as the prior year: 2 billion units.

FINANCIAL POSITION ANALYSIS





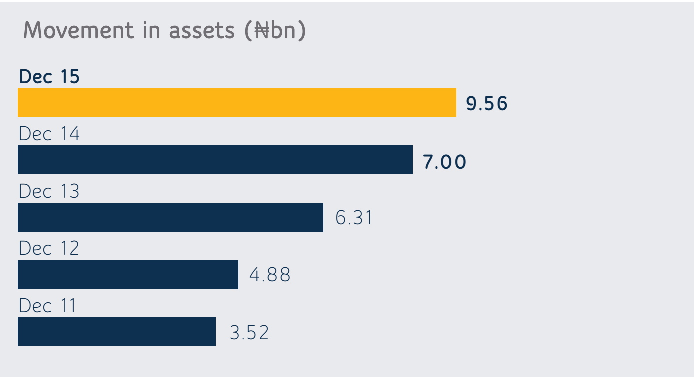


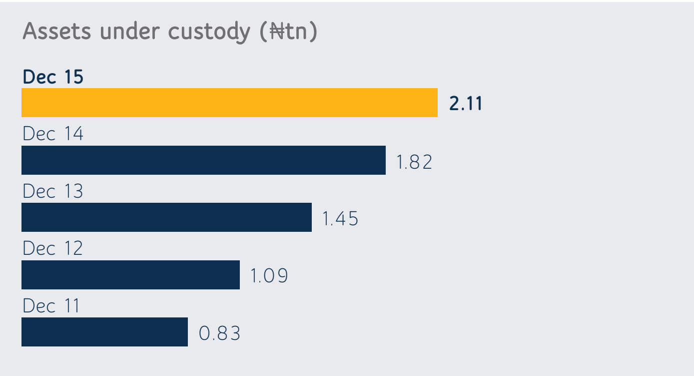
Total assets increased by 36.5% to ₦9.56 billion (2014: ₦7.00 billion), driven by growth in both earning and non-earning assets. Earning assets increased by 42.25% to ₦7.52 billion (2014: ₦5.29 billion), mainly attributable to an increase in investment securities by ₦2.24 billion (42.63%) to ₦7.48 billion. Property, plant and equipment recorded an increase of 13.6% arising from advance payment on the modification works on new office accommodation, which is expected to be concluded in the first quarter of 2016. Total shareholders' equity increased by 20.8% to ₦6.52 billion, due to growth in profitability, and consequently, increased retained earnings. This will eventually drop with the payment of the final dividend at the end of the 2015 financial year.

ASSETS UNDER CUSTODY (AUC)

AUC recorded a growth of 16.5% to ₦2.11 trillion, from ₦1.82 trillion in 2014. During the year, equity market movements were not favourable, with a drop in the all-shares index of 16.14% year on year, which impacted the assets under custody. During the year, there were eight new custodial relationships for non-pension assets.

CONCLUSION





Our aim for 2016 is to continue to operate an efficient business and build platforms for long-term sustainable growth.

FBN Mortgages

FBN Mortgages is a fully fledged primary mortgage banks (PMBs) providing integrated mortgage solutions and funding to individuals and property investors. The Bank's target markets are a mix of high-end to middle-class income earners, as well as carefully screened and qualified self-employed customers. These classes of customers provide enormous opportunities for the Bank.

Offering risk assets, savings and deposits, the Bank is a market leader in the primary mortgage banking sector of the financial industry with a customer base of 5,768, deposit base of ₦12.0 billion and an asset base of ₦16.0 billion leveraging on the top-notch brand of FBNHoldings in the marketplace, robust information technology (IT) and highly seasoned personnel for its cutting-edge operations and service delivery.

Operating costs decreased 73.3% year on year to ₦0.6 billion (2014: ₦2.3 billion); total assets increased by 13.2% to ₦16.0 billion (2014: ₦14.2 billion), principally from new business growth of real estate properties.

The profitability of the Company was impacted positively at ₦450.8 million as a result of the positive improvement from real estate investment disposal compared to the loss suffered in the previous year (2014: ₦2.3 billion), reflecting the 153.3% growth in gross earnings at ₦2.5 billion (2014: ₦985.9 million). Access to long-term low-cost funding continues to create a major challenge for mortgage financing in Nigeria. The Bank will persistently strive to increase its risk asset portfolio with a focus to increase the ratio of risk assets to total assets. The Bank is already forming a strategic partnership with some reputable development financial institutions (DFIs), which will provide the Bank with cheap, long-term funding. In pursuit of our loan creation priorities, we will seek to improve our credit processes by deploying new initiatives and optimising the efficiency of the processes. We are focusing on strategies, processes and controls around our credit processes to ensure incidences of loan losses are reduced and kept as low as possible. In addition, in improving our credit processes, we are enhancing customer service delivery to provide excellent and creative services to our esteemed customers in a timely manner.

West Africa operations

The performance of our West Africa banking operations is progressing in line with the long-term objectives of our international expansion, especially the main goals of reducing country-specific risk, diversifying our earnings base and continuing to support our customers' trade requirements. These five subsidiaries are tier 3 banks in their respective markets, offering a number of financial services and products to their customers comprising retail, corporate, SMEs and the public sector, with their operations classified into business and consumer banking. The Bank is beginning to gain from the all the structures that have been put in place, also our focus on extracting revenue opportunities through product innovation and extension, aligning the Group's corporate governance standards and optimising the processes and policies, as well as the core banking applications, has improved our gains. The total asset of the five FBN West African banking operations has grown to ₦55.6 billion, a 17.4% rise from 2014 at ₦47.4 billion, partly as a result of the marketing drive of the teams in the various locations. The West Africa banking operations account for 1.4% of the Banking Group's assets. Gross earnings were ₦7.4 billion (2014: ₦5.7 billion) demonstrating a 29.4% turnover growth. The West Africa banking operations returned a PBT of ₦1.8 billion (2014: ₦1.3 billion) indicating a 39.8% rise in profitability.

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Merchant Banking and Asset Management Business

Following the acquisition of a Merchant Banking License in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking & Asset Management Business (MBAM). The MBAM business comprises of businesses that arrange finance, provide advisory services, trade securities, administer assets, manage funds and invest capital for both institutional and individual customers.

The group's evolution into Merchant Banking includes the acquisition of Kakawa Discount House by FBNH and obtaining the Merchant Banking license. Financial reasons are:

- For a larger balance sheet, facilitation of additional leverage and selective underwriting capacity;
- Opportunity to generate significant incremental revenue from new product lines; and
- Provide access to alternative sources of funding for flexibility & stability.

The business group consist the Banking and non-Banking businesses. The Banking business is the Investment and Merchant Bank while the non-banking business is FBN Capital organised into four strategic business units Investment Banking, Markets, Asset Management, Trust Services and Alternative Investments.

The macroeconomic headwinds that prevailed for the most part of 2015 resulted in rising inflation and devaluation of the Naira in both the official (8.5%) and parallel markets (39%). The fixed income and equity markets recorded much lower trading activity (equity market capitalisation declined by 20%). Foreign investors continued to exit the market and adopt a wait and see' approach. During the year, MBAM continued to pursue a number of strategic initiatives including driving cross-selling and institutionalising collaboration with other members of the group, strengthening the distribution platform by developing new products and establishing the right partnerships to expand its local and offshore distribution capacity. MBAM recorded a strong performance.

Total revenue increased by 40.0% to ₦33 billion from ₦23.6 billion in Dec 2014, while profit before tax increased by 193.2% to ₦10.3 billion from ₦3.5 billion in Dec 2014. This performance was largely driven by the consolidation of the merchant banking business to the group.

Total assets under management (AuM) across the business also grew by 48% to close at ₦219 billion (FBN Capital Asset Management and FBN Trustees, as the asset management businesses, became the No.2 fund manager in Nigeria by AuM (SEC Registered funds) as at 31 December 2015). Despite the Federal Government's expansionary plans in the 2016 budget proposals and the 2016 – 2018 expenditure framework, economic growth in Nigeria will be weighed down by foreign exchange controls, and policy uncertainty, all of which will serve to reduce investment in Africa's largest market. We expect the weak macroeconomic conditions to linger and anticipate gradual pickup in business activity in the second quarter when the government spending from budget implementation starts to boost economic activity.

Key drivers for the year-on-year performance are increase in foreign exchange income due to change in exchange rate to spot rate during the year; fee income from the different divisions, earnings from debt solutions (a division of Investment Banking) and increase in proprietary.

The Equities market remained volatile for the most part of the year but improved at the end of the year by 4.6%. Investment banking faced significant challenges as key transactions did not close as planned. Asset Management performance was primarily impacted by slower than anticipated growth in AuM. Markets- Fixed income trading and proprietary income continue to perform strongly.

The Alternative Investment business was impacted by the delay in fund raising, winding-down on options, slow recovery of the SMEEIS investments as well as unrealised revenues.

The Trust division's performance was been driven by growth in interest related income, and the continued growth trajectory of the fee income driven by the Corporate & Public Trust businesses.

Origination & client coverage (part of Corporate Banking business unit) recorded a strong performance from note issuance activities.

Notwithstanding the headwinds, MBAM's growth was driven by fees from Trustees, Asset Management, Alternative Investment and Markets (FBN Funds). A greater proportion of the revenue was attributable to non-interest income as fixed income was subdued.

The substantial forex gain recorded was as a result of the foreign exchange rate adopted which was changed from the CBN rate to the interbank rate.

FBN Merchant Bank

FBN Merchant Bank is the newly incorporated business which includes the Investment Banking business in MBAM. The transition to Merchant Banking is a step to consolidating our leadership position in our various markets which we expect to translate to higher returns for our shareholders.

Gross earnings were ₦16.4 billion (2014: ₦13.2 billion) driven by the increase in securities trading (bonds & t-bills) and Interest income which also increased 20.2% year-on-year to ₦15.1 billion (2014: ₦12.6 billion). Deliberate cost reduction efforts saw operating expenses remaining flat.

Operating expense as a percentage of net revenue declined significantly from 55.8% in 2014 to 37.2% resulting in an increase in profit before tax in excess of 100% to ₦3.8 billion (2014: ₦1.8 billion).

Net loans and advances to customers increased 36.4% to ₦36.6 billion from ₦26.9 billion in 2014. Deposits, in the same vein, increased 4.1% from ₦68.8 billion to ₦71.6 billion in 2015.

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FBN Capital

FBN Capital Limited, an entity within the Merchant Banking and Asset Management group houses the Trustee business, Funds, Asset Management and Securities.

Gross revenue declined by 5.9% year-on-year to ₦8.7 billion, while PBT also declined by 49.6% to ₦2.7 billion (Dec 2014: ₦5.3 billion). The Debt Solutions business contributed majority of the revenue, while the Financial Advisory & Capital markets businesses accounted for the balance.

FBN Trustees

FBN Trustees is a wholly owned subsidiary of FBN Capital. It acts as a custodian, administrator and manager of assets for public, corporate and private entities/individuals with three main business lines namely; Corporate, Public & Private trust. The corporate trust business benefitted from reforms and increased market activity in the oil & gas and power industries while the public and private trusts businesses continue to grow steadily.

Gross earnings for the period was ₦3.7 billion while profit before tax for the period was ₦2.1 billion.

FBN Capital Asset Managers

FBNCAM is a wholly owned subsidiary of FBN Capital, offering specialist Portfolio and Fund management services; mutual funds for retail investors and investment portfolios and structured products for Institutional and High Net Worth individuals. The Asset Management division's products include mutual funds, structured products, as well as discretionary and non-discretionary portfolio management services across various asset classes including fixed income, equities and real estate.

FBN Capital Asset Managers currently ranks as the third largest SEC registered fund manager in Nigeria (ranked by total AuM of mutual funds and exchange traded funds).

FBN Capital Asset Managers' gross earnings increased 4.7% year-on-year to ₦100.7 million (Dec 2014: ₦96.2 million).

FBN Funds

FBN Funds is a wholly owned subsidiary of FBN Capital, and is the private equity business which serves as a platform for providing growth capital to firms to finance their expansion plans. We have made investments across a number of sectors in Nigeria such as Telecoms, Leasing, Oil and Gas, Travels and Tourism, Information and Communication Technology.

Gross earnings increased to ₦1.7 billion (Dec 2014: ₦0.5 billion) transforming the loss position in the prior year to ₦1.3 billion (Dec 2014: -₦0.5 billion).

FBN Securities

FBN Securities is a wholly owned subsidiary of FBN Capital, and is engaged principally in the business of stock brokerage. It is the hub of our distribution platform; comprising sales, trading, research and structuring activities, across various asset classes (equity, fixed income & foreign exchange). Our services are offered to a broad range of customers including; pension fund administrators (PFAs), insurance companies, banks and financial institutions, local and offshore portfolio managers, large corporations, endowment funds, foundations and cooperative societies, High Net Worth customers (HNIs) and other retail customers. We also distribute public offerings on behalf of issuers and provide qualitative macroeconomic, sector focused and companies research.

Recovering from the challenging business environment in the prior year, as the equity and fixed income markets faced significant headwinds limiting foreign investors' appetite, profit before tax came to ₦8.9 million in Dec 2015 (Dec 214: -₦603.0 million).

Insurance Group[23]

The Insurance business group offers insurance brokerage and composite underwriting services to customers; while FBN Insurance Brokers (100% owned subsidiary) provides the brokerage service, the full underwriting business is provided through FBNInsurance (65% owned by FBNH and 35% by Sanlam).

The Sanlam Group is the second largest non-banking financial services group in South Africa. FBNInsurance is a business relationship that leverages the technical life insurance skills and expertise of Sanlam Group and the FirstBank knowledge of the Nigerian financial services market and distribution network to deliver tangible value to customers.

The insurance sector witnessed a change in leadership with the appointment of the new Commissioner for Insurance, effective 31 July, 2015. Under the new leadership, the regulator has been more involved in upholding high standards and introducing new policies towards driving sustainable growth in the insurance sector. During the year, 108 insurance brokers were delisted for non-renewal of registration while the board of one insurance company was dissolved due to discovery of anomalies in the December 31, 2011 audited financial statements. In ensuring the best practice in the industry, the regulator directed all registered insurance companies to offset all outstanding claims as at September 30, 2015. The regulatory environment has been relatively stable and has attracted some foreign players into the industry through a few mergers and acquisitions. This will further promote healthy competition and raise products and service delivery standards in the industry.

23 The business group numbers are consolidated figures but the stand alone financial statements are used in discussing the different subsidiaries.

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Revenue for the Insurance group increased by 60.6% year-on-year to ₦10.5 billion in 2015 from ₦6.5 billion in 2014, while profit before tax closed at ₦2.2 billion from ₦706 million from the prior year.

Total assets of the business grew (+29.9%) ₦22.7 billion (Dec 2014: ₦17.5 billion). The performance during the year was driven through efficient product delivery channels, customer service delivery, prompt claims settlement and moderate policy retention as part of the risk management strategy. We continue to deepen our footprint in the retail space resulting in improved contribution to the premium earned despite the unresolved regulation on bancassurance.

Our recent foray into the general insurance market, and an enhanced collaboration with Sanlam, particularly in the area of product development, will further strengthen our position. In coming periods, the implementation of cost-effective business models with operational excellence in deploying innovative products, superior services and channel distribution will be key to operate successfully in this challenging business environment.

FBNInsurance

FBN Insurance Limited comprises FBN Life and FBN General Insurance. Gross premium income (GPI) for the insurance business totalled ₦11.6 billion representing a 38.1% year-on-year increase over 2014 (₦8.4 billion). Growth achieved in the year was buoyed by an increase in sale of retail products and increased benefits from the deployment of mobile insurance products and other alternate distribution channels. Gross earnings increased 71.0% year on year to ₦9.8 billion (Dec 2014: ₦5.7 billion).

Earning growth also benefitted from synergies across the group resulting in increased market share and improved capability.

Operating expenses increased 30.6% year on year to ₦4.4 billion (FY2014: ₦3.4 billion) mainly as a result of strategies to drive expansion of sales outlets and the enhancement of infrastructure to support service delivery but this did not hamper profitability which increased 56.3% to ₦2.1 billion (FY2014: ₦1.3 billion).

Total assets increased by 31.9% to ₦22.4 billion (Dec 2014: ₦17.0 billion) resulting from a 37.6% growth in investment securities. Shareholders' funds closed at ₦9.6 billion (Dec 2014: ₦4.2 billion) reflecting the acquisition of the general insurance business.

FBN Insurance Brokers

FBN Insurance Brokers provides the business of Insurance Brokerage services.

The insurance sector in 2015 had its fair share of the fallout of the nation's dwindling economic fortunes and the impact of the elections resulting in lull in business. Insurance thrives in a booming economy. The reduction in oil prices, importation, credits etc. impacted the insurance business resulting in a 'pari passu' impact on the insurance business.

As a result, gross earnings declined 14.9% year on year to ₦670.8 million (Dec 2014: ₦789.1 million). Commission received and investment income also declined. While Commission received dropped by 18.6% to ₦529.4 million (Dec 2014: ₦650.7 million), investment income declined 2.2% to ₦108.3 million (Dec 2014: ₦129.7 million).

Operating expenses decreased 14.4% year on year from ₦550.9 million to ₦471.3 million owing to the cost management strategies put in place and profit before tax came to ₦185.6 million.

Total assets declined marginally (-9.9% year on year) to ₦1.16 billion (Dec 2014: ₦1.29 billion) while shareholders' funds closed at ₦836.4 million.

We are optimistic of better performance in the year ahead as we continue to take advantage of various sectors in the economy with the new businesses. Despite this uncertain backdrop, the sector is considered to offer significant potential, with foreign investors attempting to build a profile in the market. A sense of optimism is prevailing the new political era instilling a greater degree of confidence in insurance's future.

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GOVERNANCE

The Board is committed to achieving sustainable ***long-term success*** *for the Group, and governance plays an integral part in ensuring consistency and rigour in decision-making to ensure shareholder value is maximised over time.*

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CHAIRMAN'S INTRODUCTION

"As a Board we realise that there is no better time than now to stay true to the strong ethics for which we have been renowned, and to hold firm to best corporate governance practices."

DEAR SHAREHOLDER,

You will agree with me that 2015 was a deeply challenging year for us as a business, the economy and the country at large. The year witnessed a significant and sustained drop in the price of Nigeria's main export, crude oil, which resulted in a weakened Naira, restrictive monetary policy in the management of foreign exchange, depletion in the foreign reserves, an austere economy and uncertainties occasioned by the general elections. These challenges have worsened the risk profile of the country, heightened vulnerability and fuelled capital flight as evidenced by the persistent bearish trend in the capital market.

2015 in review

The Nigerian capital market was severely impacted by earlier mentioned factors, which resulted in significant portfolio flight, consistent with the trend in other commodities exporting emerging markets in particular, as investors shifted allocation to developed markets.

In spite of the challenging environment, there were positives for the Group in 2015. FBN Holdings Plc was admitted to the Premium Board of the Nigerian Stock Exchange, a platform for first-line listed companies in Nigeria. This was in recognition of the strength of our corporate governance practices and decades of unwavering support for the growth of the Nigerian Capital Market. We consider this recognition a duty call to continue to provide exemplary leadership in the market and further raise the stake in the observance of good corporate governance practices. The entire Board and Management of FBN Holdings Plc are fully aligned and resolute in our objective to continue to set the highest standards in good corporate governance practices.

We understand fully that adherence to good governance practices will provide us with a foundation to realise the benefits in-built in our extensive footprint, rich heritage, extended offerings and public goodwill. We have intensified our oversight function in ensuring the extraction of synergies intrinsic to our diversified operations across markets and geographies, as well as over 10.9 million active customer accounts. In the second half of the year, we took the bold decision to further enhance the breadth of our service offerings to the market by acquiring a investment banking licence via the acquisition of Kakawa Discount House Limited and also renamed our general insurance business as part of the post-acquisition integration process subsequent to the acquisition of Oasis Insurance Plc (now FBN General Insurance Limited). With these acquisitions, we have significantly enhanced the resilience of our structure and diversified our earnings base to reduce our reliance on the commercial banking business. In addition, our cross-border commercial banking operations, led by FBNBank (UK) Limited, will further ensure that we are, to a large extent, cushioned against country-specific risks. All of these are geared towards the realisation of our aspiration to become the foremost financial institution in Sub-Saharan Africa, irrespective of today's circumstances and the challenging macroeconomic backdrop.

Our short to medium term plan

Nigeria faces a challenging near-term outlook. Commodity prices are expected to stabilise but remain low through 2017. Notwithstanding the challenges, a more stable political environment and increased government spending on social welfare and infrastructure are expected to support growth in 2016.

As a Group, we acknowledge our peculiar challenges in addition to the general macroeconomic difficulties, particularly as it relates to the significant drop in oil price and its effect on the macroeconomic indices of Nigeria and other emerging economies. Our performance for the financial year 2015 was negatively impacted by very high impairment charges on the loan book in our commercial banking business.

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As a result, we have had to review extensively our overall risk management framework, as well as practices, particularly as it relates to credit risk management. Delegated lending limits have been reduced across the board, with increased Board oversight. Risk appetite and framework have been reviewed to capture the desired change in our risk management practice, which should see stronger obligors, a reduction in new non-performing loan formation, strengthened monitoring and management of the loan book. The credit monitoring and remedial management functions are being strengthened for proactive credit portfolio management. Furthermore, during the year, the Group Enterprise Risk Management (ERM) framework was approved, and is being embedded across the Group. This will, in no small measure, further strengthen our risk management practices. In addition, an aggressive recovery plan has been put in place, and is being driven by the Board.

I recognise the existing mismatch between the actual value and potential value derivable from our huge asset base, particularly the risk assets of the Commercial Banking group. I have the commitment of the Board as well as Management that we will not only weather the storm, but emerge stronger, more resilient and better equipped for the next phase of our growth story. A detailed diagnostic of root causes has been carried out and key initiatives, both tactical and strategic, to aggressively reposition and improve the performance of the business are being implemented. I expect that this will improve the quality of our assets, enhance the quality of our earnings, improve our efficiency, impact our risk-adjusted return and drive disciplined cost-containment strategy and optimal extraction of synergies, central to our immediate strategy.

Today, synergy identification and realisation initiatives have been escalated to the Group Executive Committee (GEC), the highest organ of management in the Group, and directly under the Board's radar. Consequently, the performance management framework has been remodelled across the Group to ensure that executive management is measured on cross-sell and cost synergy. Synergy champions have been appointed at senior management levels across all operating companies, with the responsibility to drive cross-sell across the Group and cascade synergy measurement to the lower level for the purpose of entrenching the 'one-stop' boutique agenda.

Our resolve to do business the 'proper' way is unremitting. Our pledge to our shareholders, therefore, is to always ensure that in the discharge of our duties, we shall endeavour to deliver on our promises and exceed your expectations.

Our governance framework

Our governance framework is in line with global best practices and in compliance with the regulations and codes of corporate governance. Our oversight functions are discharged through the Boards of Directors of all operating companies within the Group. All operating companies have distinct Boards and ensure compliance with the statutory and regulatory requirements of the sectors in which they operate.

At the Holding Company and in the other operating entities, the Boards operate through various committees which are constituted in adherence to the various codes and regulations. Our robust framework ensures a good blend of Board autonomy and Group coordination at the operating company level.

Board changes during the year

Since the last Annual General Meeting of FBN Holdings Plc, there have been three retirements and three appointments to the Board.

During the year, Abdullahi Mahmoud, Bisi Onasanya and Bello Maccido retired from the Board, effective 31 December 2015. On behalf of the Board, I would like to place on record our gratitude to Bello Maccido, the pioneer Group Chief Executive Officer of FBN Holdings Plc, who laid the solid foundation upon which future successes of the Group will be built. Bello Maccido joined the Board of our newly licensed investment bank, FBN Merchant Bank Limited, as the pioneer Chairman, effective 1 January 2016. His replacement as Group Managing Director, FBNHoldings, Urum Kalu (UK) Eke, MFR, was until his appointment, the Executive Director, South, First Bank of Nigeria Ltd. UK is a highly experienced business administrator with deep financial services industry experience spanning diverse areas including business assurance, business development, risk management and capital market operations. UK is best equipped to lead us at this time.

Consistent with our objective of deepening the experience base of the Board, balancing our need to maintain the Board's longevity and stability, and regularly refreshing its composition, we effected the appointment to the Board, subject to your approval, of Muhammad Kabiru (MK) Ahmad. MK Ahmad is a seasoned administrator and his appointment has brought significant and diverse experience to the Board. In the same vein, Dr Adesola Adeduntan, the newly appointed Managing Director of First Bank of Nigeria Limited and its Subsidiaries, was appointed to replace Bisi Onasanya on the Board as a non-executive director subject to your approval at the AGM.

How is good governance achieved?

Effective corporate governance practices are largely dependent on the skills, integrity and experience of individuals on the Board and how well they are committed to doing business in accordance with global best practices.

As Chairman of the Board, I am responsible for ensuring that the Board performs effectively. In that regard, one of my areas of focus since joining the Board has been to ensure that the FBNHoldings Board, and indeed the boards of the operating companies, are strong and well functioning, composed of individuals who possess not only the right technical abilities and business experience, but also the personal qualities required to be effective, dedicated and committed stewards of the Company. A review of the current composition across the boards of the various operating companies will reveal these qualities.

We acknowledge that good governance practices are best initiated and observed in the boardroom. Hence, our 'tone from the top' will consistently be driven to encourage adherence to good corporate governance practices across the Group to keep us ahead of competition and ensure the sustainability of our business.

As with the preceding year, in 2015, FBN Holdings Plc as a stand-alone company, had no sanctions imposed by any of its regulatory bodies. However, two of our subsidiaries, First Bank of Nigeria Limited and FBN Capital Limited, were fined by their respective regulators for different infractions. Internally, we have reinforced our compliance processes to safeguard against future reoccurrence of such regulatory breaches.

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Quality of disclosure

We do not take lightly our responsibility to shareholders and the investing public with respect to providing the market with timely and quality information. To this end, we continually enhance transparency and disclosure in our financial reports, and other communications to the market, ensuring that our reports are detailed and comprehensive enough to provide shareholders with sufficient context and help the investment decision process.

OUR RESOLVE TO DO BUSINESS THE 'PROPER' WAY IS UNREMITTING.

AS A BOARD, WE FULLY COMPREHEND OUR RESPONSIBILITIES TO SHAREHOLDERS, CUSTOMERS, STAFF, THE COMMUNITIES IN WHICH WE OPERATE AND THE GENERAL PUBLIC.

Our corporate culture

We understand that our corporate culture is influenced by the Board, brought to life by Management, and distilled Group-wide to drive our long-term business model. Within the Group, we recognise the value of diversity in our employee base that comes from a broad and representative mix of background and experience, as different perspectives allow us to see and develop new opportunities. We promote internal initiatives to support diversity and inclusion within the Group, and we realise we can only achieve our strategic objectives by building a sound reputation founded on the highest standards of responsible behaviour.

Conclusion

These are trying times for our Company, the financial services industry and the economy at large. However, we are resolute in our desire and commitment to emerge stronger and more resilient. Dear shareholders, this is not the time to panic. You can be assured that, as a Board, we remain steadfast in ensuring that our processes are continually improved upon and that the Board, Management and employees internalise the implementation of the highest standards of corporate governance practices which will guarantee our Group's long-term sustainability.

Dr Oba Otudeko, CFR
Group Chairman, Board of Directors

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CORPORATE GOVERNANCE DEVELOPMENTS IN NIGERIA – 2015

Corporate governance is constantly evolving globally and Nigeria is not cocooned from the developments in the corporate governance sphere. Investors are increasingly realising that good corporate governance is the only way to run business sustainably. Regulators, also realising that corporate governance is key to the sustainability of businesses and the economy as a whole, are increasingly promoting adherence to corporate governance practices and ethical compliance. To better understand the rationale for the foregoing assertions, we shall review recent developments on corporate governance within the Nigerian macroeconomic sphere in 2015.

SEC launches corporate governance scorecards for quoted companies

Towards the end of the year, Nigeria stepped up its capital market development efforts believed to help address challenges that hitherto discouraged investors from investing in the market. The Securities and Exchange Commission (SEC) launched a corporate governance scorecard for listed companies in the Nigerian capital market in line with its goal of boosting investors' confidence and deepening corporate governance practices in Nigeria. The corporate governance scorecard assesses the level of compliance with the SEC's code of corporate governance by Nigeria's public companies on an annual basis.

NSE launches Premium Board

Similarly, in 2015, in keeping with its commitment to promoting Africa's biggest companies, as well as influencing the economic growth and development of Nigeria, the Nigerian Stock Exchange ('The Exchange') launched a new listing platform - the Premium Board and the associated Premium Board Index on Tuesday, 25 August 2015.

The Premium Board features companies that meet the Exchange's most stringent listing criteria of capitalisation, governance and liquidity. It aims to provide a platform for greater global visibility for eligible African corporates to make it easier for them to attract global capital flows and reduce the cost of funding. The Premium Board Index, on the other hand, is an equity index designed to provide a benchmark to capture the performance of companies listed on the Premium Board. The index will also provide a basis for developing products (such as Exchange Traded Funds (ETFs) and equity index derivatives) that are tradable on the bourse. The Premium Board Index would serve as a benchmark for investors looking to track the performance of large firms with excellent corporate governance and sustainable business models. Typically, similar indices outperform their market wide index by double digits. The NSE Premium Board Index had a four year average return of 17.65% versus the All Share Index return of 11.31% over the same period.

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LEADERSHIP

APPOINTMENT PHILOSOPHY AND INDUCTION PROCESS

Our appointment philosophy is guided by relevant regulatory guidelines and laws. Our directors are selected based on their skills, competencies and experience over the years. This selection process is transparent. Usually, a pool of candidates is identified and considered for appointment by the Board Governance Committee. Thereafter, recommendations on candidates' suitability are made to the full Board, which then makes a decision on the appointment of the candidate subject to the approval of CBN and the ratification of shareholders at a general meeting.

An induction programme was conducted for all members of the Board in December 2015.

Changes during the year

Since the Group's last Annual General Meeting, there have been three retirements and three appointments to the Board.

The erstwhile Group Chief Executive Officer, Bello Maccido, retired from the Board and became the pioneer chairman of the newly licensed FBN Merchant Bank Ltd. To replace him as the Group Managing Director, the Board appointed UK Eke (MFR) who has over 30 years of professional experience and was formerly Executive Director, South, First Bank of Nigeria Ltd.

In addition to UK's appointment, MK Ahmad was also appointed to the Board as a non-executive director. MK Ahmad, an ex-Director General of the National Pension Commission, is a seasoned administrator and business expert. The Board's decision to appoint MK Ahmad was influenced by his significant and diverse experience, garnered in different sectors of the economy and also in compliance with a previous directive from the Central Bank of Nigeria to appoint additional directors. Furthermore, Bisi Onasanya, who was GMD/CEO, First Bank of Nigeria Limited, and Abdullahi Mahmoud, a non-executive director, both retired from the Board, with effect from 31 December 2015. Finally, Adesola Adeduntan, who replaced Bisi Onasanya as the Managing Director of First Bank of Nigeria Limited and its Subsidiaries, was appointed as a non-executive director subject to your approval at the AGM.

BOARD MEMBERSHIP

The FBNHoldings' Board is a considered blend of experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure that new ideas and experience are added to its decision-making process. The Board is currently composed of nine directors, comprising eight non-executive directors and one executive director who is also the Group Managing Director (GMD). This is in line with international best practice of having more non-executive directors than executives. With 88.9% of the Board's composition independent of the Company's management, the FBNHoldings' Board is positioned to be independent of Management's influence in upholding its supervisory role over the management team of the Group.

Top row (left to right): Tijjani Borodo, UK Eke, MFR, Dr Oba Otudeko, CFR, 'Debola Osibogun, Dr Adesola Adeduntan, Dr Hamza Wuro Bokki.
Bottom row (left to right): Oye Hassan-Odukale, MFR, Omatseyin Ayida, Muhammad Ahmad, OON, Chidi Anya.

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Dr Oba Otudeko, CFR

Group Chairman

Oba Otudeko, CFR, is the pioneer Chairman of FBN Holdings Plc and Honeywell Group Limited. He is a foremost and visionary Nigerian entrepreneur, reputed for his highly successful domestic and foreign investments cutting across diverse sectors of the economy. He served on the Board of FirstBank between May 1997 and December 2010, when he retired as Chairman. He became the Chairman of FBNHoldings in 2012. He was also the founding Chairman of FBNBank (UK) Limited. He has, at various times, served on the Boards of the Central Bank of Nigeria (1990–1997), Guinness Nigeria Plc. (1999–2003), British American Tobacco Ltd (2001–2004) and Ecobank Transnational Incorporated, headquartered in Lome, Togo (2002–2010). Between 2006 and 2009, he was the 16th President and Chairman of Council of the Nigerian Stock Exchange. Dr Otudeko holds the Nigerian National Honour of Commander of the Order of the Federal Republic (CFR), awarded in 2011. He is a Chartered Banker, Chartered Accountant and Chartered Corporate Secretary. He was Chancellor of the Olabisi Onabanjo University, Ogun State, and currently serves as a member of the Office of Distinguished Friends of London Business School (UK). He is the founder of the Oba Otudeko Foundation (OOF), a not-for-profit organisation. He is happily married with children.

Oye Hassan-Odukale, MFR

Non-Executive Director

Oye Hassan-Odukale, MFR, is a pioneer director on the board of FBN Holdings Plc. He holds bachelor's and master's Degrees in Business Administration from the University of Houston, and since 1994, has held the position of Managing Director/CEO of Leadway Assurance Company Limited, a leading underwriting firm in Nigeria. His appointment was preceded by over 15 years of experience in insurance brokerage, underwriting, investments and general management.

Oye is a recipient of the national honour of Member of the Order of the Federal Republic (MFR), and sits on the board of several blue-chip companies in Nigeria. He was a Non-Executive Director on the Board of First Bank of Nigeria Plc. between 1999 and 2010, and is the current Chairman of FBNBank (UK) Limited, a wholly owned subsidiary of FirstBank in the City of London. Oye is a Munich Re scholar, Securities and Exchange Commission-accredited investment manager and portfolio advisor. He is married with children, and enjoys listening to music, reading and travelling.

Chidi Anya

Independent Non-Executive Director

Chidi joined the Board in 2013. He holds a law degree, has over 25 years' post-call experience within the Nigerian legal system and is the Managing Partner of The Channings Law Firm, which he established in 1997. He provides leadership and strategic direction for the firm, and has for many years been recognised by his customers and peers as a leading commercial and corporate law specialist. His initial pupillage was with LN Mbanefo SAN, followed by periods as an Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria, prior to founding his firm.

Chidi's legal career has equipped him with high-level skills in negotiation, administration, communication, management, advocacy and ethical leadership, which he brings to the Board. He also acts as Company Secretary to a number of leading indigenous conglomerates operating in strategic sectors of the Nigerian economy, where he provides guidance on corporate governance and compliance matters. He is a member of the Nigerian Bar Association (NBA). Chidi is married with three children and loves gardening, reading, writing, intellectual debate and philanthropy.

Dr Hamza Wuro Bokki

Independent Non-Executive Director

Hamza joined the Board of FBN Holdings Plc. as an Independent Non-Executive Director in August 2014. He brings to the Board over two decades of expertise in asset management and pension administration. He was the first student to be awarded a first-class degree in Public Administration from the University of Maiduguri. He also holds a master's degree and a PhD in Public Administration and Policy Analysis. He is a Fellow of the Chartered Pension Institute of Nigeria and a member of the Nigerian Institute of Management. He serves on the Boards and Audit Committees of several companies in the public and private sectors. He was Managing Director of the Gombe State Investment and Property Development Company Limited, where he revamped the company's financial position, as well as the inaugural MD/CEO of APT Pensions, which he brought to profitability within four years. He also served as Honourable Commissioner for Trade and Industry, Gombe State, between 2012 and 2014, where he successfully ran the GMSG/BOI entrepreneurship development programme which was adjudged the best in the country. He currently serves as MD/CEO of NPF Pensions Limited. He has attended several executive programmes on Corporate Governance and Audit Committee. He is married with children and enjoys reading and travelling.

'Debola Osibogun

Non-Executive Director

'Debola Osibogun was appointed to the Board of FBN Holdings Plc in 2015. She brings to the Board 31 years of extensive financial services experience covering real estate financing, trusteeship, retail savings and loans at various institutions. She holds a master of Science degree in Banking and Finance and a bachelor of Education degree in Economics, both from the prestigious University of Ibadan. A Fellow and current President of the Chartered Institute of Bankers of Nigeria, she is also Fellow of the Chartered Institute of Taxation of Nigeria and the Nigerian Institute of Management. She had an illustrious financial services career, serving meritoriously at Co-operative Bank Plc, Coop Savings & Loans Limited, Skye Bank Plc and Skye Trustees Limited. She was the Managing Director of Skye Trustees Limited and is currently the Managing Director of Davidfinn Global Concept Limited. An astute researcher and writer, she has published several articles and papers expounding on primary mortgage institutions and creation of mortgages. She has also served on the boards of leading mortgage institutions including FBN Mortgages Limited as a Non-Executive Director and Coop Savings & Loans Limited as Managing Director. She was also the National President of the Mortgage Bankers Association of Nigeria. 'Debola has served on several committees at national level as a Member of the Presidential Committee on Housing and Urban Development, the Presidential Committee on Mortgage Finance and Executive Member, Nigerian Real Estate Developers Association. She is happily married with children and loves basketball, polo and golf.

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Omatseyin Ayida
Non-Executive Director

Omatseyin Ayida joined the Board of FBN Holdings Plc in 2015. He brings to the Board his expertise spanning over two decades in portfolio management, risk and strategic human resource management. He is the Managing Director of Ruyat Oil Limited. He holds a Bachelor of Arts degree in Economics and Politics from the University of Kent, Canterbury, UK. He was previously the Managing Director of Capital Bank International Plc, where he led the successful buyout of the bank and merger with Access Bank Plc and Marina International Bank in 2005, creating value for the shareholders. Before joining Capital Bank International in 2001, he served with Commercial Bank (Credit Lyonnais Nigeria) Limited in various capacities in the Corporate Finance Department and Multinational Corporate Banking. He rose to become Deputy Managing Director in 1998, where he was in charge of human resource management for the institution. He also led the successful transformation of Credit Lyonnais to Capital Bank over an 11-month period in 2001. An honorary member of the Chartered Institute of Bankers, has served on the boards of several institutions and is at present a Director of Anchorage Leisure Limited (owners of Radisson Blu Anchorage Hotel, Lagos). He has attended several executive programmes at Harvard Business School, Lagos Business School and Centre International de Management et D'enseignement Strategique (CIMES). He is married with children and enjoys playing golf.

Muhammad K Ahmad, OON
Non-Executive Director

Muhammad K Ahmad (MK), OON, who joined the Board in 2015, has 35 years' distinguished experience leading and working in various public sector organisations and financial services institutions in Nigeria. He was the pioneer Director General and Chief Executive Officer of the National Pension Commission. In this role he oversaw the establishment and growth of the pension industry in Nigeria into a business with over ₦5 trillion in assets, becoming a major contributor to Nigeria's GDP. He is currently the Chairman of the Interim Management Board, International Energy Assurance, and is the founder of the Jewel Development Foundation, a graduate assistant platform, and Certium Consulting, a strategy advisory and business applications company. A pioneer staff member of the Nigeria Deposit Insurance Corporation (NDIC), he rose to become Director/Head of Department and a member of the Interim Management Board. MK has served on the Boards of various corporate and not-for-profit organisations as well as presidential committees. He chairs the Technical Committee that produced the North-East States Transformation Strategy (NESTS), a medium-term Regional Development Strategy, for the sustainable socio-economic transformation and reconstruction of the region, and currently supervises its implementation. MK is also a member of the Presidential Committee for the North East Intervention (PCNI). He strongly promotes building institutions based on the highest corporate governance and ethical standards, and brings his extensive experience to bear on his role on the Board of FBNHoldings. He has a Postgraduate Diploma in Innovation and Strategy from University of Oxford and has attended courses and programmes in various first-rate business and management schools, including Harvard Business School, IMD and INSEAD. MK is co-author of The Extent and Effectiveness of Bank Supervision in Nigeria. He is married with children and enjoys reading.

UK Eke, MFR
Group Managing Director

Urum Kalu (UK) Eke holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri. He is an Alumnus of the Wharton Business School and has attended executive leadership programmes at Harvard, INSEAD and Stanford Business Schools. He assumed office as Group Managing Director, FBNHoldings Plc on 1 January 2016. He joined the Board of First Bank of Nigeria Ltd in 2011 as Executive Director, Public Sector South, and until his appointment as Group Managing Director (GMD) of FBNHoldings, was Executive Director, South at FirstBank. He is a seasoned banker with deep financial services experience spanning diverse areas including risk management, consulting, taxation, process engineering, capital market operations and business assurance. He began his career with the professional firm of Deloitte Haskins & Sells International, where he rose to become a Senior Audit Consultant. He later joined Diamond Bank Plc, where he worked for 19 years and retired as Executive Director, Regional Businesses, Lagos & West, having previously served as Executive Director Corporate Banking and Executive Director Specialised Industries.

He has over 30 years of professional experience. He brings his wealth of knowledge to the Boards of a number of institutions where he serves as Non-Executive Director, including FBNBank (UK) Limited, First Pension Custodian Limited and the Financial Institutions Training Centre (FITC).

A respected business administrator, he is a philanthropist, he founded and runs Elder K.U. Eke Memorial foundation and is a Paul Harris Fellow of the Rotary Club International, a Member of the Institute of Management Consultants, and a Fellow of ICAN. He is a recipient of the national honours of the Member of the Order of the Federal Republic (MFR). He is happily married with children.

Dr Adesola Adeduntan
Non-Executive Director

Adesola ('Sola') Adeduntan attended the University of Ibadan, where he obtained a Doctor of Veterinary Medicine (DVM) degree. He also holds a Master's Degree in Business Administration (MBA) from Cranfield University Business School, United Kingdom, which he attended as a British Chevening Scholar. He has attended executive/leadership programmes at Harvard, Cambridge, Oxford and INSEAD, and is a Fellow of the Institute of Chartered Accountants of Nigeria.

Sola joined the Board of FBN Holdings Plc as a Non-Executive Director in January 2016. Sola is the Managing Director/CEO of First Bank of Nigeria Ltd and its Subsidiaries. Prior to this appointment, he was Executive Director and Chief Financial Officer of FirstBank. Before joining FirstBank in 2014, Sola was the pioneer Chief Financial Officer/Business Manager of the Africa Finance Corporation (AFC), where he remains a director. He has served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Limited, a Senior Manager in the Financial Services Group of KPMG Professional Services and a Manager at Arthur Andersen Nigeria. Sola also had a brief stint at the defunct Afribank Nigeria Plc (now acquired by Skye Bank) as a graduate, trainee where he worked mainly in Banking Operations. He is a director of Nigeria Interbank Settlement System PLC (NIBSS) and FMDQ OTC Securities Exchange as well as a member of Sigma Educational Foundation, which focuses on enhancing the quality of tertiary education system in Nigeria.

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Over the course of his sterling career, Sola has garnered expertise in diverse areas of management including financial and risk management, treasury, performance management, strategy design and execution, information technology and compliance. Sola is happily married with children and loves music especially Africa folktale music.

Tijjani Borodo

Company Secretary

Tijjani Borodo was appointed Company Secretary, FBN Holdings Plc. in September 2012. Before this appointment, he was the Company Secretary for First Bank of Nigeria Ltd (FirstBank). His career at FirstBank span over 26 years and he has occupied various managerial positions within the Bank. He was in charge of the Bank's Secretariat, as well as being the Secretary to the Board of Directors for 14 years. Before joining FirstBank, he served with the Ministry of Justice, Kano State, where he held the position of Director, Public Prosecutions. Tijjani brings his wealth of experience to bear on the Board of FBN Holdings Plc.

He is a Fellow, Institute of Directors, Nigeria and the Society for Corporate Governance Nigeria; Member, International Bar Association, Nigerian Bar Association; and an Honorary Senior Member, Chartered Institute of Bankers of Nigeria. He has attended courses and programmes in various first-rate business and management schools abroad, including Harvard Business School, the Wharton School, University of Pennsylvania, the Kellogg School of Management, Illinois and the London College of Management Studies. He is married with children and loves swimming, listening to music and travelling.

Tenure of directors

NON-EXECUTIVE DIRECTORS

Non-Executive Directors are appointed for an initial term of four years and can be re-elected for a maximum of two subsequent terms of four years each, subject to satisfactory performance and approval of the members.

EXECUTIVE DIRECTORS

Executive Directors are appointed for an initial term of three years and their tenure can be renewed for another three years, subject to a satisfactory annual performance evaluation. Hence, the maximum tenure of an Executive Director is six years. The Board may grant a waiver of the tenure limit in the case of an Executive Director whose performance is deemed exceptional. This will, however, require formal justification and unanimous approval of the Board. Executive Directors are discouraged from holding other directorships outside the Group.

Access to independent professional advice

The Board has the power to obtain advice and assistance from, and to retain at the Group's expense and subject to the prior approval of the Chairman, such independent or external professional advisers and experts as it deems necessary or appropriate to aid the Board's effectiveness. This option was exercised within the 2015 financial year.

Board responsibilities

The principal responsibility of the Board is to promote the long-term success of the Group by creating and delivering sustainable shareholder value. The Board leads and provides direction for the management by setting policy directions and strategy, and overseeing its implementation. The Board seeks to ensure that management delivers on both its long-term growth, and short-term objectives, striking the right balance between both goals. In setting and monitoring the execution of our strategy, consideration is given to the impact that those decisions will have on the Group's obligations to various stakeholders, such as shareholders, employees, suppliers and the community in which the Group operates as a whole.

The Board is also responsible for ensuring effective systems of internal controls are maintained and that the management maintains an effective risk management and oversight process across the Group so that growth is delivered in a controlled and sustainable way. In addition, the Board is responsible for determining and promoting the collective vision of the Group's purpose, values, culture and behaviours. Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, approval of risk appetite, capital and liquidity matters, major acquisitions, mergers or disposals, Board membership, financial results and governance issues, including the approval of the corporate governance framework.

More specifically, some of the Board's responsibilities as enumerated in the Board Charter are:

- ✓ building long-term shareholder value by ensuring that adequate systems, policies and procedures are in place to safeguard the assets of the Group;
- ✓ appointing and developing members and refreshing the overall competency of the Board as necessary from time to time;
- ✓ articulating and approving the Group's strategy and financial objectives, and monitoring the implementation of those strategies and objectives;
- ✓ approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Directors (EDs) in the Group;
- ✓ appointment of Non-Executive Directors across the Group's operating companies;
- ✓ approving the criteria for assessing the performance of the GMD and the EDs;
- ✓ monitoring and evaluating the performance of the GMD against agreed key performance objectives and targets, and ratifying the evaluation of EDs as prepared by the GMD;
- ✓ reviewing, on a regular and continuing basis, the succession planning for the Board and senior management staff, and recommending changes where necessary;
- ✓ reviewing and approving the appointment, promotion and termination of senior management staff (Assistant General Manager (AGM) and above) on the recommendation of the relevant Board Committee;

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- ✓ overseeing the implementation of corporate governance principles and guidelines;
- ✓ reviewing and approving the recommendations of the Governance Committee in relation to the remuneration of Directors;
- ✓ overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks facing the Group;
- ✓ articulating and approving the Group's risk management strategies, philosophy, risk appetite and initiatives;
- ✓ maintaining a sound system of internal controls to safeguard shareholders' investment and the assets of the Group; and
- ✓ overseeing the Group's corporate sustainability practices with regard to its economic, social and environmental obligations.

The Board's statement of commitment to good governance

The Board is committed to achieving long-term success for the Group, and governance plays an integral part in ensuring consistency and rigour in decision-making to ensure shareholder value is maximised over time. The Board aims to exceed these requirements, as we believe good governance is a key contributor to the Group's long-term success.

The role of our Chairman

The principal role of the Chairman of the Board is to manage and provide leadership to the Board of Directors of FBNHoldings. The Chairman is accountable to the Board and liaises directly between the Board and the Management of the Company, through the GMD.

The Chairman acts as the communicator for Board decisions, where appropriate. He is also responsible for the effective and orderly conduct of Board meetings. The roles of the Chairman and of the GMD are separate, such that the Chairman is independent from management and free from any interest or other relationship that could interfere with the Chairman's independent judgement.

More specifically, the duties and responsibilities of the Chairman are as follows:

- ✓ to act as a liaison between the Management and the Board;
- ✓ to provide independent advice and counsel to the GMD;
- ✓ to generally keep abreast the activities of the Company and its management;
- ✓ to ensure that the directors are properly informed and that sufficient information is provided to enable the directors to form appropriate judgments;
- ✓ together with the GMD, to develop and set the agenda for meetings of the Board;
- ✓ to act as Chairman at meetings of the Board;
- ✓ to review and sign minutes of Board meetings;
- ✓ to call special meetings of the Board where appropriate;
- ✓ together with the GMD, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting;
- ✓ to act as Chairman at meetings of shareholders;
- ✓ to assess and make recommendations to the Board annually regarding the effectiveness of the Board as a whole, the Committees of the Board and individual directors; and
- ✓ to ensure that regularly, upon completion of the ordinary business of a meeting of the Board, the directors hold discussions without members of management present.

The role of our Group Managing Director

The Group Managing Director (GMD) has overall responsibility for leading the development and execution of the Group's long-term strategy, with a view to creating sustainable shareholder value. The GMD's mandate is to manage the day-to-day operations of FBNHoldings and ensure that operations are consistent with the policies developed by the Board of Directors and are carried out effectively. The GMD's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Group's long and short-term plans.

More specifically, the duties and responsibilities of the GMD include the following:

- ✓ to lead, in conjunction with the Board, the development of the Company's strategy and also oversee the implementation of the Company's long and short-term plans in accordance with its strategy;
- ✓ to ensure the Company is appropriately organised and staffed and to hire and terminate staff as necessary to enable it achieve the approved strategy;
- ✓ to ensure that the Group has appropriate systems to enable it conduct its activities both lawfully and ethically;
- ✓ to ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business;
- ✓ to act as a liaison between Management and the Board and communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public;
- ✓ to ensure that the Directors are properly informed and that sufficient information is provided to the Board to enable the directors to form appropriate judgments;
- ✓ together with the Chairman and Company Secretary, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting;
- ✓ to abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental, health and safety policies;

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- ✓ To manage the Group within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- ✓ To ensure the Group operates within approved budgets and within all regulatory requirements of a holding company;
- ✓ To develop and recommend to the Board the annual operating and capital budget, and upon approval of the service plan and annual budget and with fully-delegated authority, to implement the plan in its entirety.

The role of our Company Secretary

The Company Secretary's appointment and duties are regulated by statutes, particularly CAMA (Sections 293-298) regulations and the Articles of Association of the company.

The duties of a Company Secretary include the following:

- ✓ attendance at meetings of the company, Board of Directors meetings, Board committee meetings and rendering all necessary secretarial services in respect of such meetings and advising on compliance and regulatory issues;
- ✓ setting the agenda of topics to be covered in the meetings through consultations with the Chairman and the GMD;
- ✓ maintaining statutory registers and other records of the company;
- ✓ rendering proper and timely returns as required under CAMA;
- ✓ carrying out such administrative and other secretarial duties as directed by the directors or the company; and
- ✓ where duly authorised by the Board of Directors, exercising any powers vested in the directors.

The SEC Code provides that in addition to the statutory functions enumerated above, the Company Secretary should carry out the following duties and responsibilities:

- ✓ provide the Board and directors, individually, with detailed guidance as to how their responsibilities should be discharged in the best interest of the company;
- ✓ coordinate the orientation and training of new directors;
- ✓ assist the Chairman and GMD determine the annual Board plan and with the administration of other strategic issues at the Board level;
- ✓ compile the Board papers and ensure that the Board's decisions and discussions are clearly and properly recorded and communicated to the relevant persons;
- ✓ notify the Board members of matters that warrant their attention; and
- ✓ provide a central source of guidance and advice to the Board and the company, on matters of ethics, conflict of interest and good corporate governance.

Leadership restructuring across operating companies

The Board, recognising the need to reposition the Group to achieve optimal value, initiated leadership changes across the Boards of its operating companies. At the instance of the Board Governance Committee, an assessment Centre comprising members of First Bank and FBN Holdings Plc. Governance Committees as panellists met to consider presentations from candidates for the different vacant positions across the Group.

After due deliberations and consultations, the Committee recommended to the Board of Directors the following leadership appointments, subject to regulatory approvals:

1. The appointment of Bello Maccido, the pioneer Group Chief Executive Officer, FBNHoldings as pioneer Chairman of the newly licensed Kakawa Merchant Bank Limited (now FBN Merchant Bank Limited).
2. The appointment of UK Eke (MFR), who was the Executive Director, South, FirstBank as the Group Managing Director, FBN Holdings Plc and as a Non-Executive Director on the Board of FirstBank subject to regulatory approval.
3. The appointment of Ibukun Awosika, a Non-Executive Director, FirstBank and also Chairman, FBN Capital, to succeed the current Chairman of First Bank of Nigeria Ltd, Prince Ajibola Afonja (who retired at the end of the year).
4. The appointment of Dr Adesola Adeduntan, who was the Executive Director/Chief Financial Officer as Managing Director of First Bank of Nigeria Limited and its Subsidiaries the Managing Director of FirstBank and as a Non-Executive Director on the Board of FBNHoldings subject to regulatory approval.
5. The appointment of Gbenga Shobo, then Executive Director, Lagos & West, First Bank of Nigeria Ltd as the Deputy Managing Director of FirstBank.
6. The Committee also recommended the nomination of Omobola Johnson, for appointment as a Non- Executive Director of Kakawa Merchant Bank Limited with immediate effect.

These recommendations have since been adopted and effected, and some of the appointments will be presented for approval at the AGM.

Making Board meetings effective

HOW OUR BOARD MEETINGS WORK

The following points may be noted with regards to our Board meetings:

- ✓ The Board meets quarterly and as required.
- ✓ The annual calendar of Board meetings is approved in advance at the first meeting of the Board in each financial year;
- ✓ The annual calendar of Board activities usually includes a Board retreat at an offsite location, to consider strategic matters and Group policy directions, and to review opportunities and challenges facing the Group.
- ✓ Urgent and material decisions may be taken between meetings through written resolutions.
- ✓ All directors are provided with notices, agendas and meeting papers in advance of each meeting.

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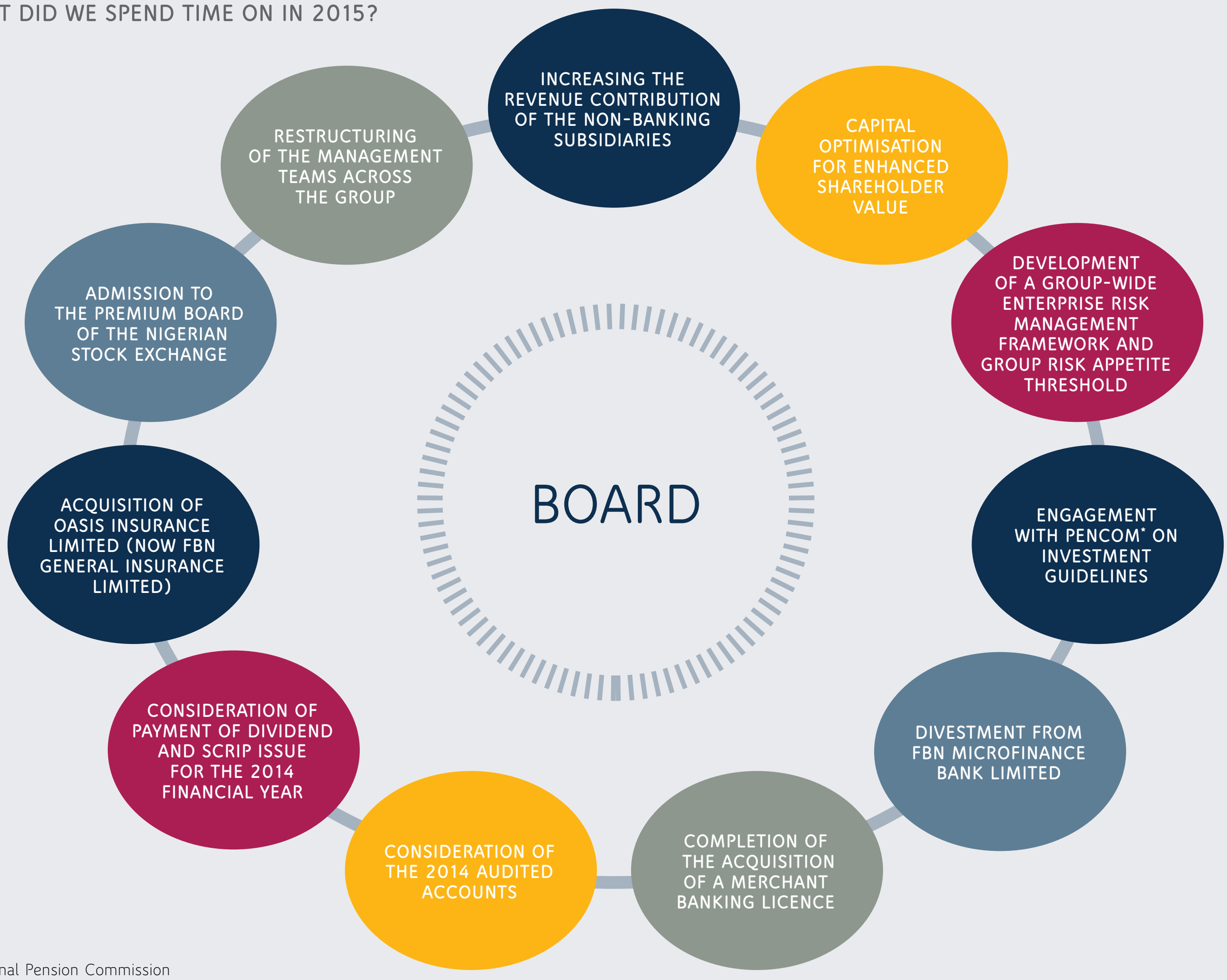
- ✓ The FBNHoldings Board met seven times in 2015.
- ✓ Notices for meetings are usually sent out at least 14 days before the scheduled meeting.
- ✓ The Company Secretary is responsible for setting the agenda of topics to be covered in the meetings and does so through consultations with the Chairman and the GMD.
- ✓ The Company Secretariat circulates memoranda electronically to members of the Board exemplifying the Group's cost efficiency, dynamism and embrace of technology.
- ✓ All directors are provided with notices, an agenda and meeting papers in advance of each meeting. Board memoranda are dispatched in advance to enable directors to have adequate time to review and prepare for meetings; a director who is unable to attend a meeting is still provided with the relevant papers for the meeting. Such directors can reserve the right to discuss with the Chairman matters he/she may wish to have raised at the meeting.
- ✓ Meetings take an average of six hours. The number of issues identified for deliberation and, above all, the complexity of the issues, are major factors in determining the duration of the meetings.
- ✓ Any director may request a topic be considered at meetings. In addition, any director may bring up any issue deemed deserving of discussion and this is usually considered under any other business during the course of the meeting.
- ✓ Conflicts of interest are disclosed at the commencement of meetings, based on the agenda for each specific Board meeting. Where the Chairman of the Board is conflicted, he withdraws and another Director presides over the deliberations on that item.

Board discussion in 2015

Over the course of the last financial year, considerable time and effort were channelled into discussions on the following;

WHAT DID WE SPEND TIME ON IN 2015?



* National Pension Commission

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2016 action plan

During 2015, we maintained our priority of allocating financial, capital and human resources effectively across companies within the Group to maximise Group synergies whilst also ensuring that our operating cost is reduced to its barest minimum. Central to our immediate and medium term strategy is renewed focus on operational excellence through more efficiency management of our assets, significantly improved risk management process, disciplined cost containment strategy and maximum extraction of synergies.

In view of the very high impairment charge on the loan portfolio in our commercial banking business, which negatively impacted our performance for the year, the Board identified the immediate need to improve our risk management practices, particularly as it relates to credit risk management. We do recognise the urgent need to improve the risk culture and process, apart from instilling a renewed sense of ownership. Further to this, steps have been taken to strengthen the credit monitoring and remedial management functions for proactive credit portfolio management. Similarly, we plan to embed across the Group, the Group Enterprise Risk Management (ERM) framework, which will in no small measure further strengthen our risk management practices.

We recognise the existing mismatch between the actual value and potential value derivable from our huge asset base, particularly the risk assets of the Commercial Banking Group. The Board as well as the Management are committed to not only weather the storm, but to emerge stronger, more resilient and better equipped for the next phase of our growth story. We have prioritised our risk management process owing to its importance in order to improve the quality of our assets, enhance the quality of our earnings, impact our risk-adjusted return to help reposition, improve the performance of the business and help us deliver on our promise to shareholders. Furthermore, we have commenced the process of deploying a shared services framework which will enhance our operations, reduce our cost of doing business and align our processes to streamline roles and eliminate duplications across the Group.

We expect conclusion of work on this framework by the end of the second quarter of 2016. The completion of this process is central to our cost containment initiative and tangible cost savings have been identified as a measure of success.

Starting from 2016, synergy identification and realisation will be one of the central themes of the Group Executive Committee's considerations. Extracting the full benefits of a financial conglomerate by driving revenue synergies across the Group through the adoption of a single view approach to customer integration to enable us deliver robust returns to our investors/shareholders. Continuous monitoring and feedback to the Board using a dashboard has been institutionalised.

We have instituted an innovation council, supported by an external adviser, which reports to the Board. The objective is to position the Group to proactively response to a fast changing competitive landscape. As an institution facing significant regulatory and economic headwinds, we will explore innovative and novel methods to enhance our business offerings. We are hopeful that the implementation of these initiatives in 2016 will significantly impact our performance at the end of the year.

2016 Board priorities

Rising from the 2015 Board retreat, the Board endorsed a 7-point priority matrix and further cascaded into 10 initiatives. Specifically, the priorities of the Board for 2016 are as follows:

i. Optimising capital for enhanced shareholder value.
ii. Drive positive sentiment through enhanced engagement and high level disclosure.
iii. Strengthening the engagement model with the regulators.
iv. Increasing the revenue contribution of the non-commercial banking businesses with specific focus on growing the insurance and asset management business.
v. Driving revenue synergies along the value chain of top customers of each operating company as well as increasing cross sell across the Group.
vi. Enhancing efficiency through development and implementation of group shared services, driven by service level agreements.
vii. Embedding Enterprise Risk Management across the Group.

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As part of the fall-out of agreed objectives at the 2015 Board Strategy Retreat, targets were set and are continually assessed based on the objectives, with steps taken to execute the initiatives relative to the completion timelines. The status updates of the initiatives undertaken in line with the mandate of the Board are detailed below:

	KEY OUTCOME	DECISIONS/ACTION STEPS	STATUS
1	Capital optimisation for enhanced shareholder value	· Re-evaluate implications of various capital raising options, possible trade-offs and the potential regulatory impacts	As at the 2015 year end, the two main deposit money banks in the Group, FirstBank and FBN Merchant Bank Limited, are adequately capitalised. FirstBank Capital Adequacy Ratio (CAR) stands at 17.1%, 110 basis points above the regulatory CAR requirement for systemically important banks which comes into effect in June, 2016 and FBN Merchant Bank Limited has a CAR of 24.9%. To enhance our competitiveness in addition to meeting the minimum regulatory capital, the Group will increase earnings retention and sweat existing assets through improved risk management, portfolio rebalancing to high yielding segment of the market and aggressive loan recovery whilst moderately growing the loan book.
2	Strengthen engagement model with regulators	· Deepen engagement with regulators	Continuous
3	Enhance revenue synergy and promote group collaboration	· Consider/retain cross directorship to drive cross-sell and synergy among operating entities	The Board has approved the constitution of the Group Strategy Co-ordinating Committee to work with operating company synergy champions to aggressively drive cross-entity, cross-sell of products across regions and business units. Global Account Managers have been appointed for key accounts to drive increased share of wallet in our multi-national customers, while cross-entity relationship management teams are also driving increased sales collaboration between the commercial bank, investment bank, and the insurance businesses.
4	Develop and implement Group Shared Services Policy in line with CBN's Guidelines	· Develop a clearly defined policy and framework for the shared services · Articulate roadmap for realising expected cost savings with immediate focus on Marketing and Corporate Communications, Human Resources and IT	The Group Shared Services framework is being finalised, subject to CBN approval. Implementation will commence thereafter.
5	Enterprise Risk Management Framework	· To ensure consistency in the methodology of Risk Management across the Group	An ERM framework has been developed, the content of which is being implemented both from a governance as well as reporting standpoint.

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Attendance at Board meetings

The Group's Board met seven times in 2015. The record of attendance is provided below:

Name	27 Jan	24 Mar	21 Apr	20 May	28 Jul	6 Nov	17 Dec
Dr Oba Otudeko, CFR	✓	✓	✓	✓	✓	✓	✓
Bello Maccido	✓	✓	✓	✓	✓	✓	✓
Abdullahi Mahmoud	✓	✓	✓	✓	✓	✓	✓
Oye Hassan-Odukale, MFR	✓	✓	✓	✓	✓	✓	✓
Bisi Onasanya	✓	✓	✓	✓	✓	✓	✓
Chidi Anya	✓	✓	✓	✓	✓	✓	✓
Dr Hamza Wuro Bokki	✓	✓	✓	✓	✓	✓	✓
Omatseyin Ayida	*	✓	✓	✓	✓	✓	✓
'Debola Osibogun	*	✓	✓	✓	✓	✓	✓
Muhammad Ahmad, OON	Not yet appointed				✓	✓	✓

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

The Board carries out its oversight function through its five standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines to the Board. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. In line with best practice, the Chairman of the Board does not sit on any of the committees. The following Board Committees have been constituted:

Board Governance and Nomination Committee

MEMBERSHIP

For 2015, the Committee was composed of the following:

- Abdullahi Mahmoud, Chairman (retired from the Board w.e.f. 31 December 2015);
- Chidi Anya; and
- Omatseyin Ayida.

KEY RESPONSIBILITIES

The responsibilities of the committee are to:

- ✓ develop and maintain an appropriate corporate governance framework for the Group;
- ✓ develop and maintain an appropriate policy on remuneration of directors, both executive and non-executive;
- ✓ nominate new directors to the Board;
- ✓ initiate and execute succession plans for key positions on the Board of the Holding Company;
- ✓ recommend, nominate and endorse Board appointments for subsidiary companies;
- ✓ recommend directors' remuneration for the Group;
- ✓ oversee board performance and evaluation within the Group;
- ✓ recommend potential appointment and re-election of directors (including the GMD) to the Board, in line with FBNHoldings approved director selection criteria;
- ✓ ensure the Board composition includes at least two independent directors who meet the independence criteria as defined in CBN circular;
- ✓ ensure adequate succession planning for Board of Directors and key management staff across the Group;
- ✓ make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for ratification;
- ✓ ensure proper disclosure of directors' remuneration to stakeholders;
- ✓ ensure compliance with regulatory requirements such as the SEC Code of Corporate Governance and other global best practices on corporate governance.
- ✓ review and approve amendments to the Group's Corporate Governance framework;
- ✓ review and approve the corporate governance disclosures to be included in the annual report;
- ✓ ensure the performance evaluation of the GMD is performed by the Board on an annual basis and formal feedback provided to the GMD;
- ✓ nominate independent consultants to conduct an annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, operations, role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders;

* Date appointed

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- ✓ evaluate the performance of the Board Committees and boards of subsidiary companies on an annual basis. The Committee can utilise the service of the independent consultant approved by the Board for the annual board appraisal as it deems fit. The evaluation process will be in line with the Group's Evaluation policy;
- ✓ perform such other matters relating to the operations of the Group as may be specifically delegated to the Committee by the Board;
- ✓ evaluate the role of the Board Committees and Boards of subsidiary companies, and ratify the performance appraisals of the Executive Directors as presented by the GMD; and
- ✓ ensure proper succession planning for the Group.

Board Audit & Risk Assessment Committee

MEMBERSHIP

For 2015, the Committee was composed of four members as follows:

- 'Debola Osibogun, Chairperson;
- Bello Maccido;
- Chidi Anya; and
- Dr Hamza Wuro Bokki.

ROLE AND FOCUS

The overall purpose of the Committee is to protect the interest of the Group's shareholders and other stakeholders by overseeing, on behalf of the Board:

- integrity of financial reporting;
- adequacy of the control environment;
- management of risk;
- internal and external audit function; and
- compliance function.

KEY RESPONSIBILITIES

Among the responsibilities of the committee are to:

- ✓ ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Group;
- ✓ evaluate the Group's risk profile and the action plans in place to manage the risk;
- ✓ ensure the development of a comprehensive internal control framework for the Group;
- ✓ review the Group's system of internal control to ascertain its adequacy and effectiveness;
- ✓ evaluate internal processes for identifying, assessing, monitoring and managing key risk areas, particularly: market, liquidity and operational risks; the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures and management's views on the acceptable and appropriate levels of those risk exposures;
- ✓ review the independence and authority of the Risk Management function;
- ✓ review the Group's legal representation letter presented to the external auditors and discuss significant items, if any, with the Company Secretary;
- ✓ receive the decisions of the Statutory Audit Committee on the statutory audit report from the Company Secretary and ensure its full implementation; and
- ✓ assess and confirm the independence of the statutory auditor annually. The report of this assessment should be submitted to the Board and the Statutory Audit Committee.

Board Finance & Investment Committee

MEMBERSHIP

For 2015, the Committee was composed of the following:

- Oye Hassan-Odukale, MFR, Chairman;
- Dr Hamza Wuro Bokki;
- Bello Maccido (replaced by UK Eke in 2016); and
- Bisi Onasanya (replaced by Dr Adesola Adeduntan in 2016).

ROLE AND FOCUS

The purpose of this Committee is to provide:

- strategic planning;
- investment planning, execution and monitoring;
- mergers, acquisitions and business expansions; and
- long-term financing options for operating companies.

KEY RESPONSIBILITIES

Among the responsibilities of the Committee are to:

- ✓ understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Group's strategy;
- ✓ participate in an annual strategy retreat for the Board and management, ensuring that the Board retains sufficient knowledge of the Group's business and the industries in which it operates in order to provide strategic input and identify any critical strategic discontinuities in management's assumptions and planning premises;
- ✓ critically evaluate and make recommendations to the Board for approval of the Group's business strategy, at least annually;
- ✓ periodically engage management on informal dialogue and act as a sounding board on strategic issues;
- ✓ regularly review the effectiveness of the Group's strategic planning and implementation monitoring process;
- ✓ review and make recommendations to the Board regarding the Group's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines, and the performance of the Group's investments portfolios;

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- ✓ oversee the Group's investment planning, execution and monitoring process;
- ✓ Oversee the long-term financing options for the Group;
- ✓ review the Group's financial projections, as well as capital and operating budgets, and review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections;
- ✓ review and recommend for Board approval, the Group's capital structure, which should not be limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure;
- ✓ recommend for Board approval the Group's dividend policy, including nature and timing; and
- ✓ ensure that an effective tax policy is implemented.

Group Executive Committee (GEC)

MEMBERSHIP

The GMD of FBNHoldings serves as Chairman, while other members are:

- MD/CEO First Bank of Nigeria Limited and its Subsidiaries;
- MD/CEO, FBN Merchant Bank;
- MD/CEO, FBN Insurance Limited;
- MD/CEO, FBN Insurance Brokers Limited;
- Company Secretary, FBNHoldings;
- Head Finance, FBNHoldings;
- Head Investor Relations, FBNHoldings;
- Head Risk Management, FBNHoldings;
- Head Strategy & Corporate Development, FBNHoldings;
- Chief Risk Officer, FirstBank;
- Chief Financial Officer, FirstBank; and
- Head, Strategy and Corporate Development, FirstBank.

ROLE AND FOCUS

The role of this Committee is:

- ensuring overall alignment of Group strategy and plans;
- reviewing strategic and business performance against the approved plans and budget of the Group, and agreeing recommendations and corrective actions;
- promoting the identification of synergies and ensuring the implementation of synergy initiatives;
- monitoring the progress of Group synergy realisation initiatives and making recommendations in respect of them;
- discussing and monitoring compliance with Group policies such as risk management, internal audit and HR; and
- reviewing and recommending modifications to Group policies.

KEY RESPONSIBILITIES

- ✓ Review and ratify the quarterly and annual financial statements.
- ✓ Review and approve the annual internal audit plan encompassing all of the Group's auditable activities and entities and, on a quarterly basis, discuss the status of implementation of the internal audit plan.
- ✓ Annually review and reassess the internal audit division's responsibilities and functions, making changes as necessary, and arrange an independent evaluation of the internal audit function's activities every three years in line with SEC Code of Corporate Governance.
- ✓ Oversee the establishment of whistleblowing procedures for the receipt, retention, and treatment of complaints received by the Group regarding accounting, internal controls, auditing matters, unethical activity and breaches of the corporate governance code, and also ensure the confidentiality and anonymity of submissions received with respect to such complaints.

Statutory Audit Committee (SAC)

Section 359(3) of the Companies and Allied Matters Act (CAMA) requires every public company to establish a statutory audit committee composed of an equal number of directors and representatives of its shareholders, provided there are a maximum of six members of the SAC.

Statutory Audit Committee: Shareholder representative profiles

Job Onwughara (Chairman)

Job hails from Abia State. He is a veteran banker, with considerable experience in corporate banking and branch operations. He holds an Associate Diploma of the Chartered Institute of Bankers, London and a Master of Science degree in Banking and Finance from the University of Ibadan. He had over three decades of banking experience garnered with African Continental Bank and Savannah Bank Plc. He is a Fellow of the Chartered Institute of Bankers, London and Nigeria (FCIB). He is an Associate of the Institute of Credit Management, London and a member of the British Institute of Management. Job also holds an LLB Degree in Law. He served on the Audit Committee of several blue-chip companies for several years. He also worked at Crown Flour Mills from 1997–2003. He is currently a management consultant. He is married with children.

Abubakar Yahyah

Abubakar hails from Katsina State and holds a BSc Degree in Business Administration from Bayero University, Kano. He has extensive experience in construction and power projects and brings sectorial diversity to the SAC's cumulative business experience. He was Project Coordinator of the Rural Electrification Project for the substation at Maru, Zamfara State between 2004 and 2005, and was in charge of managing the provision of electricity to 19 villages in Zamfara between 2006 and 2008. He also acted as Supervisor at the Empire Group, Jigawa State Modern Abattoir and Yobe State Modern Abattoir. He coordinated the construction of Deluxe Suites Superior Accommodation, Kaduna and is now a director with the Rosehill Group. He is happily married with children.

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Ayodeji Shonubi

Ayodeji Shonubi is the Principal Partner of Ayo Shonubi & Co. He attended Huddersfield Polytechnic, England and University of Strathclyde, Glasgow, Scotland. He holds a Post Graduate Diploma in Financial Studies and is a Fellow of the Institute of Chartered Accountants of Nigeria, Association of Chartered Certified Accountants and Chartered Institute of Taxation of Nigeria. A former Managing Director, Frontline Savings and Mortgage Ltd between 1992 and 1993, he is a member of Honeywell Flourmills and Oando Plc. Audit Committees. He was Chairman, Guinness Nigeria Plc. Audit Committee between 1995 and 2008. He was a member of the Finance and General Purpose Committee and currently a member of the Professional Examination Committee of the Institute of Chartered Accountants of Nigeria. He was Assistant General Manager (Finance), Federal Mortgage Bank of Nigeria from 1989 to 1992 and Principal Manager, Peat Marwick Ani Ogunde & Co from 1979 to 1989. He served as Audit Senior and Audit Trainee at Price Waterhouse & Co and Z.O. Ososanya & Co respectively. He is presently a member of the Finance and General Purpose Committee of the Chartered Institute of Taxation of Nigeria after serving as Vice Chairman, Membership Committee of the Institute from 1998 to 2005. He has acquired considerable experience in Auditing and Accountancy Services, Management Consultancy Services, Investigation, Tax Consultancy Services and Financial and General Management. He is happily married with children.

Financial literacy on the Statutory Audit Committee

All the shareholder representatives on the SAC are financially literate and knowledgeable in internal control processes, as may be gleaned from their educational qualifications (see below). The Chairman of the Committee is a Fellow of the Chartered Institute of Bankers, London and Nigeria.

Summary of educational qualifications of Audit Committee members

Name	Role	Status	Educational qualification
Job Onwughara	Chairman	Shareholder representative	ACIB, FCIB, MSc (Banking and Finance)
Abubakar Yahyah	Member	Shareholder representative	BSc Business Administration
Ayodeji Shonubi	Member	Shareholder representative	FCA, FCCA, FCIT
Abdullah Mahmoud	Member	Non-Executive Director	FCA, FCCA, AMNIN, FCIB, FIMC, F-IOD
Oye Hassan-Odukale, MFR	Member	Non-Executive Director	BBA (BSc, Business Administration) MBA Finance
Chidi Anya	Member	Non-Executive Director	LLB, BL, MILD

Independence of the Statutory Audit Committee

The independence of the SAC is fundamental to upholding public confidence in the reliability of the SAC's reports and the Company's financials. We have endeavoured to uphold the independence of our SAC.

No Executive Director sits on the SAC. Of the six members of the Committee, three are shareholder representatives including the Chairman. The shareholder representatives are independent and answerable to shareholders. The other three members are two non-executives and an independent Non-Executive Director. This composition underpins the independence of the SAC from executive influence.

TENURE

Each member of the Committee's tenure lasts from the date of election at the Annual General Meeting till the next Annual General Meeting. The membership may however be renewed through re-election at the Annual General Meeting.

ROLE AND FOCUS

The statutory duties and role of the SAC are clearly encapsulated in Section 359 (3) and (4) of CAMA. In addition, the various Codes of Corporate Governance – the CBN and SEC Codes – set out the corporate governance role and responsibilities of the SAC to include the following:

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on management matters in conjunction with the external auditor and departmental responses thereon (management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair the independent judgment of the external auditors;
- authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the committee; and
- assist in the oversight of the integrity of the Company's financial statements and establish and develop the internal audit function.

The SAC has a responsibility to ensure that the Company's financials are void of any misrepresentation or misleading information. The SAC may also play a significant role in the oversight of the Group's risk management policies and programmes.

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The SAC was established in accordance with the Companies and Allied Matters Act (CAMA); listed below is the attendance record of the members of the SAC for the 2015 financial year.

The record of SAC attendance for year 2015 is provided below:

Attendance at Statutory Audit Committee meetings

Name	28 Jan	12 Mar	19 May	29 Jul	10 Dec
Job Onwughara	✓	✓	✓	✓	✓
Waheed Adegbite	✓	✓	✓	Not re-elected	Not re-elected
Ayodeji Shonubi	Not yet elected	Not yet elected	✓	✓	✓
Abubakar Yahyah	✓	✓	✓	✓	✓
Abdullah Mahmoud	✓	✓	✓	✓	✓
Oye Hassan-Odukale, MFR	✓	✓	✓	✗	✗
Chidi Anya	✓	✓	✓	✓	✓

Going concern

On the recommendation of the SAC, the Board annually considers and assesses the going concern basis for the preparation of the financial statements at the year end. The Board continues to view the Company as a going concern for the foreseeable future.

External auditors

The external auditors for the 2015 financial year were Messrs' PricewaterhouseCoopers (PwC).

Section 33 of the Securities and Exchange Commission (SEC) Code (the Code) of corporate governance regulates the rotation of external auditors and provides that in order to safeguard the integrity of the external audit process and guarantee the independence of the external auditors, companies should rotate both the audit firms and audit partners. It further provided that companies should require external audit firms to rotate audit partners assigned to undertake external audit of the company from time to time. Audit personnel should be regularly changed without compromising the continuity of the external audit process. The Code also stipulates that external audit firms should be retained for no longer than 10 years continuously. External audit firms disengaged after continuous service to company of 10 years may be reappointed after another seven years following their disengagement.

Similarly, the Central Bank of Nigeria's (CBN) Code (CBN Code) of Corporate Governance for Banks provides that the tenure of the auditors in a given bank shall be for a maximum period of 10 years, after which the audit firm shall not be reappointed in the bank until after a period of another 10 years.

FBNHoldings is in full compliance of the Code as its external auditors were appointed as sole auditors starting from the 2014 financial year and hence have been retained for only a year. They are subject to re-election annually and hence will be considered for re-election at FBNHoldings' 2016 Annual General Meeting.

2015 audit fees

The ratio of audit fees to non audit fees for 2015 financial year is 50:21.

The external auditors provided non audit services in respect of review of the financial statements of Kakawa Discount House Limited as at 30 September 2014 (acquisition date) and valuation of financial instruments. Payments made in respect of these services, amounts ₦10.5 million.

Our approach to risk management and compliance

Our approach to risk management is premised on a risk culture that promotes accountability and responsibility for risks at all levels and across the Group. The business lines are primarily accountable for the risk taken, supported by an independent risk function which provides constructive challenge, towards ensuring risk taken by the businesses are within the acceptable risk appetite, while the internal audit provides independent assurance on the effectiveness of the risk management policies and practices.

Compliance with applicable laws, regulations and standards in all markets and jurisdiction where we operate is considered a shared responsibility for all members of staff across Group, and robust measures are being put in place towards ensuring that these responsibilities are discharged so that the Group is not exposed to compliance risk.

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Prohibition of insider dealings

In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, we have in put in place structures to ensure compliance accordingly and communicate closed periods to both insiders and the Nigerian Stock Exchange. The Company Secretary provides notification to the directors and other insiders directly, and further ensures compliance by instructing the Registrars to ensure that, within this period, Directors, persons discharging managerial responsibility, advisers and other persons with access to insider information or their connected persons are not allowed to deal in the securities of FBNHoldings.

Succession planning

The Board Governance Committee is tasked with the responsibility for the Group's succession planning process. The approach taken by the Committee identifies critical positions on the Board and executive management level deemed important and having significant impact on the operations of the Group and strategic objectives.

These critical positions include the following:

- Board Chairman
- Non-Executive Directors
- Executive Management
- Subsidiary Managing Directors
- Subsidiary Board Chairmen

Thereafter, the Committee defines the competency requirements for the key positions. The competency requirement provides a blueprint of what is required to succeed at each position and includes the required knowledge, skills, attitudes as well as ethics, values and code of conduct. The competency requirement is identified and defined in line with the future needs and strategic objectives of the Group and provides the basis to assess potential successors for the identified key positions. In conclusion, the Committee identifies a Talent Pool, discovers skills and competency gaps as well as the developmental needs of the Board.

For the Chairman's position, the existing Chairman of the Board will articulate developmental needs of each individual Non-Executive Director on the Board in order to develop a plan to bridge that gap and position towards potential successors. For Non-Executive Directors, the Governance Committee will periodically undertake a careful analysis of the existing Board's strengths and weaknesses, skills and experience gaps based on exit of directors from the Board and current deficiencies, while noting the Company's long term business strategy and future plans. Based on this assessment, the Governance Committee shall define the skill and competency profile that reflects the need of the Board.

In the case of executive management positions, the Governance Committee in conjunction with the GMD shall note and review the skills gap of the possible successors against expected competency requirements.

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EFFECTIVENESS

Ensuring Board effectiveness

Today's boards have to contend with a host of new pressures, challenges and risks. Held ever more accountable for an organisation's performance and vitality, a board must set its strategic direction, often across diverse product markets and geographies, and monitor the firm's risk profile. The board therefore is no doubt, the most important body in ensuring an organisation's implementation of good corporate governance practices. The right attitude and approach towards such practices are most appropriately cascaded through the organisation from the board of directors. Our approach to ensuring our Board's effectiveness is threefold – through composition, training and a rigorous board appraisal process.

Composition

The first step towards having an effective board is to ensure the right people, who have previously displayed excellent business knowledge and board experience, are appointed. We believe the effectiveness of a board is closely aligned to the inclination of its individual members to effectively observe sound corporate governance principles. Understanding this, we have ensured the composition of our present Board is the best mix of the competencies and experiences required for a company primarily designed for the enhancement of shareholder value.

We have aligned with global best practice on the ratio of non-executives to executives on the Board. Our Non-Executive Directors outnumber our Executive Directors by eight to one.

A similar composition philosophy runs through all the boards of the operating entities within the FBNHoldings Group. Non executives outnumber executives on all the boards of companies within the Group. This is in line with best global practice and underscores the overwhelming independence of the respective boards within the Group from the executive management of the respective operating companies.

Non-Executive Directors are expected to focus on Board matters and not stray into 'executive direction', thus providing an independent view of the company that is removed from its day-to-day running. Non-Executive Directors, then, are appointed to bring to the Board independence, impartiality, wide experience and specialist knowledge. In strategy formulation, Non-Executive Directors are also expected to provide monitoring, to contribute creative and informed ideas to the company, and to look critically at the objectives and plans devised by the executive team.

Board training process

Regardless of the expected or current depth of knowledge and experience of those appointed to the Board, we ensure regular domestic and international training programmes are organised for Board members to improve their decision-making capacity, thereby contributing to the overall effectiveness of the Board.

The following Policy Statements guide our director training policy;

- Newly appointed directors must undergo an induction programme within one month of assumption of office.
- Every Board member must attend a minimum of one training programme each financial year. In addition, Board members are expected to attend mandatory training programmes as may be directed from time to time by regulatory authorities.
- The GMD or the Company Secretary through the CEO shall make training recommendations for the Executive Directors.
- The Board Chairman shall ratify the training programmes for the CEO while each Board Committee shall recommend training programmes for its members.

In some cases, in-planted programmes are organised to train directors as a group where it is considered that the training may be beneficial to all the members of the Board. An example of this in-planted training was the Enterprise Risk Management training which was organised for all the members of the Board in December 2015.

The Board ensures that its knowledge base is constantly refreshed through continuous training and development programmes. More specifically, the process of executing our director's training policy is depicted below:

BUDGETING

The budget for yearly training of directors is usually made up of the estimated cost of programs in the training schedule for all the directors; and seminars/workshops to be attended by Executive Directors for the year.

TRAINING NEEDS IDENTIFICATION

Results of the directors' peer appraisal are usually utilised in identifying the training needs for directors. In addition to the peer appraisal results, the performance assessment for the GMD (as evaluated by the Chairman) is also utilised in identifying training needs.

These identified training needs of directors is discussed with the Chairman and forwarded to the Company Secretary for inclusion in the annual training plan.

TRAINING DELIVERY

A schedule of training programs for all directors is drawn up annually. The training schedule shall be prepared following the training needs assessment of each director. Directors are expected to fully participate in all identified training programs and provide feedback to the Board on lessons learnt in a structured manner.

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Board appraisal

In compliance with the Securities and Exchange Commission (SEC) Code of Corporate Governance (the Code) and due to our commitment to strengthening the Group's corporate governance practices and enhancing the capacity of the Board in the effective discharge of its responsibilities, the Board engaged the services of an independent consultant, KPMG Professional Services, to conduct an appraisal of the Board of Directors and individual director peer appraisal for the year ended 31 December 2015. The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities. The scope of work performed covered the following activities:

- review of Board operations and existing governance documentation;
- observation of a meeting of the Board of Directors;
- facilitation of a director peer; and
- feedback session with the entire Board.

The evaluation criteria focused on the following five key areas of Board responsibility:

- operations (the Board's ability to manage its own activities);
- strategy (the Board's role in the strategy process);
- corporate culture (the Board's role in setting and communicating standards of ethical organisational behaviour);
- monitoring and evaluation (the Board's role in monitoring management and evaluating its performance against defined goals); and
- stewardship towards shareholders and other stakeholders (the Board's responsibility towards shareholders and other stakeholders and responsibility for their interests).

Work approach

KPMG's work approach incorporated the following corporate governance models:

- the Central Bank of Nigeria's (CBN's) Guidelines For Licensing And Regulation Of Financial Holding Companies In Nigeria 2014;
- the CBN's Code of Corporate Governance for Banks and Discount Houses 2014 – CBN Code;
- the Securities and Exchange Commission's (SEC's) Code of Corporate Governance (Nigeria) – SEC Code;
- King III Report on Corporate Governance (South Africa); and
- the UK Corporate Governance Code.

What do we expect to learn from this process?

The appraisal process provides a mechanism for measuring directors' performance. The appraisal report and recommendations on areas of improvement are presented to the Board for deliberation. The outcome of the Board's evaluation is fed back, as appropriate, in reviews of the Board's composition, the design of induction and development programmes and other relevant areas of the Board's operations.

In addition to the general Board evaluation, individual directors are also evaluated and the assessments communicated to the Chairman. The cumulative results of the performance of the Board and individual directors will be considered by the Board as a guide to deciding eligibility for re-election and other matters.

In 2014, KPMG's appraisal of the Board revealed FBNHoldings' corporate governance practices were largely in compliance with the key provisions of the CBN Code and SEC Code. Specific recommendations for further improving our governance practices were also articulated and included in a detailed report to the Board. This related to Board composition, risk management, the structure of directors' remuneration, and directors' induction and training.

We have taken these recommendations on board and improved on our corporate governance practices. New appointments to the Board have been made with these recommendations in mind. A Group Compliance Policy and Framework is being considered by the Board while an induction programme was organised for all members of the Board in December 2015. Specifically, the strength, gaps and corrective measures taken from the 2014 Board Appraisal report are as follows:

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STRENGTHS	STATUS
The presence of two Independent Non-Executive Directors.	Sustained
The establishment of a governance framework and policies to guide Board operations.	Sustained
The majority of Directors are Non-Executive Directors and that the position of the Group Chief Executive Officer (Group Managing Director) is separate from that of the Group Chairman.	Sustained
The Board held meetings at least quarterly and each Director attended at least two-thirds of all Board meetings.	Sustained
IDENTIFIED GAPS	**STATUS**
Inadequacies in the composition and structure of the Board.	Corrected through the new appointments to be approved at the AGM.
Inadequate involvement of the Board in strategy implementation and monitoring.	Increased Board involvement as strategy implementation updates now form part of the Board agenda at each Board meeting.
Inadequacies in the Internal Audit, Internal Control and Risk Management functions.	Inadequacies tackled through the adoption of the Board approved Enterprise Risk Management Framework. Similarly, a Group Compliance Policy and Framework is being prepared for the Board's consideration and work should be completed on same by Q2, 2016.

Similarly, the Board appraisal for 2015 has also been concluded and the evaluation report can be seen on page 23.

Performance monitoring

As part of its oversight role, the Board continuously engages with management and contributes ideas to the Group's strategy from the planning phase to execution and impact evaluation. The Board usually holds an annual Board retreat, where the strategy for the coming year is rigorously debated and agreed between Management and the Board. Once a strategy is defined, updates on specific strategic objectives become part of the on-going Board agenda, providing the Board with access to sufficient detail to critique the implementation of the strategy. During this process, the Board is continuously updated on significant issues, risks or challenges encountered in the course of strategy implementation across the Group, and on the steps taken to alleviate those risks.

We run a three-year strategic planning cycle or period for all group companies driven by the Holdco Board to ensure shared vision and direction. The process starts with setting out the broad business philosophy which is cascaded to key performance indicators tracked on a quarterly basis by the individual boards for ownership and Holdco Board for oversight.

On a quarterly basis, Management reviews the Group's financial and performance indicators with the Board, and the Board will continuously assess progress and confirm alignment or otherwise with the strategic goals and objectives of the Group. The Group's actual performance is presented relative to its planned/budgeted performance to provide the Board with on-going insight into the level of achievement. In addition, peer benchmarking forms a continuous part of our Board meetings in order to put our performance into perspective against that of our competitors.

REMUNERATION POLICY AND PHILOSOPHY

The foregoing narrative aims to provide clarity to stakeholders with an understanding of the remuneration philosophy and policy applied at FBNHoldings for Non-Executive Directors and Executive Directors.

FBNHoldings' compensation and reward philosophy represents the values and beliefs that drive compensation policy in the organisation. Our compensation philosophy is in line with the Group's quest to attract and retain highly skilled personnel who will keep the Group ahead of competition. In reviewing our compensation package, some of the triggers for compensation review include organisational policy, market positioning, financial performance of the Group, government policies, regulations, industry trends, inflation and the cost of living index.

Board remuneration

As a Board, we are mindful of the views of our various stakeholders on remuneration. We aim to motivate, incentivise and retain our talent while remaining mindful of the current economic outlook.

NON-EXECUTIVE DIRECTORS

In line with the CBN/SEC Codes, Non-Executive Directors receive fixed annual fees and sitting allowances for service on Boards and Board Committee meetings as well as reimbursable expenses. There are no contractual arrangements for compensation for loss of office. Non-Executive Directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

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EXECUTIVE DIRECTORS

The remuneration for Executive Directors is determined by the Board and is usually benchmarked to competition or within the top quartile to ensure that it adequately attracts and retains the best and most experienced individuals for the role. Remuneration for Executive Directors is performance-driven and restricted to base salaries, allowances, performance bonuses and share options. Executive Directors are not entitled to sitting allowances.

The amounts specified below represent the total remuneration paid to Executive and Non-Executive Directors for the Group in the period under review.

Performance indicators	31 December 2015 ₦ million	31 December 2014 ₦ million
Fees and sitting allowance	79	57
Executive compensation	90	83
Total	169	140

The Group has continually ensured that its remuneration policies and practices remain competitive, and are in line with its core values to incentivise and drive performance.

Statement of compliance with the Nigerian Stock Exchange (NSE) listing rules on Securities Trading Policy

In line with Section 14.4 of the Nigerian Stock Exchange (NSE) Amendments to the Listing Rules (Rules), we wish to state that we have adopted a code of conduct regarding securities transactions by our directors and that it is in line with the required standard set out in the Rules.

The FBNHoldings Securities Trading Policy (Policy) is embedded in the Board-approved Group Disclosure Policy and having made specific enquiry of all our directors regarding compliance with the Policy, we hereby confirm to the best of our knowledge that our Board of Directors are in compliance with our Securities Trading Policy and the provisions of the Rules on Securities Trading.

Dr Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

Statement of compliance with SEC Code of Corporate Governance

In compliance with Section 4.2 of the Listings Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the SEC Code of Corporate Governance (Code) governs the operations of FBN Holdings Plc.

We hereby confirm to the best of our knowledge that we are in compliance of the Code.

Dr Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

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ACCOUNTABILITY

Risk governance framework

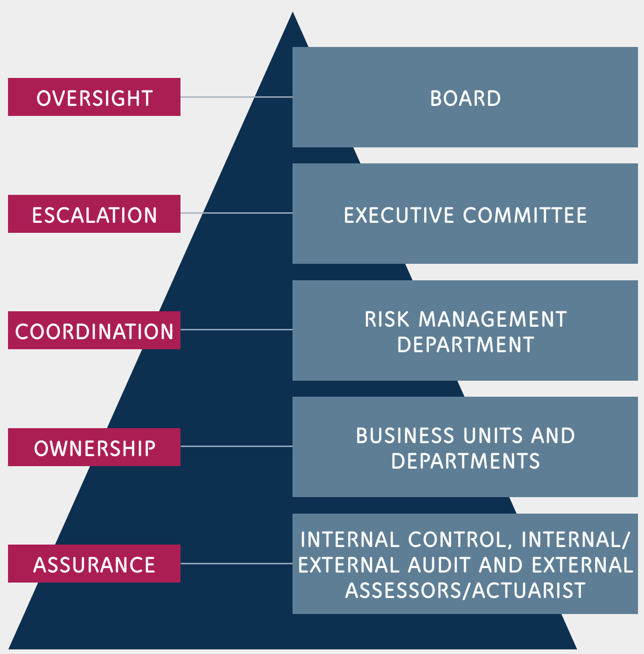
Effective management of risk requires a robust governance structure in which everyone is aware of their individual and collective accountabilities for risk management, risk oversight and risk assurance. This is reinforced by appropriate delegation of authority from the Board, which sets the appropriate tone down through the management hierarchy, and is supported by a committee-based structure designed to ensure that the risk management system across the Group is in line with regulations and leading practices.

The various components of risk governance include:

- clearly defined accountabilities and expectations of relevant parties in the risk management process;
- a clearly defined policy for the management of various risks; and
- a system of internal control and appropriate assurance in the risk management process.

Presented below is the hierarchy of the risk governance model in the Group.

THE GROUP'S RISK GOVERNANCE MODEL



a) The Board, at the top of the pyramid, has ultimate responsibility for risk management and is responsible for approving all risk management policies and associated amendments. The risk oversight responsibilities of the Board are delegated to the Board Audit & Risk Assessment Committee (BARAC). Details of these roles and responsibilities are contained on page 17.

b) The Management Committee is responsible for reviewing and challenging risk report and escalating issues to the Board.

c) Risk Management department facilitates and coordinates risk management activities across the Group.

d) Business units and other departments are the risk takers responsible for identifying, assessing, measuring, monitoring and reporting risks associated with their respective functions.

e) Internal Control, Internal/External Audit and External Assessors are responsible for independently assessing the effectiveness of risk management process and practices and for providing timely, objective assurance and control of risk.

Further details of the above responsibilities, which are in line with the three lines of defence risk governance model, are presented on page 27.

As reported in the prior year, a leading risk consulting firm was engaged to review the Group Enterprise Risk Management (ERM) framework and the targeted operating model (risk governance framework). This exercise was completed in 2015. The approved risk governance model (inclusive of the major findings of the review) of the Group is characterised by the following:

- The Board of Directors of the holding company (through the Board Audit & Risk Assessment Committee) will provide robust oversight of the Group's risk strategy, approve the Group risk appetite, and review the adequacy of the risk management framework and control effectiveness.
- The Group Risk Stakeholders Committee comprises the Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) of the operating companies and the Group Risk Manager. The committee will ensure a strong and effective relationship between the risk management function of the business units and the holding company, as well as enhance the risk coordination process across the Group. The committee is accountable to the Group Executive Committee and the FBNHoldings Board Audit & Risk Assessment Committee.

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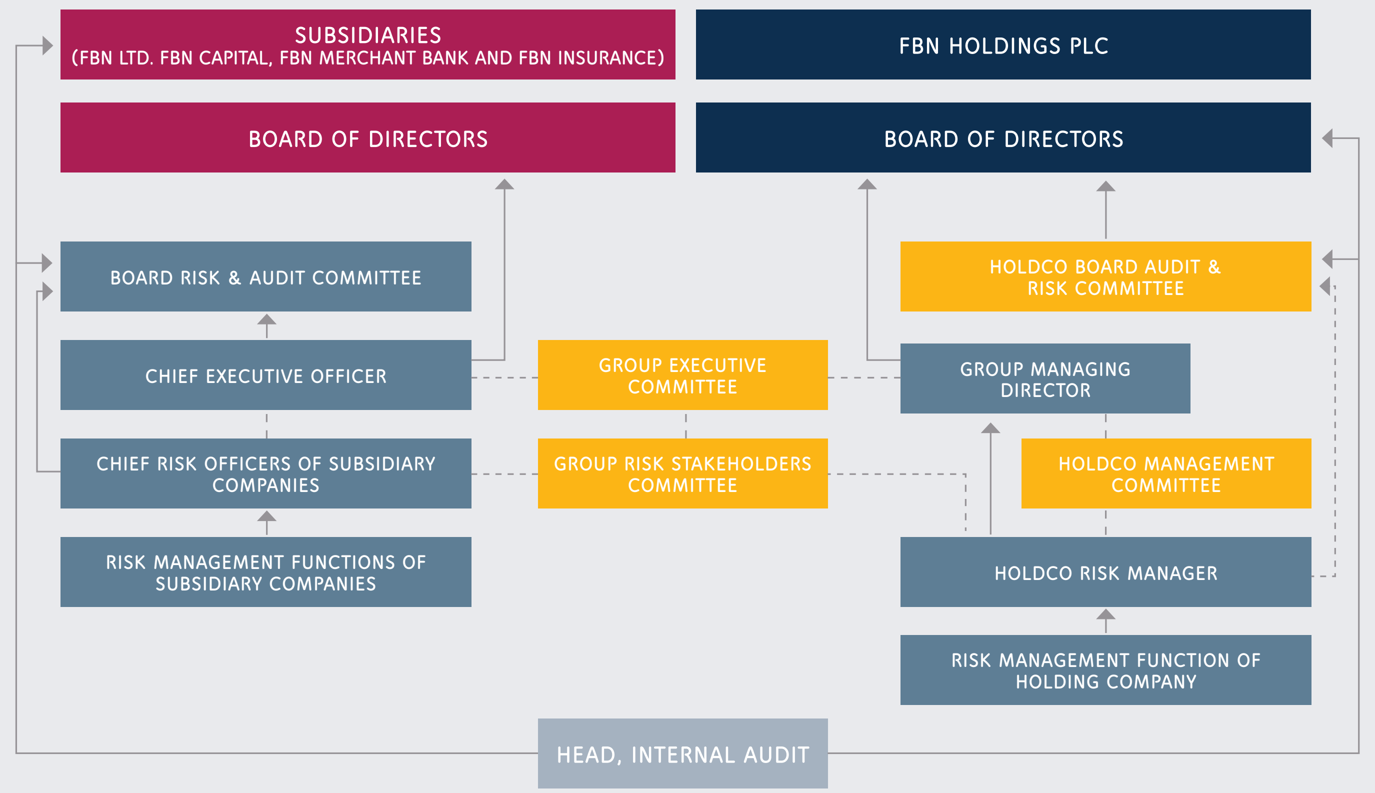
THE GROUP RISK GOVERNANCE MODEL



This target operating model will further ensure clarity and simplicity of the risk management process and also enhance a robust and practical risk governance structure in the Group.

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In reinforcing the risk governance framework of FBNHoldings, the 'three lines of defence' model is also used.

BOARD/ EXECUTIVE MANAGEMENT

Perform oversight

- Sets the 'tone from the top'
- Establishes risk appetite and strategy
- Approves the risk management framework, methodologies, overall policies, roles and responsibilities
- Leverages risk information into decision making process. Accepts, transfers, or mitigates identified risks
- Evaluates BU activities on a risk-adjusted basis

THREE LINES OF DEFENCE

INTERNAL & EXTERNAL AUDIT

Test and verify

- Provides independent testing and verification of efficacy of corporate standard and business line compliance
- Validates the overall risk framework
- Provides assurance that the risk management process is functioning as designed and identifies improvement opportunities

3rd

RISK MANAGEMENT
CHIEF RISK OFFICER

Design and facilitate

- Designs and deploys the overall risk management framework across the organisation
- Compiles across BUs and escalates risk/ control issues to senior management
- Performs aggregated risk reporting

COMPLIANCE
CHIEF COMPLIANCE OFFICER

Interpret and develop

- Provides interpretation of regulations and disseminates to business units
- Monitors compliance with regulations
- Develops and monitors policies and procedures
- Risk assessment based compliance testing
- Advises on regulatory issues

2nd

BU PROCESS AND RISK OWNERS
BUSINESS UNITS

Monitor and report

- 'Owner' of the risk management process
- Identifies, manages, mitigates and reports on risk
- Tracks loss and incident data

1st

This model helps reinforce the effectiveness of the Group risk management framework by identifying and documenting the responsibilities and accountabilities for risk management and internal control across the Group's business units. The model also helps to ensure clarity between the roles and responsibilities within each line, all of which play an integral role in ultimately providing assurance as to the effectiveness of risk management and the systems of internal control.

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The table below describes the respective accountabilities of each line of defence.

RESPONSIBILITIES AND ACCOUNTABILITIES IN THE THREE LINES OF DEFENCE

First line of defence	**Business line responsibilites**
Risk identification control	· Identify and manage risks on a day-to-day basis. · Ensure activities are within the Group risk appetite. · Design, implement and maintain effective internal control within the business lines. · Implement risk-based approval process for new activities and products. · Monitor and report on risk profile.
Second line of defence	**Governance, risk and oversight function responsibilities**
Standard setting and challenging	· Develop ERM (enterprise risk management) framework, and risk and control strategies and practices. · Provide oversight and independent challenge on the first line of defence through review, enquiry and discussion. · Develop and communicate governance, risk and control policies. · Provide training, tools and advice to support the first line of defence. · Monitor and report on compliance with risk appetite and policies. · Review policies and framework where and when necessary.
Third line of defence	**Internal audit responsibilities**
Independence assurance	· Verify that the Group's risk management framework is operating effectively. · Validate the effectiveness of the first two lines of defence.

Roles and responsibilities of the Board Audit & Risk Assessment Committee (BARAC)

The primary role of BARAC is to report to the Board and provide recommendations on matters relevant to risk management control and audit. The specific roles and responsibilities of the Committee are listed above under the Board Committee reports on page 17.

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WHISTLEBLOWING IN FBN HOLDINGS PLC

Commitment to high ethical standards

The Group's Board prioritises high ethical standards and probity, and expects all its employees and executives to observe such standards in all their dealings within the Group. In ensuring a high ethical standard, we established a code of ethics which sets out the minimum standards of conduct expected in the management of our businesses across the Group. All stakeholders are expected to comply with these standards in the discharge of their duties. Whilst the Group's operating procedures are intended to detect and prevent or deter improper activities, we realise that even the best systems of controls may not provide absolute safeguards against irregularities.

We recognise that there may be instances where these ethical guidelines may be violated. To ensure that these possible violations receive attention from the appropriate office, we adopted a Whistleblowing Policy (Policy) which provides a channel for the Group's employees and other relevant stakeholders to raise concerns about workplace malpractices in a confidential manner, to enable the relevant authorities to investigate and deal with such in a manner consistent with the Group's policies and relevant regulations. The Policy is therefore intended to investigate and take appropriate action against any reported misconduct or concern.

The Policy applies to both internal whistleblowers (staff, contract employees, management or directors) and external whistleblowers (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders).

The Policy outlines the Group's Procedure on whistleblowing and dealing with all reported cases of illegal and unethical conduct or other misconduct across the Group.

This Policy is in compliance with the requirements of various regulatory authorities with oversight on the activities of the Group on whistleblowing, particularly section 3.1 of the Central Bank of Nigeria (CBN) 'Guidelines for whistleblowing for banks and other financial institution in Nigeria', and section 5.3.1 of 'Code of Corporate Governance for banks and discount houses'.

Objective of the Policy

The Policy is intended to encourage staff and other relevant stakeholders to report perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the Group to appropriate authorities in a confidential manner without any fear of harassment, intimidation, victimisation or reprisal of anyone for raising concern(s) under the Policy. Specific objectives of the policy are:

a) To ensure all employees feel supported in speaking up in confidence and reporting matters they suspect may involve; improper, unethical or inappropriate conduct within the Group;

b) To encourage all improper, unethical or inappropriate behaviour to be identified and challenged at all levels of the organisation;

c) To provide clear procedures for reporting and handling such concern(s);

d) To proactively prevent and deter misconduct which could damage the Group's reputation;

e) To provide assurance that all disclosures will be taken seriously, treated as confidential and managed without fear of reprisal of any form; and

f) To help promote and develop a culture of openness, accountability and integrity.

Scope of the Policy

The Policy is designed to enable employees and other relevant stakeholders report any perceived act of impropriety which should not be based on mere speculation, rumors and gossips but on knowledge of facts. Reportable misconducts covered under this policy include:

- All forms of financial malpractices or impropriety such as fraud, corruption, bribery, theft;
- Failure to comply with legal obligations, statutes regulatory directives;
- Actions detrimental to Health and Safety or the Environment;
- Any form of criminal activity;
- Improper conduct or unethical behaviour; that undermines universal and core ethical values such as integrity, respect, honesty, accountability and fairness etc.;
- Other forms of corporate governance breaches;
- Connected transactions not disclosed or reported in line with regulations;
- Insider abuse;
- Non-disclosure of interest;
- Sexual or physical abuse of any staff, customer, applicant, service provider and other relevant stakeholders; and
- Attempt to conceal any of the above listed acts.

The above listed reportable misconducts or concerns are not exhaustive. However judgment and discretion is required to determine misconduct that should be reported under this policy. The general guide in identifying reportable misconduct is to report concerns which would be in the interest of the Group and the general public to stop and appropriate sanctions applied.

The Policy regulates our activities as a Holding Company and all the subsidiaries within our Group. This is without prejudice to the requirements by regulators of the various subsidiaries to put in place their respective whistleblowing policies.

Furthermore, the Policy is in compliance with the X-Whistle program of the Nigeria Stock Exchange (NSE); where such issue concerns: FBN Holdings Plc. as an entity, being a listed member of the NSE. The Policy is also to be read in conjunction with the whistleblowing guidelines that may be issued from time to time by different regulators governing the Group's subsidiaries.

Lastly, the Policy does not cover individual staff grievances and other employee related matters already covered in staff hand-books.

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Board and management commitment to the Policy

The Board and Management are aware that a robust internal system for employees and other relevant stakeholders to disclose workplace malpractices without fear of reprisal shows that employees take their responsibilities seriously, and also helps to avoid the negative publicity that often accompanies disclosures to external parties.

Hence the Board of Directors and Management are committed towards promoting a culture of openness, accountability and Integrity, and will not tolerate any harassment, victimization or discrimination of the whistleblower provided such disclosure is made in good faith with reasonable belief that what is being reported is fact.

Policy statement

We are committed to the highest standards of openness, probity, accountability and high ethical behaviour by helping to foster and maintain an environment where employees and other stakeholders can act appropriately, without fear of reprisal.

We therefore encourage employees and relevant stakeholders who have material concerns about suspected misconduct or any breach or suspected breach of law or regulation that may adversely impact the Group, to come forward and report them through appropriate channels (in certain cases on a confidential basis) without fear of retribution or unfair treatment.

We are committed to investigating promptly any reported misconduct and to protect those who come forward to report such activities. The Group further assures that all reports shall be treated in strict confidence.

Internal whistleblowing procedure

Internal whistleblowing involve staff members across the Group raising concerns about unethical conduct. An internal whistleblower may raise concern through any of the following media (this can be done either by declaration or in confidence/anonymously:

- Formal letter to the GMD FBN Holdings Plc or the Head, Internal Audit
- Call or text a dedicated phone number 08127166777; 0802 290 2268
- All internal whistleblowers can use Microsoft Office Communicator
- Dedicated email address (whistleblowing@fbnholdings.com)
- Via FBNHoldings website: www.fbnholdings.com/whistleblowing

Where the concern is received by staff other than the GMD or the Head, Internal Audit, the recipient of such concerns shall be required to:

- Immediately pass the concerns to the Head Internal Audit and copy to the GMD FBNHoldings
- If the concerns affect the Head Internal Audit, the GMD is notified and when a director is involved, such concern shall be directed to the Chairman of the Board Audit & Risk Committee.

The concern(s) shall be presented in the following format:

- Background of the concerns (with relevant dates)
- Reason(s) why the whistleblower is particularly concerned about the situation.

In the event that the whistleblower is not satisfied with the extent of investigation and or the action taken based on the outcome of the investigation, the whistleblower is at liberty to report to the Chairman of the Board Audit & Risk Committee.

Any internal whistleblower that feels victimised can report his/her grievance(s) to the Chairman of the Board Audit & Risk Assessment Committee. This is without prejudice to the fundamental right of the internal whistleblower to seek redress in the court of law.

External whistleblowing procedure

External whistleblowers are non-staff of the Group. They can fall into any of these categories: contractors, service providers, shareholders, depositors, analysts, consultant, job applicants, and the general public. An external whistleblower may raise concern through any of the following media (this can be done either by declaration or in confidence/anonymously):

- By a formal letter to the Group Managing Director, FBN Holdings Plc and/or Head Internal Audit
- Dedicated phone number as contained in the website; www.fbnholdings.com
- Dedicated email address; whistleblowing@fbnholdings.com
- Electronically log into; www.fbnholdings.com
- Directly to the Group Managing Director, FBNHoldings
- Directly to the Head Internal Audit, FBNHoldings.

The concern(s) shall be presented in the following format:

- Background of the issue (with relevant dates)
- Reason(s) why the whistleblower is particularly concerned about the situation.

In the event that the whistleblower is not satisfied with the extent of investigation and/or the action taken based on the outcome of the investigation, the whistleblower is at liberty to report to the Chairman of the Board Audit & Risk Assessment Committee for further action.

An external whistleblower shall be at liberty to report to appropriate regulatory body or even seek further redress in the court of laws if he/she is not satisfied with the action taken to address the concern(s).

If preliminary investigation shows that the concerns falls within the whistleblowing reportable concerns, then further investigation shall be carried out. If otherwise or the concerns is outside the reportable misconduct, then the Head, Internal Audit shall refer the matter to appropriate quarter for further action. Where necessary the Head, Internal Audit shall give update of the progress of investigation to the whistleblower if the concerns fall within the reportable concerns. Finally, if the concern raised by the whistleblower is frivolous or unwarranted, the Head internal Audit shall ignore such concern, if necessary disciplinary measure in line with Human Resources policy shall apply to staff that raise concern out of malice.

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Protection and compensation for whistleblower

It shall be the policy of the Group to protect whistleblowers who disclose concerns, provided the disclosure is made:

- in the reasonable belief that it is intended to show malpractice or impropriety
- to an appropriate person or authority; and
- In good faith without malice or mischief.

While all disclosures resulting from whistleblowing shall be treated with high level of confidentiality, staff and other relevant stakeholders are encouraged to disclose their name to make the report more credible.

We will not subject a whistleblower to any detriment and where necessary, compensation of whistleblowers, whether internal or external, that have suffered detriment shall be at the discretion of Management taking into consideration regulatory guidance on compensation of whistleblower to be issued from time to time.

Wider disclosure

A whistleblower, whether internal or external, may elect to disclosure directly to any of the following regulatory bodies that have oversights on the activities of FBN Holdings Plc.:

REGULATOR	ADDRESS
Central Bank of Nigeria (CBN)	Central Business District. P.M.B 0187, Garki Abuja. Phone: +234 (0) 946237401 Email: anticorruptionunit@cbn.gov.ng
Nigeria Deposit Insurance Corporation (NDIC)	Plot 447/448 Constitution Avenue Central Business District P.M.B. 284, Garki Abuja Phone: +234 (0) 94601380 - 9 +234 (0) 96171380 – 9 Email: info@ndic.org.ng helpdesk@ndic.org.ng
Securities and Exchange Commission (SEC)	SEC Towers, Plot 272, Samuel Adesujo Ademulegun Street, Central Business District P.M.B:315 Garki Abuja. Phone: +234 (0) 94621159 Email: sec@sec.gov.ng
Nigeria Insurance Commission (NAICOM)	Plot 1239, Ladoke Akintola Boulevard, Garki II, P.M.B 457 Garki, Abuja, Nigeria. Telephone: +234 (0) 92915101 Email: info@naicom.gov.ng
National Pension Commission (PENCOM)	Plot 174, Adetokunbo Ademola Crescent, Wuse, Abuja, Nigeria. Phone: +234 (0) 94603930 Email: info@pencom.gov.ng
Nigerian Stock Exchange (NSE)	Stock Exchange House 2/4, Custom Street, P. O. Box 2457 Marina, Lagos Phone: +234 (0) 14489373 +234 (0) 817243061 +234 (0) 81206463 Email: x-whistle@nse.com.ng

The culture of whistleblowing

In the drive to entrench the culture of whistleblowing among members of staff, emails and fliers on the advantages of whistleblowing, and the channels through which the whistleblower could send in their concerns, were publicised on the Group's intranet. The provisions of the whistleblowing policy, and the Group's core values, encourage members of staff to speak up when they believe something is wrong, with the assurance that management is always ready to address concerns and feedback as part of the process.

Whistleblowing	2014	2015
Probable irregularities and non-compliance with the policies of the Group	7	10
Disciplinary measures	3	12
Cases under investigation	7	5
Unsuccessful attempts by outsiders to lure members of staff into committing fraud	2	4
Cases investigated but found to be untrue	2	10
Total	21	41

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Internal control

Internal control in FBNHoldings and its subsidiaries refers to the overall operating framework of the practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions that exist within the Group and are designed to ensure:

- essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance with general accounting principles;
- compliance with applicable laws and regulations, including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

The FBNHoldings Board is committed to creating and maintaining a world-class internal control environment that is capable of mitigating risks and losses inherent in the business.

Group internal control framework

The Group's framework is predicated on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) standards, which provide guidelines aimed at achieving internal control objectives of:

- reliability of financial statements;
- effectiveness and efficiency of operations; and
- compliance with applicable laws and regulations.

It also aligns the control responsibilities of the Board of Directors, MDs, management and staff within the Group. Our basic conceptual structure is based on the COSO 2013 Integrated Internal Control Framework.

This is the most widely acceptable international framework used to evaluate the existence and functionality of control principles covering the following five components:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring.

The framework was created to identify critical activities within the Group, assess the risk exposures, determine appropriate preventive and detective control measures, and monitor such measures to ensure compliance, thereby minimising the risks and losses.

Adoption of COSO 2013 updated internal control framework

In August 2008, FirstBank adopted the COSO Internal Control Integrated Framework as a basis for assessing and evaluating the effectiveness of internal control. This framework was updated by the COSO committee in May 2013.

Consequently, in 2014, FirstBank initiated and commenced the transition and upgrade of its internal control processes with a view to aligning it with the updated 2013 COSO Framework. This project was championed by ICEG in collaboration with a reputable external consultant. The project was successfully concluded in April 2015, with FirstBank effectively pioneering this feat in the Nigerian financial services sector. The adoption of the COSO 2013 Framework has been of immense benefit, as it has resulted in better entity level controls, improved control consciousness and a stronger control environment within the Group.

Establishment of a 24/7 fraud desk

In line with CBN's regulatory requirements on the operation of instant payments and other electronic payment options, FirstBank established a 24/7 Behavioural Monitoring Centre during the year. The centre represents a state-of-the-art operations unit focused on behavioural monitoring designed to detect and prevent suspicious internet banking activities as well as other doubtful transactions. The successful implementation of the centre has harnessed the resources of already existing applications, such as the Internal Control Anti-Fraud Solution (ICAFAS) and the FraudWatch application in FirstBank. The centre has further extended its activities to card transactions monitoring, which we believe will also lead to a further reduction in fraud. Additionally, as required by CBN, the FirstBank has set up a 24/7 fraud desk. The fraud desk activities include:

- Verifying suspicious transactions from other banks.
- Acting as a liaison between FirstBank and other banks on fraud-related issues.
- Communicating fraud trends in the industry to the central unit with the control team to escalate as required.

Major achievements in 2015

The key milestones achieved by internal control in the course of the year include:

- Introduction of the 24/7 behavioural monitoring of internet banking activities, with notable decrease in online banking fraud. This was extended to cards and ATM transactions and Introduction of a 24/7 fraud desk to address fraud issues across banks as mandated by CBN.
- Successful strengthening of control consciousness of frontline staff in risk management through regular control awareness.
- Monitoring subsidiaries activities to ensure strict adherence to policies and procedures.
- Expanding the scope of revenue assurance to additional income lines, thereby eliminating income leakages.
- Strengthening IT control to safeguard all the software used by the Group.

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Priorities for 2016

- Increased use of automated tools to monitor controls and improve turnaround time. Continuous process improvements, post-implementation of the COSO 2013 Integrated Internal Control Framework.
- Expanding the scope of control monitoring and review to ensure compliance with policies and procedures.
- Continuous training of branch staff through control awareness campaign with a view to enhancing service delivery.
- Implementing measurable processes to enhance and maintain high-quality documentation and reduce turnaround time of the internal audit function in performance of its duties.
- Creating of knowledge hubs to guide staff on control activities and ensure adequate communication and clarification of control policies and procedures to all staff.
- Improving synergies across fraud desks in all other banks in Nigeria to reduce the fraud rate in the banking industry.

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ENGAGEMENT

The Board is committed to engaging in constructive and meaningful communications with its investors, shareholders and other stakeholders. We believe engagement, consistent with the Group's disclosure controls, is a fundamental and long-term aspect of the Board's oversight responsibility.

Introduction

Global economic and regulatory changes have had, on balance, negative impact on the performance of most listed companies. As a result of market changes, the need to restore shareholder value has become paramount and at its core, calls for improved business performance, as well as enhanced focus on increased engagement across various stakeholders which could impact valuation. Given the continued interest by current and potential shareholders in the performance of companies especially in the current macro environment, there is a need to deepen and further centralise engagement with shareholders to provide better understanding of our corporate governance mechanism, strategy, performance and outlook. This relationship is increasingly, important providing access to senior management, reducing the information gap with the financial community to build confidence, trust and understanding between the Company, Board and other stakeholders.

Regulatory engagement

As part of efforts to deepen regulatory interface across all sectors within the financial services industry where we operate[1], the Board of FBNHoldings through its management, has set up a framework that ensures a coordinated approach to engaging regulators on an ongoing basis. This is geared towards ensuring hitch-free operations across markets and sectors by all operating companies as well as eliminating regulatory infractions which could potentially lead to negative publicity, fines and cancellation of licenses, in extreme cases. To this end, the highest management organ of the Group – Group Executive Committee (GEC) has with the responsibility of tracking and measuring implementation of engagements with regulators. The framework also emphasises a coordinated approach to engaging regulators through joint calls by executives of operating companies and periodic engagements at a more senior management level.

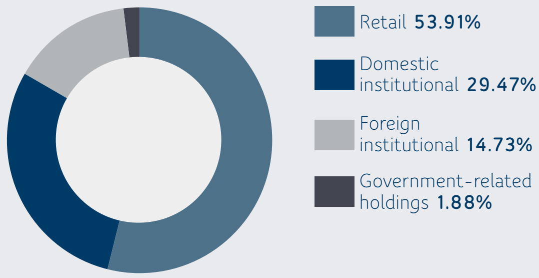
Engagement with investors

FBNHoldings is a publicly quoted company with a diverse shareholder profile with about 1.2 million shareholder accounts globally, with no beneficial shareholder having more than 5% of the issued ordinary shares. This makes the ownership structure one of the most diversified in the country. The current distribution of FBNHoldings shares is heavily dominated by domestic owners, who in turn can be broadly split into retail and institutional shareholders, while international holders are entirely institutional. Given the macroeconomic challenges, the composition of international holders has dipped, from a peak of 21.68% to 14.70% as at December 2015.

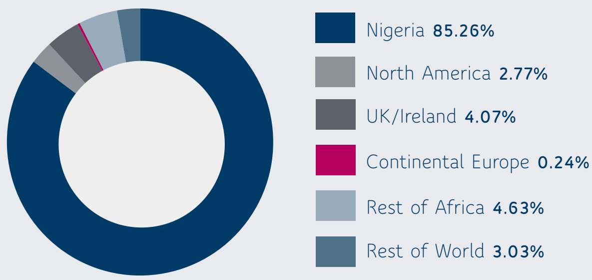
[1]The different regulatory bodies supervising different business groups within FBNHoldings include the Central Bank of Nigeria, The Nigerian Stock Exchange, The Securities and Exchange Commission, The National Insurance Commission, The Pension Commission and the Financial Reporting Council of Nigeria.

As at 31 December 2015, the shareholding structure was:

BREAKDOWN OF SHAREHOLDERS BY TYPE



GEOGRAPHICAL BREAKDOWN OF SHAREHOLDING STRUCTURE



We approach engagements across types of shareholders/investors differently.

Domestic retail investors - This group represents all individual holders of FBNHoldings shares and is made up of high net-worth individuals (HNIs) and mass retail. The mass retail covers a wide spectrum of shareholders and within this range are the very small holders of the FBNHoldings stock, some of which belong to shareholder associations. Typically, retail shareholders are updated on the strategy, performance and outlook via the annual general meeting (AGM), research notes from analysts, the investor relations (IR) and corporate website, fund managers, shareholder associations, and their stockbrokers. We continue to seek avenues to narrow any perceived information gaps.

Institutional investors – This group holds shares both directly and on behalf of underlying beneficiaries, be they individuals and other corporates with fiduciary responsibilities.. In the wake of the financial crisis, institutional investors are under increasing pressure to better understand the companies in which they invest and use their influence to minimise corporate governance risk.

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Engagement generally, aids us in understanding external perspectives on the Group's performance and can provide added context on shareholders' views to assist in fine-tuning strategies. Our interaction with the institutional investors also provides some validation of existing initiatives and as well as offering valuable insights given their exposure to a broad spectrum of companies and business strategies in different sectors.

The investor relations team, supported by the executives and senior management team, engages with analysts/shareholders/investors through a variety of platforms including: Facts Behind the Figures on the Nigerian Stock Exchange, website, press releases, publications in newspapers, meetings with shareholder institutions, results conference calls, investor forum/conferences, non-deal road shows and social media.

Rights of shareholders

The Companies & Allied Matters Act of 2004 (CAMA) provides several basic rights for shareholders which include, but is not limited to the following:

- Every shareholder shall have the right to attend any general meeting of the Company in accordance with the provisions of section 81 (CAMA). It does not matter how many units of shares the person has in the Company. A shareholder has the right to query a company for not receiving notice to attend any general meeting.
- Shareholders have the right to speak and vote on any resolution before the meeting in accordance with the provision of section 81 of CAMA.
- Shareholders have the right to vote in person or in absentia, and equal effect shall be given to votes whether cast in person or in absentia.
- Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of the general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
- They shall be given the opportunity to ask the Board questions and to place items on the agenda at the general meetings, subject to reasonable limitations.
- They have the right to be informed of any resolution appointing or approving the appointment of a director for the purpose of section 256 of CAMA.
- Shareholders have the right to sue for dividends in accordance with section 385 of CAMA.
- Shareholders have the right to a copy of the memorandum and articles, if any, and a copy of any enactment that alters the memorandum in accordance with section 42 of CAMA.
- Shareholders have the right of a preference share to more than one vote in accordance with section 143, subsection (1) (3) of CAMA.
- Shareholders have the right of conveying or transferring shares.
- Shareholders have the right of sharing in the residual profits of the Company.
- Shareholders have the right to bonus and rights issue of the Company.
- Shareholders have the right to inspect the register of members of the Company.
- Shareholders have the right to be issued within three months without any payment a certificate after the close of offer (S. 146 (1&2).
- Shareholders have the right vis-à-vis a prospectus that is being issued in an offer for sale or subscription of shares by an issuer.
- Shareholders have the right to be represented in the Statutory Audit Committee of the Company.
- Aggrieved shareholders have the right to seek redress. The Investment and Securities Tribunal (IST), the Administrative Proceedings Committee (APC) and the Securities and Exchange Commission mechanism can be used to address such grievances.
- Shareholders have the right to inspect the register of members and to a share certificate when a new share is bought.
- Shareholders have the right to transfer shares.
- Shareholders have the right to request an extra general meeting.

At FBNHoldings, we consider these rights sacrosanct and we always ensure they are upheld.

What are our shareholders' responsibilities?

The Statutory Audit Committee (SAC) acts on behalf of the shareholders in overseeing the operations of the Group. In an age of increasing transparency, our shareholders' perceptions of the Group, expectations and understanding of the Group's operations and performance, matter to our business value. Hence, it is important for our shareholders to be aware of the expected roles through representatives in the SAC as provided by Section 359 (2) & (3) as follows:

- to ascertain the accounting and reporting policies of the Group are in compliance with legal requirements and agreed ethical practices;
- to review the scope and planning of audit requirements; to review the findings on management matters in conjunction with the external auditor;
- to keep under review the effectiveness of the Company's system of accounting and internal controls; to make recommendations to the Board with regards to the appointment, removal and remuneration of external auditors to the Company; and
- to authorise the internal auditor to carry out investigations into any activities.

In addition, our shareholders' roles extend to holding the Board accountable for the observance of effective corporate governance practices. They also have the responsibility of approving the appointment of the members of the Board of Directors and the external auditors, as well as granting approval for certain corporate actions that are by legislation or the Company's articles of association specifically reserved for shareholders, such as approval of dividend payment. Decision-making is not restricted to the Board, but extends to shareholders, who ultimately own the Group.

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What does Investor Relations do?

The Investor Relations (IR) function involves the engagement of shareholders, investors and analysts to ensure the effective and proactive dissemination of FBNHoldings' strategic information and corporate disclosures. Investor Relations plays a pivotal role in providing detail about the health of the organisation to a wide range of interested parties. The information disseminated through the IR function not only projects the financial strength of the company, but also enables a two-way relationship between the Company and its stakeholders. Investor Relations leads and manages relations between FBNHoldings and the financial community by positively projecting the intrinsic value of the Group, enhancing investor confidence and ultimately creating value for the shareholders.

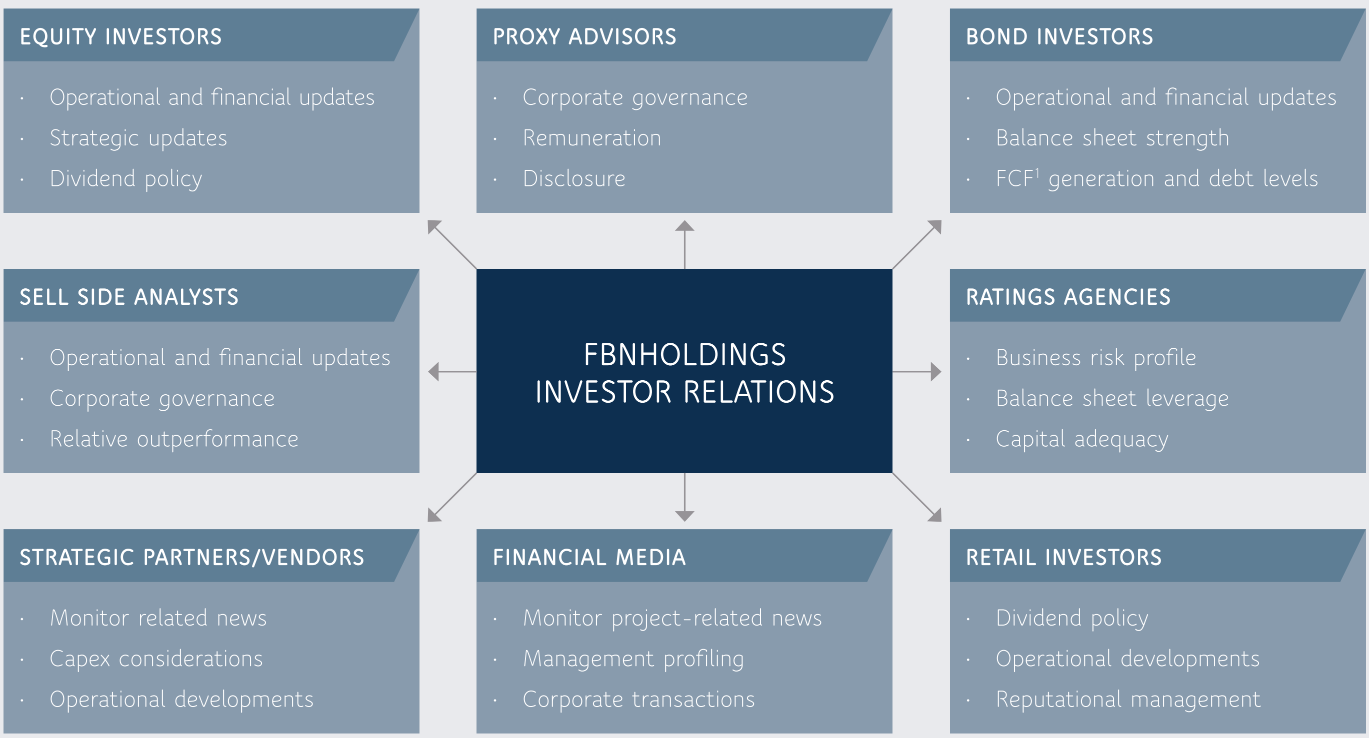
Essentially, the IR function aims to:

- Develop and implement investor, shareholder and proxy advisory firms' engagement and communication processes, to increase the visibility and valuation;
- Manage relationships with the market and build positive investor understanding and sentiment for the Company's strategy;
- Proactively disseminate FBNHoldings strategic information and corporate disclosures to key stakeholders including current and prospective investors, financial analysts etc.;
- Develop and implement the framework monitor and resolve investors' enquiries and issues;
- Ensure continuous gathering of market intelligence and monitoring of investor and analyst perception of FBNHoldings to drive efficiency to the IR programme, help manage shareholders expectations and ensure an upward flow of information to senior management;
- Expand the potential pool of capital the Group can access to finance its growth objectives; and
- Promote the fair value of the Company's shares.

At FBNHoldings, there is a clear and well documented IR programme, which includes detailed information of planned investor engagements for the year. The financial reporting calendar, a part of the IR programme which highlights the financial reporting dates for the year, is published on the IR website, as well as the annual report.

The diagram below shows the diversity of the IR stakeholders and the information requirements.

FIG 1: DIVERSITY OF THE INVESTOR RELATIONS UNIVERSE AND INFORMATION REQUIREMENTS



[1] FCF: Free cash flow

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FIG 2: KEY ACTIVITIES IN FBNHOLDINGS' INVESTOR RELATIONS PROGRAMME

ACTIVITY	DESCRIPTION	CHANNEL	TARGET AUDIENCE
Results press release	Press release describing the performance of the Group for the period under review including outlook. This activity typically happens quarterly when the financial results are released to the public.	· Website · Teleconference calls · Email interactions	· Shareholders · Investors · Analysts · Credit rating agencies
Results conference call	This activity occurs after publishing the financial results and is hoisted by senior and executive management. A results presentation is prepared quarterly and uploaded to the investor relations website, providing further disclosures on the performance of the business during the relevant period. A question-and-answer session is held after the presentation.	· Teleconference calls · The audio recording of the call is usually available on the IR website within 48 hours, while the transcript is available from one week after the call	· Shareholders · Investors · Analysts · Credit rating agencies
International non-deal roadshows	This entails engagement with key international institutional investors and shareholders on overall performance, outlook and key strategic objectives. It also enhances international visibility. Key locations visited reflect where the majority of our international investors reside – largely the United States and Europe.	· One-on-one meetings · Conference calls · Group meetings	· International investors
Domestic investor meetings	A forum where the Group's senior management addresses issues relating to questions on the performance, strategic direction and outlook.	· One-on-one meetings · Sales force teach-ins · Conference calls · Group meetings · Annual General Meetings	· Shareholders · Investors · Analysts
Investor conferences	Conferences organised by investment banks – locally and internationally. Creates an avenue for the Group's senior management to address issues relating to performance, strategic direction and outlook. It engenders confidence in the management team and enhances local and international visibility. Conferences attended in 2015 include: Renaissance capital mini March conference, Renaissance capital 6th Annual Pan Africa one on one Investor conference, Bank of America Emerging Market Conference, FBN Capital 2015 Investor conference, Standard Bank Africa Conference, Lagos	· One-on-one meetings · Results presentations · Small group meetings	· Bond/Equity Investors · Analysts
Pension Fund Managers forum (PFAs &CPFAs)	This engagement is with domestic pension fund administrators (PFAs) and closed pension fund administrators (CPFAs) to ensure a better understanding of the Group's strategy, performance and outlook.	· One-on-one meetings · Sales force teach-ins · Conference calls · Group meetings	· Pension Fund Managers (PFAs &CPFAs)
Nigerian Stock Exchange (NSE) Facts behind the figures	This event engages the stockbrokers at the NSE on the Group's strategy, performance and outlook. Management presents the strategy and performance and also holds a Q&A session. During the year, one such session was held to discuss full year 2014 and first quarter 2015 FBNHoldings results.	· Facts behind the figures at the NSE · Conference calls	· Stockbrokers · Indirect retail investors · Media · The rest of the financial community

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Website enhancement

The website remains a veritable platform to engage a wide variety of stakeholders. As such, the quality of information and content management of the website remains a priority. To improve the level of disclosure, transparency and visibility on the IR website, the existing IR website has been enhanced to incorporate additional information to meet disclosure requirements from a regulatory and practice standpoint.

To further enhance our engagement to ensure easier access to information and meet best practice disclosure requirement, we will continue to improve on the quality of information hosted on our website including its look and feel. We will ensure good functional accessibility from a variety of platforms e.g. tablets, including other mobile devices. For further details please visit the website on http://ir.fbnholdings.com/

What happens at our Annual General Meeting (AGM)?

Section 213 of CAMA makes provision for holding an Annual General Meeting (AGM) and provides that every company shall in each year hold a general meeting as its AGM, in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. The dissemination of AGM & EGM materials are published in the national dailies; sent to the shareholders addresses via surface or registered mail or disseminated electronically. All businesses transacted at the AGM are deemed special business, except declaring a dividend, the presentation of the financial statements and the reports of the directors and auditors, the election of directors in the place of those retiring, the appointment, and the fixing of the remuneration, of the auditors and the appointment of the members of the Audit Committee, which shall be ordinary business.

The usual practice at the AGM is to have shareholder meetings duly convened and held in an open manner in line with the provisions of the Articles of Association and the provisions of CAMA. The AGM also serves as a medium for promoting interaction between the Board, Management and shareholders.

Attendance at the AGM is open to shareholders or their proxies, and proceedings at the meeting will be monitored by members of the press, representatives of the Nigerian Stock Exchange, the Central Bank of Nigeria, the Securities and Exchange Commission and the Corporate Affairs Commission.

At the general meeting, the shareholders have the opportunity to comment/deliberate on all items on the agenda and vote for or against the proposed resolutions. At the meeting, shareholders are free to discuss anything of concern to them with regards to the Company, Board of Directors, management, etc.

The general meeting affords shareholders the opportunity to appraise the Company's performance, especially as they are not actively involved in the day-to-day running of the Group. This medium provides the chance to give approval on certain decisions, assess the Group's performance and, by implication, the performances of the directors responsible for the effective management of stakeholders' interest.

The conduct of voting at the AGM is either by show of hands or by poll for any one agenda. In recent times, however, there has been an increase in voting by poll, indicating increased shareholder interest and participation at the AGM. Polls are demanded by shareholders in line with the provision of CAMA.

The Registrars officiate at the AGM; this involves accreditation and registration of shareholders and verification of shareholdings. The Registrars conduct the elections and ensure a seamless process.

Voting by poll

Voting by poll is provided for under sections 224 and 225 of CAMA. At the AGM, resolutions put to vote are decided by a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by any of the following:

- the Chairman, where he is a shareholder or a proxy;
- at least three members present in person or by proxy;
- any member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting; or
- any member or members holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

Conclusion

Given the continued interest by shareholders/investors in the performance of companies, especially in the current macro environment, we remain committed to providing high quality disclosures to shareholders, investors and other stakeholders to ensure effective dialogue on performance and outlook.

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DIRECTORS' REPORT

The directors present their report on the affairs of FBN Holdings Plc ('the Company') together with the financial statements and auditors' report for the period ended 31 December 2015.

a. Legal form

The Company was incorporated as a private limited liability company in Nigeria in 2010 and was converted to a public company in September 2012, when it commenced operations. The Company's shares were listed on the floor of the Nigerian Stock Exchange on 26 November 2012 after the shares of First Bank of Nigeria Plc were delisted on 23 November 2012.

b. Principal activity and business review

The principal activity of the Company is the raising and allocation of capital and resources.

The Company is also tasked with the responsibility of coordinating Group-wide financial reporting to shareholders and managing shareholder, investor and external relations to the Group, and the task of developing and coordinating implementation of Group strategies.

The Company consists of four groups, namely:

- Commercial Banking group made up of First Bank of Nigeria Limited, FBNBank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, FBNBank DRC Limited (formerly Banque Internationale de Crédit), FBNBank Ghana Limited, FBNBank Sierra Leone Limited, FBNBank Guinea Limited, FBNBank The Gambia Limited and FBNBank Senegal.
- Merchant Banking and Asset Management group (MBAM)[1], made up of FBN Capital Limited, FBN Securities Limited, FBN Funds Limited and FBN Trustees Limited.
- Insurance group made up of FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services made up of FBN Microfinance Bank Limited.

The Company prepares separate and consolidated financial statements.

c. Directors' shareholding

The direct and indirect interests of directors in the issued share capital of the Company 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 & Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are noted as follows:

Name	Direct holding	Indirect holding
Dr Oba Otudeko, CFR	5,895,264	532,075,839
Oye Hassan-Odukale, MFR	1,854,003	276,612,369
Bello Maccido (retired w.e.f. 31.12.2015)	2,633,279	-
Bisi Onasanya (retired w.e.f. 31.12.2015)	10,091,032	-
Abdullahi Mahmoud (retired w.e.f. 31.12.2015)	531,956	-
Chidi Anya	-	52,168
Dr Hamza Wuro Bokki	359,700	
Omatseyin Ayida	1,100,000	
'Debola Osibogun	95,968	
Muhammad Ahmad, OON	-	

d. Operating results

The Directors recommend for approval a dividend of 15 kobo per share, amounting to (₦5,384,293,918.80). Highlights of the operating results for the period under review are as follows:

	Group	
	31 December 2015 ₦ million	31 December 2014 ₦ million
Gross earnings	**505,191**	481,774
Profit before tax	**21,512**	94,056
Taxation	**(6,364)**	(10,045)
Total profit for the year	**15,148**	84,011
Appropriation:		
Transfer to statutory reserves	**1,369**	13,204
Transfer (from)/to statutory credit reserve	**(44,240)**	38,686
Transfer to contingency reserves	**221**	110
Transfer to retained earnings reserve	**57,799**	32,011

	Company	
	31 December 2015 ₦ million	31 December 2014 ₦ million
Gross earnings	**6,794**	16,969
Profit before tax	**2,180**	5,683
Taxation	**-**	-
Total profit for the year	**2,180**	5,683
Appropriation:		
Transfer to statutory reserves	**-**	-
Transfer (from)/to statutory credit reserve	**-**	-
Transfer to contingency reserves	**-**	-
Transfer to retained earnings reserve	**2,180**	5,683

e. Directors interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the directors had direct or indirect interest in contracts or proposed contracts with the company during the year.

[1] Following the acquisition of the Merchant Banking License in the latter part of 2015, the Investment and Asset Management (IBAM) business is now the Merchant Banking and Asset Management (MBAM) business.

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f. Property and equipment

Information relating to changes in property and equipment is given in Note 35 to the Accounts. In the directors' opinion, the market value of the FBNHoldings' properties is not less than the value shown in the financial statements.

g. Shareholding range analysis AS AT 31 DECEMBER 2015

Range	No of holders	Holders %	Units	Units %
1–1,000	285,340	23.35	210,909,179	0.59
1,001–5,000	496,359	40.62	1,195,731,431	3.33
5,001–10,000	174,978	14.32	1,203,018,013	3.35
10,001–50,000	217,983	17.84	4,442,092,175	12.38
50,001–100,000	23,092	1.89	1,605,151,736	4.47
100,001–500,000	19,487	1.59	3,872,086,201	10.79
500,001–1,000,000	2,320	0.19	1,608,277,951	4.48
1,000,001–5,000,000	1,945	0.16	3,654,899,618	10.18
5,000,001–10,000,000	226	0.02	1,560,170,652	4.35
10,000,001–50,000,000	186	0.02	3,549,801,895	9.89
50,000,001–100,000,000	27	0.00	1,799,226,165	5.01
100,000,001–500,000,000	30	0.00	7,805,057,797	21.74
500,000,001–35,895,292,792	4	0.00	3,388,869,979	9.44
	1,221,977	**100.00**	**35,895,292,792**	**100**

SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2015

Category	Holdings	Holdings %
Retail	19,352,806,311	53.91
Domestic institutional	10,579,552,190	29.47
Foreign institutional	5,287,901,441	14.73
Government-related holdings	675,032,850	1.88
	35,895,262,792	**100**

h. Substantial interest in shares

According to the register of members as at 31 December 2015, there was no shareholder with up to 5% of the shares of FBN Holdings Plc.

i. Human resources

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop.

In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Company continues and appropriate training arranged to ensure that they fit into the Company's working environment.

j. Health, safety and welfare at work

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company provides subsidy to all levels of employees for medical, transportation, housing, etc.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises.

The Company has a Group Life Assurance cover and operates a defined contributory pension plan in line with the Pension Reform Act 2014. It also operates the Employees Compensation Scheme (which replaced the Workmen Compensation Scheme) in line with the Employee's Compensation Act 2011 for the benefit of its employees.

k. Employee involvement and training

The Company ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the Company's policy of continuous development, training facilities are provided in a well-equipped training school. In addition, employees of the Company are sponsored to both local and foreign courses and trainings. These are complemented by on-the-job training.

l. Auditors

The auditors, Messrs PricewaterhouseCoopers, have indicated their willingness to continue to act in that office.

BY ORDER OF THE BOARD

Tijjani Borodo
FRC/2013/NBA/00000002367
Company Secretary
Lagos, Nigeria

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REPORT OF THE INDEPENDENT CONSULTANT ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF FBN HOLDINGS PLC

In compliance with the provision of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria and the Securities & Exchange Commission Code of Corporate Governance ("the Codes"), FBN Holdings Plc ("FBN Holdings") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2015. The Codes mandate an annual appraisal of the Board and individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

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

On the basis of our review, except as noted below, FBN Holdings' Corporate Governance practices are largely in compliance with the key provisions of the Codes. Specific recommendations for further improving FBN Holdings' governance practices have been articulated and included in our detailed report to the Board. These include recommendation in the following areas: Board composition, related party management and governance over subsidiary companies.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/1CAN/00000000427
20 April 2016

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RISK FACTORS

Our Group is exposed to certain risks, and we have Risk Management policies and procedures in place to mitigate and manage these risks. ***We proactively manage risks in a highly dynamic and competitive landscape*** *to forestall credit and operational losses.*

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RISK MANAGEMENT SUMMARY

Managing risk effectively is fundamental to the delivery of sustainable returns to all our stakeholders, particularly the shareholders. Risk management is at the heart of our vision of being recognised as the leading middle-African financial services group. FBNHoldings is faced with uncertainty, which presents both risks and opportunities. This uncertainty has the potential to erode or enhance the Group`s value. The Group believes that effective risk management and selective risk taking are major factors in determining our ability to deliver sustainable returns to the stakeholders. The risk management processes in the Group as contained in the Enterprise Risk Management (ERM) framework are designed to ensure that each business line understands the risks it faces, so that such risks can be effectively managed within a strong risk management culture and governance.

Principal risks

The Group, through our various subsidiaries, is one of the largest banking and financial services organisation in sub-Saharan Africa; we offer diverse financial services in banking, insurance and assets management. Inherent in these principal activities are various types of risk. The type and degree of risk to which the Group is exposed varies and depends on a number of factors, such as the size of business, complexity of operations and volume of activities in each business line. The major risks to which the Group is exposed include credit risk, liquidity and market risk, operational risk, insurance underwriting risk, information security risk, and reputational, compliance, legal and strategic risk. We manage these risks through a dynamic and interactive process of identifying, measuring, assessing, quantifying and pricing (see the risk governance section, page 128, on the structures in place for managing risks across the Group), within an effective and strong risk governance and control framework.

THE RISK LANDSCAPE

Banking segment

REGULATORY AND OPERATING ENVIRONMENT

In an attempt to ensure the stability of the financial system, several regulatory reforms, circulars and directives were issued during the year under review, while increased regulatory oversight and punitive sanctions were imposed both within the financial system and in other sectors of the economy, such as telecommunications and the manufacturing sector. Major regulatory activities which affected on the Group`s business model in 2015 are highlighted below:

- the implementation of the bank verification number (BVM) during the year, which helped to address issues associated with the absence of a unique identifier of bank customers across the industry, and also to strengthen the Know Your Customer (KYC) compliance regime;
- the implementation of the treasury single account (TSA), was initially expected to have a negative impact on systemic liquidity; however, this was eased by the reduction in the cash reserve ratio from 31% to 25% by the Monetary Policy Committee (MPC), restoring liquidity in the market;
- the conversion of some state government loans to Federal Government of Nigeria (FGN) bonds as part of the Federal Government bail-out package for state governments;
- the publication of a list of bad debtors by deposit money banks at the instance of Central Bank of Nigeria (CBN);
- the rejection of foreign currency cash into domiciliary accounts of customers by deposit money banks in Nigeria;and
- the prohibition of certain import items by the CBN from accessing foreign currency from the interbank market.

IMPACT OF MONETARY AND FISCAL POLICY

Various factors made an impact on the monetary and fiscal environment in 2015:

- The CBN continued its tight monetary policy stance, influenced by the need to maintain the exchange rate and stem the inflationary effect of excess liquidity in the banking system.
- The inflation rate remained in single digits in 2015 but has been projected to cross the double-digit benchmark in 2016 due to currency devaluation, a scheduled increase in electricity tariffs and the plan to remove fuel subsidy in the first quarter of 2016.
- The Federal Government's revenue declined further during the year, due to a persistent fall in the prices of crude oil. The drop in demand for oil and increasing supply from the US, now the world's highest oil producer, both contributed to the decline in prices. This has resulted in a wider fiscal deficit, resulting in the inability of most state governments to pay workers' salaries. The wide deficit is expected to increase government borrowing, which might require investors to demand higher yields in 2016.

FBN Merchant Bank Limited

REGULATORY AND OPERATING ENVIRONMENT

The regulatory and operating environment was characterised by many headwinds in 2015 as the Nigerian economy and policy makers tried to cope with the impact of a fall of over 65% in crude oil prices, from over USD100 per barrel in June 2014 to below USD40 per barrel at the end of December 2015. One major macroeconomic indicator of the fall in crude oil prices was the reduction in Nigeria's external reserve, which, in turn, created much volatility in the naira exchange rate for most of 2015.

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Most of the major policy decisions by the CBN which had a fundamental impact on the operating environment in the Nigerian banking system in 2015 were predominantly informed by the need to preserve the external reserve and manage the exchange rate of the naira. Some of the policies included:

- abolishing the Retail Dutch Auction System (RDAS) in the foreign exchange market, and replacing it with an order-based system of intervention. Abolition of the RDAS technically led to the closure of the interbank foreign exchange market, as trading activities dropped to almost zero and turned to an order-driven system through the CBN's official window;
- determining and fixing the official naira exchange rate through an administrative process, which resulted in the local currency maintaining an official stable exchange rate of around ₦197/USD1 throughout 2015. However, the major fallout of this policy was that it introduced a higher incentive for increased activities in the parallel market. Consequently, the naira fell to as low as ₦260/USD1 in the bureau de change and parallel segments of the foreign exchange market;
- banning importers of 41 items from accessing foreign exchange from the CBN's official window. This added to the demand pressure in the bureau de change and parallel segments of the market, and contributed to further depreciation of the exchange rate.
- periodic adjustment to monetary policy indicators, particularly the cash reserve ratio (CRR) and open position limit (OPL), all with the objective of managing demand for foreign currencies in order to protect the external reserve and naira exchange rate; and
- an increase in general provisions on loans and advances from 1% to 2%, with significant attendant impact on the regulatory capital of regulated institutions.

A fallout of the exchange controls introduced by the CBN in managing the challenge of the falling foreign reserve and exchange rate was the delisting of Nigerian sovereign bonds from the JP Morgan Emerging Market Bond Index in September and October 2015. Barclays also announced that Nigerian bonds will be delisted from their Emerging Markets Local Bond Index by February 2016.

Apart from regulatory-induced headwinds, there are other national issues that made a material impact on the operating environment in 2015. These included, but were not limited to, the security challenges in various parts of the country, particularly the north eastern region, the 2015 general elections and a new government, and the time taken by the new administration to put together the machinery of government.

FBN Capital Limited

The sociopolitical and economic landscape of Nigeria in 2015 was characterised by a mixture of significant events. While on the political front Nigeria recorded an unprecedented peaceful transition of power, the economy slowed down on the back of falling oil prices, incessant fuel scarcity, the slide in market yields, lower consumer purchasing power and security issues in the north east of the country. The slump in oil prices has continued to put pressure on the Federal Government's fiscal policy in view of the significant dependence on oil which accounts for over 70% of government revenues. The local currency depreciated by 8.5% on the official market (39% on the parallel market), while the capital market recorded a 19% decline in market capitalisation as at 31 December 2015.

The government has announced its 2016 budget and, if fully implemented, we anticipate increased traction in the economy. We expect yields to rebound, though at relatively lower levels than the market highs of the previous two to three years.

Liquidity persists in the system, while the Federal Government looks to borrow to fund its budget deficit. For the foreign exchange markets, challenges will remain as oil prices stay depressed, while the equities markets will continue to underperform. Overall, we will continue to position the portfolio to mitigate the impact of the above risks by appropriately dimensioning our risk appetite and adopting a more measured approach to taking positions in the fixed income and equities market. This will deepen the share of wallet of our existing customers and selectively add quality risk assets within well-defined concentration limits. Furthermore, we will consolidate and enhance our people and systems to ensure potential operational risk issues are mitigated.

Insurance

The sociopolitical environment in 2015, which stemmed from the democratic and electioneering process of the country, resulted in a less stable business environment compared with 2014; this consequently reduced the insurance penetration growth rate in Nigeria during the year.

However, the tempo of activities in the industry also increased, with the continuous entry of foreign investors and the commencement of registration of new insurance companies by the regulator (NAICOM). The new CBN guidelines on bancassurance slowed down the growth of the sales of insurance product through the Bank's distribution network. This 'No Premium, No Cover' policy, released in 2013, also affected the penetration of insurance in 2015. The industry is looking towards an upward swing of activities in the coming year.

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RISK MANAGEMENT FRAMEWORK

The Group addresses the challenge of risks through an enterprise risk management framework (ERM). Through the ERM, the Group applies leading practices that are supported by a robust governance structure consisting of board-level and executive management committees.

The framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

OUR RISK PHILOSOPHY AND CULTURE - COMMERCIAL BANKING GROUP

OUR RISK PHILOSOPHY

- Considers sound risk management as the foundation of a long-lasting financial institution
- Adopts a holistic and integrated approach to risk management
- Risk officers shall be empowered to perform their duties professionally and independently, without undue interference
- Risk management shall be governed by well-defined policies that are clearly communicated across the entire Group
- Risk management shall be handled as a shared responsibility
- The risk-management governance structure shall be clearly defined
- There shall be a clear segregation of duties between market-facing business units and risk-management functions
- Risk-related issues shall be taken into consideration in all business decisions and a conservative balance between risk and revenue considerations shall be maintained
- Risks are reported openly and fully to the appropriate levels once they are identified
- Risk officers shall work as allies and thought partners to other stakeholders within and outside the Banking Group
- The entities within the Banking Group shall be guided by the principles enshrined in this risk management policy.

OUR RISK CULTURE

- The Board and senior management shall consciously promote a responsible approach to risk and ensure that the sustainability and reputation of the Banking Group are not jeopardised while the Group expands its market share
- The responsibility for risk management in the Banking Group is fully vested in the Board of Directors, which in turn shall delegate such to senior management
- The Banking Group shall pay adequate attention to both quantifiable and unquantifiable risks
- The Banking Group's management shall promote awareness of risk and risk management across the board
- The Banking Group shall avoid products, markets and businesses where it cannot objectively assess and manage the associated risk.

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Our risk appetite

The Banking Group's risk appetite is set at a level that minimises erosion of earnings or capital due to avoidable losses in the banking books or from fraud and operational inefficiencies.

Our appetite for risk shall be governed by the following:

- Optimisation of capital deployed to every business line.
- High-quality risk assets measured by the following KPIs:
  - ratio of non-performing loans to total loans;
  - ratio of loan loss expenses to total loan revenue; and
  - ratio of loan loss provision to gross non-performing loans.

  The target is to record improved asset quality ratio year-on-year and be within the regulatory guidance limit of 5% of total loans.
- Pre-defined portfolio limits that drive portfolio diversification and minimise concentration risk.
- Losses due to fraud and operational lapses should be a maximum of a specified percentage of gross earnings and in any case be lower than the industry average.
- Financial and prudential ratios should be at a level more conservative than regulatory requirements and better than the average of benchmark institutions.
- Aim to minimise the following independent indicators of excessive appetite for risk:
  - Exception reporting by auditors, regulators and external rating agencies;
  - Adverse publicity in local and international press;
  - Incidents of frequent litigations, regulatory/other infractions, breaches; and
  - Above industry-average staff and customer attrition rate.

The Banking Group shall not compromise its reputation through unethical, illegal and unprofessional conduct. The Banking Group shall also maintain a zero appetite for association with disreputable elements.

Risk oversight

The risk management units provide central oversight of risk management across the entities in the Banking Group to ensure that the full spectrum of risks facing the Banking Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The risk management units are complemented by other strategic resource functions in the management of other important risks.

The respective risk management units coordinate the monitoring and reporting of all risks across the Banking Group. Without prejudice to the above, the internal control function shall be responsible for second-level verification of the banking operations and testing of control measures across the Banking Group. Furthermore, Internal Audit shall have the responsibility of auditing the risk management and control function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal Audit shall also test the adequacy of internal control measures and make appropriate recommendations where weaknesses are identified.

Relationship of risk management with other units

The relationships between the Risk Management Directorate and other sections of the Banking Group are highlighted below:

a) Risk Management shall set policies and define limits for other units in the Banking Group.

b) Risk Management shall perform risk monitoring and reporting and provide a framework for management of risk.

c) Other units shall provide relevant data to Risk Management for risk monitoring and reporting and identify potential risks in their line of business and Risk Management shall provide a framework for managing such risks.

d) Risk Management shall collaborate with market-facing units in designing new products.

e) Risk Management and Internal Audit shall coordinate activities to provide a holistic view of risks across the Banking Group.

f) Risk Management shall make recommendations with respect to capital allocation, pricing and reward/sanctions based on risk reports.

g) Risk Management shall collaborate with Information Technology, adopting tested and reliable software to automate the risk management process improvement initiatives.

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Risk management framework

The table below shows the relationship between the Group's strategy and business objectives and the identified Key Performance Indicators (KPIs) and risk metrics.

RELATIONSHIP BETWEEN STRATEGY/BUSINESS OBJECTIVE AND RISK

VISION	STRATEGIC GOALS	STRATEGIC ASPIRATIONS	STAKEHOLDERS' EXPECTATIONS	RISK METRICS
TO BECOME THE PRE-EMINENT FINANCIAL SERVICES GROUP IN MIDDLE AFRICA, PROVIDING VALUE TO OUR CUSTOMERS AND DISTINCTIVE RETURNS TO OUR SHAREHOLDERS	· Be the undisputed leader in every business we choose to participate in · Significantly grow our franchise within and beyond our borders · Significantly increase our appeal to the next generations of Nigerians · Delight our customers by providing unparalleled and innovative service · Develop FBN into a hub for the best industry talent anywhere · Hold ourselves to the highest standards of integrity and ethical conduct · Deliver superior returns to our shareholders	· **20% net revenue growth rate** · **No 1 in total assets** · **55% cost to income ratio** · **No 1 undisputed leader in each business** · **24% post-tax return on equity** · **33% non-interest income** · **Employer of choice for top talent** · **Increase products per customer and superior cross-selling execution** · **2 times profit before tax to reach ₦206 billion**	**Shareholders** · Increased dividend · Increased share price · Earnings growth **Employees** · Professional growth · Job security · Corporate profitability **Regulators** · Financial soundness · Systemic importance · Regulatory compliance **Customers** · Customer experience · Competitive pricing · Reputation **Rating agency** · Financial strength · Capital adequacy	· Capital adequacy · Solvency margin · Risk capital utilisation · Earnings stability · Return on assets · Targeted credit rating · Operational losses · Breach of laws and regulations · Return on capital · Liquidity · Reputation · Service/Operational excellence

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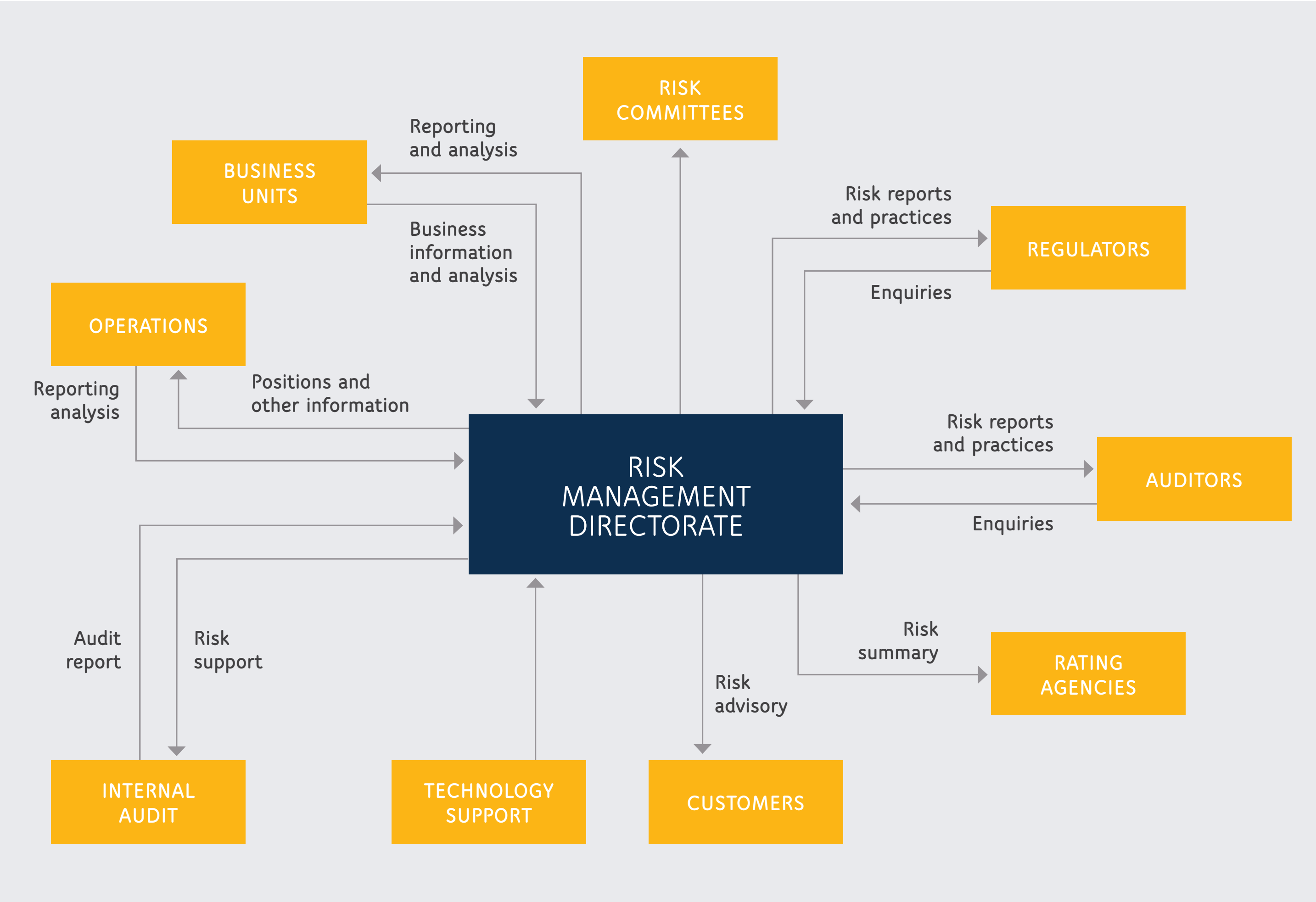
Risk Management Directorate – relationships with other sections in the Banking Group



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Merchant Banking and Asset Management (MBAM) group[1]

The group's appetite for risk is governed by the following principles:

- to meet all regulatory requirements and expectations;
- to maintain an adequate level of capital to support the businesses it is engaged in;
- to deliver stable earnings with equally stable earnings growth;
- to minimise exposure to losses from stress events; and
- to ensure stability in funding and liquidity through sound balance sheet management.

The MBAM group has further defined risk appetite in terms of the key areas of its risk exposures in the credit, market and operational risks. These are:

- The group maintains low exposures to credit risk. Its existing business model is one that focuses primarily on facilitating and intermediating between the investment and financing needs of customers.
- The group's appetite for fraud risk and other operational risks is extremely low. Maximum operational risk appetite is expressed as a ratio of earnings over a financial year and is required to be lower than industry average.
- The group takes on market risk in some areas of its business. The appetite for this risk is expressed as a ratio of shareholders' funds, which represents the maximum amount of capital that the group is willing to place 'at risk' of loss from market movements.

FBN Merchant Bank Limited

FBN Merchant Bank Limited has a robust and functional Enterprise Risk Management (ERM) framework that is responsible for identifying and managing all inherent and residual risks facing the Company. The Company has exposure to the following major risks from its use of financial instruments: market risk, liquidity risk and credit risk. Other key risks faced by the Company as a result of its operations include operational risks, money laundering/financing of terrorism risks, reputational and strategy risks. The Bank's risk appetite is governed by the following:

- Our aim to maximise the use of available capital resources with minimal risk.
- High-quality risk assets, measured by the ratios of non-performing loans to total loan portfolio, loan loss expenses to interest revenue and loan loss provision to gross non-performing loans.
- Use of approved limits to manage concentration and liquidity risks, as well as market risk losses.
- Use of approved risk assets acceptance criteria that aligns risk appetite to risk capacity.
- Zero tolerance for regulatory breaches, unethical conducts and financial ratios that are more conservative than regulatory thresholds.
- Our desire to achieve strong ratings and assessments by auditors, regulators and external rating agencies.
- A strong risk, governance and compliance system that engenders the confidence of regulators.
- A strong working environment and employee engagement process that engender staff loyalty and retention of a professional and committed workforce.

RISK MANAGEMENT PHILOSOPHY

FBN Merchant Bank's risk management philosophy is drawn from its mission statement and seeks to enrich the financial wellbeing of our stakeholders, while ensuring strong commitment to the following key indices:

- professionalism while delivering value to the customers;
- strong performance reporting (financial and non-financial);
- good corporate governance; and
- consistent appreciation in shareholders' value.

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

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RISK MANAGEMENT DISCLOSURES

RISK FACTORS

The scopes of risk impacting on the Group's activities are as follows:

Financial risks

CREDIT RISK	Risk that an obligor will fail to perform its obligation under a trading or loan contract or when the ability to perform such obligations is impaired.
MARKET RISK	Risk that the value of on- and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates.
LIQUIDITY RISK	Risk of loss to the Group arising from its inability either to meet its obligations or to fund increases in assets as they fall due.

Non-financial risks

OPERATIONAL RISK	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
LEGAL RISK	Risk of real or threatened litigation against the Group. It can represent significant costs, disrupt operations and reduce the earnings and capital of the Group.
COMPLIANCE RISK	Risk to earnings, capital or reputation occurring from violations of or non-conformance with laws, regulations, prescribed practices or ethical standards.
STRATEGIC RISK	Risk of loss arising from ineffective business strategies.
INFORMATION SECURITY RISK	Unauthorised access, use, disclosure, modification, inspection, recording or destruction of information assets which could potentially cause disruption to operations.

A review of the key risks, including how they affect the Group's operations and management, are detailed in the subsequent sections.

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CREDIT RISK

OVERVIEW

Credit risk arises when an obligor fails to perform its obligations under a trading or loan contract, or when its ability to perform such an obligation is impaired. It arises not only when a borrower defaults on payment of a loan or settlement, but also when their repayment capability decreases (as reflected in a rating downgrade).

Credit risk can arise from activities both on and off the balance sheet, such as trade finance and acceptances, inter-bank transactions, foreign exchange, financial futures, swaps, bonds, equities, options, commitments and guarantees, and settlement transactions.

Philosophy

The Group's risk philosophy, shared by the Board and senior management and drilled down to all employees, is a guide in deciding what type of credit to finance and what kind of customer to deal with. It is based not just on the Group's appetite for risk and return but also on its corporate values, ethical standpoint and the reputation it seeks to have in the industry.

The following principles guide credit risk management across the Banking Group:

- The Bank only grants credit to customers, market and geographical locations and sectors that it knows and can monitor.
- Adherence to the Bank's target market definition and risk-acceptance criteria.
- Diligent execution of transaction dynamics and credit terms and conditions.
- Acceleration of collateral perfection and management.
- Aggressive removal of delinquent loan accounts and recovery of bad loans.
- Proactive account monitoring and management and recovery of exposures.
- Continuous process improvement to plug all operational gaps that may result in credit losses.
- Prompt identification of credit offenders and implementation of sanctioning procedures to serve as deterrent to all stakeholders.

Responsibilities and functions of key stakeholders in the credit process

In line with the Banking Group's philosophy to entrench sound corporate governance in its operations, the credit division under risk management is structured to ensure the separation of policy, monitoring, reporting and control functions from credit processing functions. To this end, the functions of the division are handled at different levels by four departments, namely:

- Credit Analysis & Processing (CAP);
- Credit Risk Management (CRM);
- Remedial Management; and
- Classified Assets Management (CAM).

Credit Analysis & Processing (CAP) is responsible for the appraisal of credit requests and processing to obtain requisite approvals in line with the Bank's policy. CAP also engages in the review of wholesale/retail/consumer credit product programmes.

Credit Risk Management (CRM) is responsible for the planning, monitoring and reporting of the credit portfolio.. The monitoring unit is delineated along strategic business units to provide independent support and guidance to the relationship teams in the management of facilities and also to ensure that early warning signs of deterioration are promptly picked up and remedial action set in motion. The credit control unit is responsible for ensuring adherence to control measures, confirming approval of credit, conveying approvals and ensuring conditions are satisfied, while the credit availment ensures that all conditions precedent to drawdown on approved credits are fulfilled before drawdown by the obligor. CRM has ownership of all rating systems/scorecards and recommends, and monitors, the credit risk appetite for the year and reports periodically to the Board and Management. The department serves as the credit secretariat and manages the documentation and other credit process initiatives for the Group.

Remedial Management is responsible for loan work-out and remediation of impaired accounts in order to control the level of loan defaults. Emphasis is placed on prompt identification of weak assets for active loan work-out and remedial management before the level of delinquency becomes irreversible, thereby reducing the level of potential loss in the portfolio.

Classified Assets Management (CAM) is responsible for the recovery of accounts classified lost with past due obligations of over 540 days and accounts written off from the credit portfolio into the CAM SOL (Service Outlet). CAM continuously liaises with debt recovery agents, receivers/managers and solicitors to ensure effective recovery of bad loans.

Internal ratings scale

In measuring the credit risk of loans and advances to customers and to banks at a counterparty level, the Banking Group takes account of:

- the client or counterparty's character and capacity of its contractual obligations;
- current exposure to the counterparty and its likely future development; and
- the counterparty's credit history and likely recovery ratio in case of default obligations – such as value of collateral...

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The Banking Group's rating scale 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 reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Obligor risk rating (ORR) system

The ORR grid has a minimum of ten risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligors in default. The ORR is mapped to the customer's probability of default and the rating adopted depends on the type of customer and the nature of business, reflecting the inherent risks associated with each customer. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the ORR grid, with impairment allowance calculated for losses incurred. Each risk bucket may be denoted alphabetically as follows:

Description	Rating	Bucket	Grade
Extremely low risk	1	AAA	Investment
Very low risk	2	AA	Investment
Low risk	3	A	Investment
Low risk	4	BBB	Investment
Acceptable-moderately high risk	5	BB	Non-investment
High risk	6	B	Non-investment
Very high risk	7	CCC	Non-investment
Extremely high risk	8	CC	Non-investment
High likelihood of default	9	C	Non-investment
Default risk	10	D	Default

Collateral risk rating (CRR)

The CRR grid indicates the acceptable collateral types, which are rated 1-8, from best to worst in order of liquidity, controllability and realisable value.

The CRR is determined by the Loss Given Default (LGD) of the facility, which measures the severity of economic loss on the exposure.

The LGD is a measure of the expected economic loss if the obligor defaults, less recoveries from collaterals and other cash flow, and includes write-offs, unearned interest income and recovery/legal costs.

THE CRR BUCKET

Collateral type	Rating	Bucket
Cash	AAA	1
Treasury bills/Government securities	AA	2
Guarantee/receivables of investment-grade banks	A	3
Legal and equitable mortgage	BBB	4
Debenture trust deed/fixed debenture and mortgage debenture	BBB	4
Legal mortgage on residential business real estate in prime locations	BBB	4
Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations	BBB	4
Domiciliation of receivables from acceptable corporates	BB	5
Enforceable lien on fast-moving inventory in bonded warehouses	BB	5
Equitable mortgages on real estates in any location	B	6
Negative pledge/clean lending	B	6
Domiciliation of other receivables	B	6
Letters of comfort or awareness, guarantee of non-investment-grade banks and corporates	CCC	7
Letter of hypothecation, personal guarantee	CC	8

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Chief Risk Officer (CRO). CRM monitors compliance with approved limits.

Portfolio limits

The Banking Group engages in the development of a detailed portfolio plan and risk appetite statement (RAS) annually. In drawing up the plan, the Bank takes into consideration the macro-economic, socio-political and regulatory environment as well as the bank's strategic imperatives. The primary objective of the Plan/RAS is to allocate the LAD budget across economic sectors and strategic business units guided by prudential limits, opportunities in bank's defined target market and of overall risk appetite. The strategic thrusts of the Plan/RAS are:

- Proactive management of concentration risk in the portfolio.
- Emphasise financing for retail and short tenured self-liquidating transactions and de-emphasise term loan exposure.
- Tighter adherence to target market/risk acceptance criteria (RAC) in selection of good quality credits.

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- creation of low-medium risk assets in order to boost the risk profile of the portfolio;
- improvement in quality of risk assets and reduction in impairment charge; and
- moderate credit risk capital consumption under Basel II requirement.

Geographic limits

The Group's exposures outside Nigeria are currently taken by its subsidiaries in the United Kingdom and in other African countries, which operate within limits defined by their boards of directors.

Single obligor limits

Limits are imposed on loans to individual borrowers. The Group, as a matter of policy, does not lend above the regulatory lending limit for the countries in which it operates. In addition, internal guidance limits lower than regulatory limits are set to create a prudent buffer.

Product programmes contain guidelines on single obligor limits in order to promote diversification of the loan portfolio.

The Group also sets internal credit approval limits for various levels in the credit process. Approval limits are set by the Board of Directors and reviewed from time to time, as market and risk conditions demand. Exposure to credit risk is also managed through regular analysis of borrowers' and potential borrowers' capacity to meet interest and capital repayment obligations, and by changing these lending limits where appropriate.

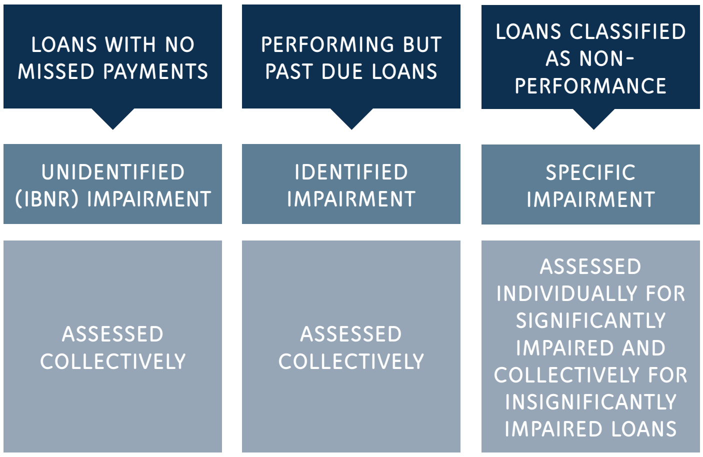
Classification and provisioning policy

Classification and loan-loss provisions are made in recognition of the requirements of International Financial Reporting Standard (IFRS) IAS 39, which estimates expected future losses based on an incurred loss model. Under this requirement, impairment provisions are made where the recoverable amount of a loan is less than the carrying amount.

Impairment is classified under three categories:

1. **Unidentified impairment:** collective impairment on a portfolio of performing loans where individual accounts cannot be identified as having experienced a loss event.
2. **Identified impairment:** collective impairment on a portfolio of performing accounts where individual accounts can be identified as having experienced a loss event although default has not yet been established.
3. **Specific/individual impairment:** individual impairment on a portfolio of non-performing loans where default has already been established.

Under the collective impairment methodology for identified and



unidentified impairment, provision is calculated using a set of risk inputs determined based on internal loan-loss models. As a rule, a minimum of three years' data is used in model development for estimating the risk parameters, namely the probability of default (PD), LGD and the incurred but not reported (IBNR) factor.

Write-offs and recoveries

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialled by the approving authority.

Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

Portfolio ratios

The strategic focus for the year was to grow loans moderately, given the challenging operating environment. In this light, total loans to customers decreased by 12% in 2015 to ₦1.96 trillion (Dec 2014: ₦2.24 trillion) attributable to scheduled repayments and pre-termination of facilities on the loan portfolio In spite of the drop in total loans, the velocity of the portfolio increased as maturing loan obligations were replaced with short-tenored self-liquidating transactions. In addition, the creation of new term exposures was reduced.

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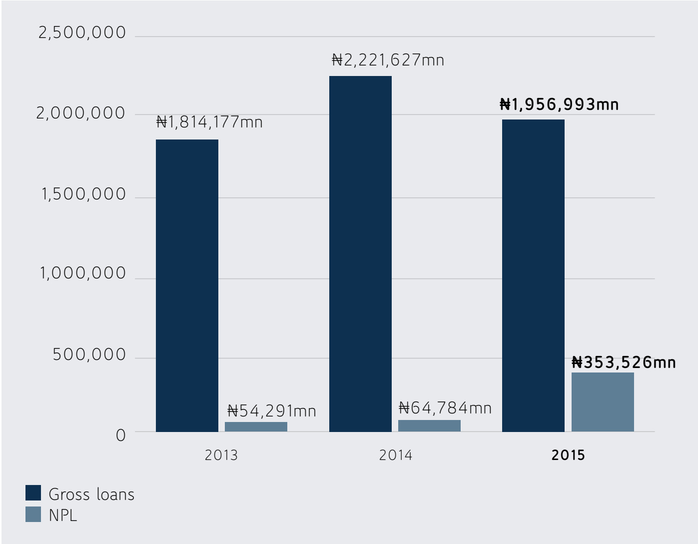
The non-performing loans (NPL) ratio closed at 17.8%, largely driven by major classifications to non-performing status of some obligors in oil upstream and downstream. The account in upstream which involved the financing of entry fees and working capital requirements under a Strategic Alliance Agreement faced challenges following a call for account reconciliation and the suspension of crude lifting. Discussions to get the transaction back on course is at an advanced stage and expected to positively impact account status in the nearest future. The classification in downstream relates to cancelled crude swap/off-shore processing arrangement (OPA) contracts which impacted cash flow and the ability of affected obligors to meet loan repayments. Remedial action is being intensified to ensure collections on the account. Other sectors driving the NPL book are: Information and Communication, General Commerce, Vessel/Marine Transport and Consumer.

In general, oil prices further weakened, causing a significant drop in government revenue and foreign reserves, which ultimately led to stricter monetary and fiscal measures being imposed by the Government. These developments have put cash flows under strain, disrupted public and private expenditures, stalled projects/transactions and, consequently, led to delays in repayment of loan obligations by obligors.

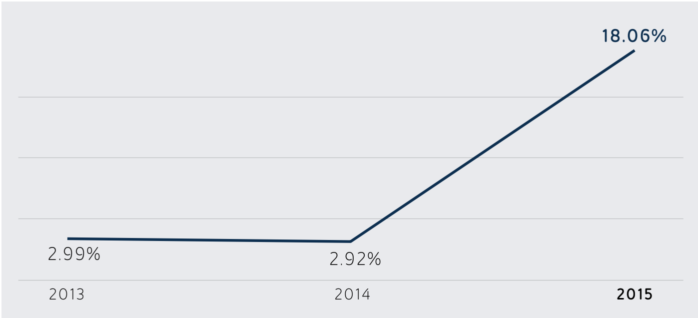
Net impairment charge on credit losses closed at ₦147.9 billion (Dec 2014: ₦42.9 billion), essentially driven by the challenging macroeconomic environment and recognition of impairment on specific accounts. Based on total impairment taken, the cost of risk moved up to 6.0% (Dec 2014: 1.3%). The incremental charge is largely driven by specific transactions in oil upstream and downstream. Other sectors driving incremental charge are: Real Estate, General Commerce, Construction, Consumer and Retail.

The Group has embarked on a decisive strategy to drive asset quality improvement and strengthen the risk management process. Key initiatives implemented are the downward review of an approval grid to engender better Board oversight, review of the internal single obligor limit to address concentration risk, revamped credit monitoring and strengthening of the remedial management function to work down impaired assets at an earlier stage. The diligent pursuit of these initiatives will enhance the credit process and impact the Group's performance in the subsequent period.

LOAN GROWTH



ASSET QUALITY RATIO



Outlook

Business outlook is expected to remain stressed in 2016 against a background of challenging macroeconomic conditions and tight cash flow. Inflationary pressure is expected to constitute one of the major issues dominating the economic landscape as a result of a slowdown in the global economy, the declining trend of global oil prices and the attendant impacts of these factors. Notwithstanding the tough operating environment, the Group is conscious of the risk complexities in its loan book and will continue to reinforce a strong risk management culture in the origination, monitoring, management and recovery of credits.

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Loan growth is expected to be moderate, with a focus on the drive for the collection of maturing obligations and rebalancing of the portfolio from long-term risk to short-term self-liquidating transactions. The Group envisages business opportunities in the non-oil sectors, with specific focus on the manufacturing, agriculture, retail and SME segments and will carefully select transactions to be financed in line with the Bank's risk appetite statement. Selection of assets will be done under tight risk-acceptance criteria and conservative assumptions, while ensuring risk appetite thresholds are adhered to in order to manage concentration risk in the portfolio.

In summary, greater focus will be given to an improved credit assessment process, aggressive NPL management, improved risk analytics, and measurement approaches to boost overall performance.

MERCHANT BANKING AND ASSET MANAGEMENT GROUP

The Merchant Banking and Asset Management group's business model is primarily built on its strong facilitation and intermediation capabilities, with respect to the financing needs of its customers. For this reason, it continues to maintain a relatively low credit risk profile. The credit exposures within the group are created through investments in financial instruments, such as bonds and commercial papers, as well as placements with financial institutions (FIs) within the money market.

The Risk Management department manages these credit exposures as part of its overall responsibility for stewardship of the group's risks. It achieves this through robust analysis of issuers, as well as its FI counterparties, both internally produced and from reputable external sources. This analysis includes the use of ratings to determine credit quality and fit with the group's own appetite for credit risk. Limits on the size and type of exposure to counterparties as well as some types of issuers are utilised to control risks, and these limits are reviewed at least annually.

As the group continues to expand its businesses and product offerings, opportunity for exposure to credit risk will increase. For this reason, the group is committed to developing its infrastructure to better equip it for these new challenges. Key to this is the development of its business and support staff to raise overall risk awareness, and to provide new tools for the management of those risks.

INSURANCE GROUP

The Company's financial instruments do not represent a concentration of credit risk, due to the fact that the Company deals with a variety of reinsurers. The regulator of the insurance industry National Insurance Commission (NAICOM) enforced the 'No-Premium, No-Cover' law in 2013; hence there are no premium receivables as business was done on a cash basis. Exposure to outside financial institutions concerning deposits and similar transactions is monitored against approved limits. There are no material financial assets that are past due but not impaired.

The Insurance group reviews reinsurance companies (co-insurers and reinsurers) with which it conducts business to ensure they are also companies with high international or similar credit ratings.

The Company's businesses are not exposed to unnecessary or uncalculated risks. This has been achieved through a strict pricing strategy that ensures risks are adequately priced before acceptance.

There are also measures in place to ensure that the Company does not suffer adverse underwriting results, including an adequate reinsurance arrangement and the use of prudent reserving methodology.

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MARKET RISK

OVERVIEW

Market risk is the risk that the value of a trading or an investment portfolio will decrease due to changes in factors such as stock prices, interest rates, foreign exchange rates and commodity prices.

It represents the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of movements in certain market variables and their implied volatilities.

During the financial year, the Group was exposed to market risk in its trading, market making, underwriting and investing activities mainly as a result of:

- interest rate movements in response to fiscal policies, market forces or as directly indicated by monetary policy pronouncements such as changes in the Central Bank of Nigeria's benchmark monetary policy rate;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces.

Philosophy

The market risk management process in the FirstBank Group allows disciplined risk-taking within a framework of well-defined risk appetite that enables the Bank to enhance shareholders' value while maintaining competitive advantage through effective utilisation of risk capital.

Our objective is to manage market risk exposures for optimal returns while maintaining a market profile consistent with our status in the financial services industry. Thus, the Group's market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board approved market risk policy and strategy;
- a Bank-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practices. Risk measurement is progressively based on modern techniques such as sensitivity analysis, value-at-risk methodology, stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;
- an independent market risk management function reporting directly to the Bank's Chief Risk Officer. Market risk officers are competent and empowered to perform their duties professionally without undue interference;
- continual evaluation of risk appetite, communicated through risk limits, and overall effectiveness of the market risk management process;
- the Bank does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products;
- where the Bank takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward; and
- all the procedures are documented in a market risk procedural manual that is periodically reviewed and spells out the procedures for executing relevant market risk controls.

Structure and framework

The Group ensures that all market risk exposures are consistent with its business strategy and within the defined risk tolerance. It therefore manages market risk within:

- a well-defined market risk appetite;
- an overall market risk exposure maintained at levels consistent with the available capital; and
- a stable and reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk in a consistent manner across the businesses within the Bank.

Governance

The Board of Directors provides oversight for the market risk management function through its Board Risk Management Committee (BRMC). Management oversight is provided by the Assets & Liabilities Management Committee (ALCO).

The Board of Directors is responsible for:

- approving the market risk management framework, policies, strategies, guidelines and philosophy;
- providing oversight for the implementation of market risk management policies; and
- approving market risk-related limits for the Bank and subsidiaries.

The ALCO, made up of Executive Directors and other relevant divisional heads, is responsible for:

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- reviewing policies relating to market risk management;
- recommending market risk policies to the Board for approval;
- providing management oversight for the implementation of policies relating to foreign currency rates, interest rates and equity price risk;
- reviewing market risk strategy and recommending it for Board approval;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risk;
- reviewing and recommending for approval market risk-related limits, such as position, concentration, currency, dealing gap, total portfolio and counterparty limits; and
- approving the appointment of dealers.

The ALCO is the highest technical body responsible for market risk management but has delegated its technical functions to an ALCO sub-committee, the Market Risk Policy Committee (MRPC), in order to achieve a more intense analysis of market and liquidity risks, and to administer technical policies concerning financial models and valuation techniques. The MRPC will make recommendations to the ALCO on market risk management.

The responsibilities of the MRPC as an advisory technical body responsible for market risk management include:

- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with the market risk framework;
- annually reviewing and recommending for approval the market risk limits package (MRP), the liquidity risk package (LRP), management action triggers and triggers for accrual portfolios for all the risk-taking units;
- ensuring the certification of financial models and the effectiveness of the market risk systems and other systems used to calculate market risk;
- recommending for the ALCO's approval changes in the market risk framework;
- recommending for the ALCO's approval exceptions from the market risk framework;
- recommending for the ALCO's approval policies for identifying, measuring, monitoring, controlling and reporting market risk;
- recommending for approval the amendments to the MRP and LRP in terms of limits (position, concentration, dealing, counterparty, etc.);
- providing the oversight on limit exceptions and trigger breaks;
- recommending for approval the volatilities of risk factors, correlations of securities or currencies and credit risk factor tables (i.e., this will be a function of the type of contract, its tenor and volatility of the underlying market factors) for different products;
- recommending for approval the assumptions to back interest rate and liquidity gap analyses of the balance sheet into tenor or maturity buckets;
- reviewing market risk capital allocation, market risk capital charge computations and stress test reports;
- recommending steps to protect the Bank's capital ratios from the effects of changes in market risk factors;
- establishing the capital hedge framework for the Bank;
- reviewing periodically the Bank's market risk strategy; and
- endorsing the appointment of the Bank's Head of the Market and Liquidity Risk department.

The day-to-day implementation of the Bank's market risk management policies, procedures and systems is delegated to the Head of the Market and Liquidity Risk Management department who reports to the Executive Director and Chief Risk Officer.

The Market and Liquidity Risk department is responsible for:

- the implementation of the framework and establishment of the Market Risk Policy;
- the definition of identification standards and independent measurement, monitoring, controlling and reporting of market risk;
- the definition, approval and monitoring of limits;
- the performance of qualitative risk assessments; and
- the performance of stress tests and scenario analyses.

The Bank also provides oversight for its subsidiaries that engage in limited proprietary trading in quoted equities. In addition, each subsidiary has a risk management policy that is consistent with the enterprise risk management framework.

The Bank does not trade in commodities and therefore is not exposed to traded commodity risk except in transactions where commodities have been used as collateral for credit transactions or exposures to commodities in the banking book, which is covered under credit risk management.

Policy and strategy

The Bank has put in place a clearly defined market risk management framework that provides the Board of Directors and management with guidance on market risk management processes. The Bank has also prescribed tolerable market-related losses, vis-à-vis the quantum of available capital and level of other risk exposures.

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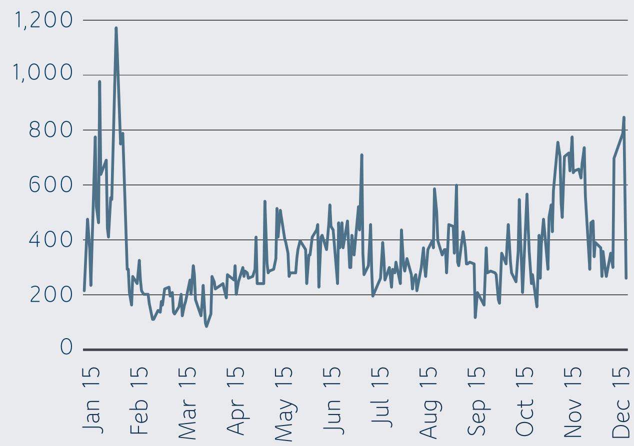
Value at risk (VaR)

VaR is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value, which will not be exceeded in a set time period at a set statistical confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year (i.e., three times in every 250 days).

The Bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors. The Bank uses the parametric method as its VaR methodology with an observation period of two years obtained from published data from preapproved sources. VaR is calculated on the Bank's positions at close of business daily.

Daily VaR (₦ million)



Stress testing

The market environment is volatile and the frequency of regulations has a significant effect on market rates and prices. In recognition of this, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The ALCO is responsible for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Non-trading portfolio

The principal objective of market risk management of non-trading portfolios is to optimise net interest income. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities, the Bank is exposed to interest rate risk.

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yields on assets and their funding costs as a result of interest rate changes.

The Bank uses a variety of tools to measure non-tradable interest rate risk, such as:

- interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
- forecasting and simulating interest rate margins;
- market value sensitivity;
- calculating earnings at risk using various interest rate forecasts; and
- repricing risk in various portfolios and yield curve analysis.

Hedged non-trading market risk exposures

The major sources of market risk in the Bank's books have been identified and are being managed using hedges and swaps.

Merchant Banking and Asset Management group

The Group manages exposure to equity and interest rate risk in its asset management subsidiary, proprietary trading portfolio, money market activities and investment activities in general. In addition, the Group may, from time to time, hold proprietary exposures that have inherent foreign exchange risk. Such foreign exchange exposures are however typically small in relative terms, and are usually partly or fully risk hedged.

In equities, market risk is the exposure to adverse changes in equity prices as a result of market forces. There have been no approved parameters for trading on the Company's shareholders' funds and, as such, no proprietary trading is currently being undertaken in equities. However, the Company retains some of its capital in quoted equity investments. These holdings form part of our investment book, with minimal activity recorded on those positions over the course of the year.

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Market makers

Market making on the Nigerian Stock Exchange (NSE) officially commenced in September 2012. FBN Securities is one of the ten market makers appointed by the NSE.

Market makers seek to profit by providing trading liquidity in the stocks for which they make markets, as opposed to traditional investors in equity markets who seek to profit from directional moves in equity prices. The presence of market makers enhances the ability of investors to execute a trade (either buy or sell) in a stock, whenever they decide to do so. As an approved market maker, FBN Capital adds liquidity in the trading of designated stocks by posting, all through the trading day, prices at which we will buy the stock (bid prices) and prices at which we will sell the stock (offer prices).

By virtue of the specific activity undertaken in market making, there is a need to maintain a holding of stocks in inventory. As such, the primary risk faced by the market making operation is equity market risk – the risk of losses arising from adverse movements in market prices for securities held in inventory. To mitigate this risk, a multitiered approach to risk management is employed. The Group:

- ensures risk diversification by making markets in a selection of stocks in different sectors and applying explicit limits to positions in each sector;
- defines position limits for each stock in which we make markets based on market activity levels; and
- details stop-loss limits that restrict loss of capital over a period of time in a given stock.

The Group also maintains relatively small active trading positions in fixed income securities that can give rise to traded market risk. This is in addition to fixed income securities holdings in the investment book. These exposures are monitored on an ongoing basis, and are actively managed through a comprehensive suite of thresholds and limits. Positions held in the investment book are also subject to the Company's balance sheet management practices.

Insurance group

Market risk in the Insurance group arises from the uncertain movement in fair value or net asset value of the investments. This stems principally from potential changes in sentiment towards the investment, the variability of future earnings that are reflected in the current perceived value of the investment and the fluctuations in interest rates and foreign currency exchange rates. Policyholders' investments in equities are valued at fair value and are therefore susceptible to market fluctuations.

Policyholders' funds are invested in line with the approved mandates based on the design of the product and marketing descriptions. The funds are invested with the aim of maximising return on the funds and ensure that the policyholders' reasonable expectations are met. The focus of risk measurement and management is to ensure that the potential risks inherent in an investment are reasonable for the future potential reward, exposure to investment risk is limited to acceptable levels, premium rates are adequate to compensate for investment risk and an adequate reserving policy is applied for long-term policy liabilities.

The diverse product range requires a variety of approaches to the management of risk. These approaches range from portfolio management practices and techniques, such as optimisation of expected risks and rewards based on investment objectives, to asset liability matching, in support of the statement of financial position obligations.

An investment management contract exists with FBN Capital to ensure investment income stability and asset security, and appropriately manage associated risks.

Outlook

The key fundamentals that would have otherwise propped up the value of the naira to dollar exchange rate remain in the bearish zone. Global oil prices shed USD20.05 per barrel (year on year) to round off at USD37.28 per barrel at the end of 2015, and could drop further to around USD20 per barrel. Additionally, the nation's external reserves settled at a five-month low of around USD29 billion. Although the CBN still maintains its no-devaluation stance, it has a 'weak will' to keep the naira below ₦200 to the dollar due to ailing macroeconomic fundamentals. In addition, during the 2016 budget presentation, the President hinted at possibly fine-tuning foreign exchange policies in the near term; we may see some flexibility in the foreign exchange market, while the CBN is likely to soften its decision by adjusting the naira exchange rate marginally to calm volatility in the market. We may also see relative convergence between different segments of the market.

The inflation rate mostly rose in the year 2015 and slipped outside the CBN's 9% target as the effects of a weaker naira filtered through the economy via imports. This was further stoked by ample system liquidity and a scarcity of petroleum products. In view of the current accommodative monetary policy, inflation will most likely trend upwards and close in double digits in the first quarter of 2016. The CBN is also expected to maintain the status quo on the monetary policy rate and the capital requirements regulation.

In light of the existing liquidity situation, the bond market is likely to maintain the current trend in 2016, though bond prices are expected to be compromised by the weak oil prices. The unavoidable increase in the supply of bonds in the coming year (as the Government raises debt capital to meet part of its proposed ₦6 trillion budget) is also expected to raise rates, especially as investors price more highly the assets of the oil-dependent country. Moreover, a gradual rise in the US interest rate, which commenced in December 2015, though not of any notable impact yet, is also likely to see FGN bond yields rise. Treasury bill rates are expected to shift slightly upwards as investors continue to dump the short-term bills for the moderately returning bond notes.

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LIQUIDITY RISK

OVERVIEW

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or will have to meet the obligations at excessive costs. This risk arises from mismatches in the timing of cash flows. Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Bank's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

Philosophy

The FirstBank Group maintains an optimal level of liquidity through the active management of both assets and liabilities, while complying with regulatory requirements and optimising returns.

The following principles guide liquidity risk management across the Bank:

- a robust liquidity risk management framework that ensures the maintenance of sufficient liquidity to withstand a range of stress events;
- clearly articulated liquidity risk tolerance appropriate for the Bank's business strategy and its role in the financial system;
- the alignment of risk-taking businesses with resultant liquidity risk exposure in fund transfer pricing, performance measurement and new product approval processes;
- a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust framework for projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons;
- a clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritising funding sources by stability;
- early warning indicators of liquidity risk to aid the prompt identification of liquidity risk, such as concentrations either in assets or liabilities, deterioration in quality of credit portfolio and a large size of off-balance sheet exposure; and
- a comprehensive contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Governance

The Board Risk Management Committee (BRMC) and the full Board are responsible for the following:

- approving the liquidity risk management framework, policies, strategies, guidelines and philosophy;
- providing Board oversight for the implementation of liquidity risk management policies; and
- approving limits relating to liquidity risk for the Bank and subsidiaries.

The Assets & Liabilities Management Committee (ALCO), made up of executive directors and other relevant divisional heads, is responsible for the following:

- reviewing policies relating to liquidity risk management;
- recommending liquidity risk policies to the Board;
- reviewing liquidity risk strategy and recommending it for Board approval;
- providing management oversight on the implementation of policies relating to liquidity risk;
- monitoring liquidity risk inherent in the maturities' mismatch of assets and liabilities;
- developing policies, procedures, tools and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensuring compliance with statutory and regulatory requirements relating to liquidity risks;
- reviewing and recommending limits on liquidity risk for approvals; and
- approving stress scenarios and contingency funding plan assumptions.

Implementation of the Bank's market and liquidity risk management policies, procedures and systems is delegated to the Head of the Market and Liquidity Risk Management department, who reports to the Executive Director and Chief Risk Officer.

The Bank maintains a well-articulated liquidity risk policy, which drives the level of liquidity risk exposures and determines the size of the business and maturities.

Policies and procedures

The principal mechanism for implementing the Bank's liquidity policy is the maintenance of the liquid-assets-to-deposit ratio over and above the defined regulatory minimum.

This liquidity ratio is interpreted in conjunction with the cash flow projection and liability concentration ratios to measure the Bank's exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all the Bank's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

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The liquidity and funding management process also includes preparing multi-currency balance sheets, assessing cash flows by major currencies and projecting cash flows under stress scenarios.

The Bank's use of concentration ratios prevents it from relying on a limited number of depositors or funding sources.

Sources of funding

The Bank is funded primarily by a well-diversified mix of retail and corporate deposits. This funding base ensures stability and low funding costs, with minimal reliance on higher-cost time deposits and interbank takings as significant sources of funding. The Bank places considerable importance on the demand and savings deposits, which comprise over 80% of its funding base. Although these accounts are contractually repayable on demand, in reality they are stable and have formed a core component of the Bank's liabilities. The Bank also enjoys a relatively low-cost time deposit base due to the market's perception of the Bank as one of the strongest banks in Nigeria.

Loans-to-deposit ratio

The Bank emphasises the importance of core current and savings deposit accounts as a source of finance for lending to customers. This is achieved by restricting the ability of business units to increase loans and advances to customers without achieving corresponding growth in current and savings deposits. The pre-set loans-to-deposit ratio set and monitored by the ALCO is 80%.

Diversification of asset base and contingent liquidity risk management

The Bank maintains a large portfolio of tradeable liquid assets in the form of Nigerian treasury bills and Federal Government of Nigeria bonds, which are low risk and can be converted in a short period of time or used to enhance the Bank's borrowing. The Bank also maintains a large portfolio of low-risk assets that can be securitised and traded as off-balance sheet items. In addition, the Bank has put in place contingency funding arrangements with similar-sized Nigerian banks and maintains a standing credit facility with the Central Bank of Nigeria, which can be accessed at short notice.

Capital management

The Bank's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Bank maintains discipline over its investment decisions and, where it allocates its capital, it seeks to ensure that returns on investment are appropriate after accounting for capital costs.

The Bank's strategy is to allocate capital to businesses based on their economic profit generation. Regulatory and economic capital requirements, and the cost of capital are key factors in this process.

The Bank's capital is divided into two tiers:

- **Tier 1** - capital comprises core equity tier 1 capital, including ordinary shares, statutory reserves, share premium and general reserves. The book values of goodwill, intangible assets, unpublished losses and underprovisions are deducted in arriving at core equity tier 1 capital.
- **Tier 2** - capital comprises qualifying subordinated loan capital, preference shares, general provisions, debenture stock, minority and other interests in tier 2 capital, and unrealised gains arising from the fair valuation of equity instruments held as available for sale. Tier 2 capital also includes reserves arising from the revaluation of properties and foreign reserves.

The Central Bank of Nigeria prescribed a minimum limit of 16% of total qualifying capital/total risk-weighted assets as a measure of capital adequacy for banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The Bank's capital management initiatives work in tandem with the regulatory framework.

Merchant Banking and Asset Management group

Both the Management Committee (MANCO) and the Risk Management Committee (RMC) oversee the management of liquidity risk within the Merchant Banking and Asset Management (MBAM) group.

Both committees are made up of senior management, including the heads of the Company's business divisions. The broad responsibilities of the committees are as follows:

- managing the implementation of the Company's strategic policies as approved by the Board;
- making proposals to the Board committees on the Company's policies, including liquidity risk management;
- reviewing policies relating to liquidity risk management;
- recommending liquidity risk management policies to the Board; and
- providing effective management oversight for the implementation of the Company's liquidity risk management policies.

The Group ensures the maintenance of ample liquidity to meet its various financial obligations as and when due by actively managing its funding and cash flows within approved limits to maintain an optimal funding profile and manage overall funding costs.

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Insurance group

The Investment Committee oversees the liquidity management function. It is responsible for:

- ensuring that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders;
- ensuring that the long-term investment return on assets supporting policy liabilities is sufficient to fund policyholders' reasonable benefit expectations and shareholders' profit entitlement; and
- implementing and monitoring the asset management process to ensure that the risks arising from trading positions are effectively managed within the predetermined risk parameters.

Outlook

The sound liquidity stance of the Group grew stronger in 2015 due to increased customer patronage, its sustained brand reputation in the industry and more proactive liquidity management. We have further strengthened the Group’s funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we manage and the market environment), make best use of funding sources and minimise borrowing costs.

The Group expects to continue building on goodwill in the coming years by maintaining a robust liquidity position that ensures financial obligations are met as and when due at minimal cost.

Penetration of all market segments will continue as a means of providing a stable deposit base for the Group from well-diversified funding sources.

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OPERATIONAL RISK

OVERVIEW

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor and financial.

The Banking Group recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

COMPONENTS OF OPERATIONAL RISK

Objectives

The Group is committed to the management of operational risks. The Group's operational risk management framework aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Group is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;
- improve performance measurement – the Group's improved understanding of its operational risk profile will enable appropriate allocation of risk and economic capital to individual lines of business, which will allow improved performance measurement and evaluation of activities;
- ensure better control of operations – the Group expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in the Bank's internal control system; and
- raise awareness of operational risk in the Group from top to bottom through the implementation of an enterprise-wide operational risk approach.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in the Banking Group:

- The Board of Directors is responsible for setting the operational risk strategy of the group and its implementation.
- The Board approves and periodically reviews the operational risk management framework.
- Operational risk in the Group is coordinated through a centralised and independent operational risk management function.
- Ownership, management and accountability for operational risk is decentralised with businesses and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting operational risk.
- The Group's operational risk management practices are in line with Basel II.
- The Group's operational risk management practices are subject to regular independent review by internal and external auditors.
- Operational risk management is governed by well-defined policies and procedures which are clearly communicated across the Group.
- Operational risk-related issues are taken into consideration in business decisions, including new product and process designs.
- Operational risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by the Group.

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Methodologies

In order to meet its operational risk management objectives, each business function within the Group is required to identify, assess, measure and control its operational risk in line with the policy set by the Board.

The following are some of the key tools and techniques used by each business unit, in line with the nature and scale of the business risks.

OPERATIONAL RISK MANAGEMENT PROCESS

REPORTING OPERATIONAL RISK ISSUES USING THE ISSUE AND ACTION REPORTING TEMPLATE

This tool is used to report operational risk issues. Issues to be reported using this tool include: significant operational risk exposures; exceptions from key risk indicator (KRI) analysis and trending; exceptions from risk control self-assessment (RCSA); operational and fraudulent losses incidences; significant control breakdowns rectified during the month; all exceptions to corporate governance standards; outstanding audit issues; and any other issues with operational risk implication.

REAL-TIME INCIDENCE REPORTING

This is for reporting urgent and significant operational risk issues and events that have to be escalated to relevant senior management stakeholders within 48 hours of the incidence, in addition to reporting it through the issue and action reporting platform. Examples of significant operational risk issues are: armed robbery attack, fraud and losses.

RISK CONTROL SELF-ASSESSMENT (RCSA)

RCSA is a key component of the Group's operational risk framework and involves, on a periodic basis, each business unit and support unit within the Group proactively carrying out a self-check of their compliance. This uses key controls put in place by management with a view to identifying areas of weakness and implementing remedial actions. The purpose of RCSA is to assess whether specific controls are operating as intended. Exceptions, due to control lapses or human error, can highlight inherent procedural weaknesses that need to be addressed. Early detection of control weaknesses can help prevent systemic and recurring risks.

RCSA is used to check:

- compliance with relevant bank policy and procedure manuals;
- compliance with regulatory requirements; and
- whether the key controls are effective in managing the risks.

INTERNAL LOSS DATA

The tracking of internal loss event data is a key component of the Group's operational risk framework. Internal loss events and data are analysed with a view to focusing attention on where they are needed and forestalling recurrence through the sharing of lessons learnt.

KEY RISK INDICATORS

Key risk indicators (KRIs) are measures that track the Group's risk profile. Each business unit within the Group develops and monitors for their significant risks, which:

- target key operational risk exposures for the business unit;
- enable management of the underlying causes of risk exposures;
- use thresholds aligned to the Group's risk appetite and enable risk-based decision-making;
- are monitored with a frequency that matches the nature of the risks;
- complement the self-assessment and loss-event collection processes; and
- are reported as part of monthly management reporting.

Scenario analysis

Basel II requires that 'a bank must use scenario analysis of expert opinion in conjunction with external data to evaluate its exposure to high-severity events'. The Commercial Banking group uses scenario analysis in conjunction with external data to evaluate such exposure. This approach draws on the knowledge of experienced business managers and risk management experts to derive reasoned assessments of plausible severe losses.

The Group will adopt the following procedures to generate scenarios:

- using internal loss events to explore the potential for these events to become high-impact incidents;
- using external loss events to test internal resilience and explore potential impact if such events were to occur internally;

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- using the knowledge of the management team to develop realistic scenarios to test operational resilience and adequacy of capital by exploring areas of perceived internal weakness;
- using the knowledge of the management team to explore exposures in areas where internal losses have occurred;
- developing disaster scenarios to conduct similar tests and examine the effect on the Group;
- creating scenarios based on areas of control weakness or on perceived changes in environment;
- using this information to adjust control structure, enhance mitigation or refine contingency plans as appropriate to ensure that the Group can survive potential scenarios;
- using relevant scenarios in the model to complete the picture of the Group's risk exposures; and
- comparing scenarios with actual losses and changes in the business and market on an ongoing basis and adjust as appropriate.

Key operational risks

Major operational risks faced by the Group are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures are identified and new controls designed. Analysis also revealed that the quality of people and their integrity is critical to mitigating these key operational risks. As a result, the Group has adopted and developed a competency-based recruitment framework in which attitude, skills and knowledge are tested through background checks, psychometric testing and personality checks before it engages any employee. Also, the Group has invested significantly in enhanced physical security measures and collaborating with the security agencies to further protect the Bank's assets. Other key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Customer (KYC) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Bank's customers for each debit on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff;
- installation of panic alarm systems, CCTV, deadman doors, etc.; and
- implementation of rules-based anti-fraud solutions.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of banking licence, all of which directly impact shareholder value. Accordingly, the Group's operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, the Group strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected and catastrophic events, including related costs, through risk financing strategies that support the Group's long-term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of operational risk and thus minimise actual or potential losses.

The Group recognises that some losses, such as operational errors, are inevitable and are a normal business cost, but will ensure that these costs are kept within acceptable levels and potential losses are minimised.

STRATEGY IMPLEMENTATION

In implementing this strategy, the Group:

- has put in place best-practice operational risk management policies and procedures. These include toolkits to help identify, assess, control, manage and report on operational risk within the Group;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- ensures that all staff in business and support functions are aware of their responsibilities for operational risk management;
- considers the potential operational risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has developed structures and processes for reporting control failures to designated individuals and escalating material issues to the Business Risk and Compliance Committee (BRCC), the Management Committee (MANCO) and the Board Risk Management Committee (BRMC);
- ensures that staff are provided with appropriate operational risk management training that is commensurate to their roles;
- has established a robust business continuity management system (including disaster recovery and crisis management procedures) which minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of operational losses, through management of risk factors and utilisation of insurance or other risk transfer strategies; and
- ensures that staff responsibility with respect to operational risk management is communicated through ongoing risk awareness workshops and management action.

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Operational risk governance structure – Commercial Banking group

GOVERNANCE STRUCTURE FOR FBNHOLDINGS

BOARD OF DIRECTORS	BRMC	MANCO	BRCC	ORM
Sets strategy	Oversees implementation	Promotes risk culture	Ensures accountability	Maintains the framework
Final approval	Establishes management structure	Sets roles and responsibilities	Framework implementation	Defines risk appetite
Periodic review	Manages framework	Develops policies and procedures	Reviews all risk reports	Escalates priority issues
	Reports to the Board	Manages risk profile	Reports to MANCO	Monitors and reports to BRCC

Governance

The overall responsibility for operational risk management in the Group resides with the Board. The responsibility for day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on the Group's operational risk profile.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- The overall governance is owned by the Board and Board Committees – Board Risk Management Committee (BRMC) and Management Committee (MANCO).
- The approval of the Group's operational risk policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and the Board Committees (BRMC and MANCO).
- The operational risk management framework is owned by the Group's operational risk management (ORM).
- The implementation of the operational risk framework within the strategic business units (SBUs), Strategic Resource functions (SRFs), business development offices (BDOs), branches, departments/business units, and control and support units, and the day-to-day management of operational risks is owned by their respective management teams. Implementation is executed through the relevant management structure, supported by the operational risk relationship managers and nominated coordinators reporting to their respective senior management officials or their designates.

The Board and Board Committees

The Board of Directors, BRMC and MANCO have overall oversight function for operational risk management. It is their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

THE BOARD OF DIRECTORS

The Board:

- sets the Group's operational risk strategy and direction in line with the Group's corporate strategy;
- gives final approval for the Group's operational risk management framework, policies and procedures;
- periodically reviews the framework to ensure its relevance and effectiveness; and
- ensures that senior management is performing its risk management responsibilities.

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THE BOARD RISK MANAGEMENT COMMITTEE

The BRMC:

- ensures that the operational risk management framework is comprehensive and in line with the Group's strategy;
- approves the operational risk management framework and oversees its implementation;
- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and
- reports significant operational risk issues to the Board of Directors.

THE MANAGEMENT COMMITTEE

The MANCO:

- ensures that the framework is implemented consistently across the Group;
- ensures that policies and procedures are developed for managing operational risk in the Group's products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to operational risk management;
- reviews the Group's risk profile and assesses potential impact on the activities of the Group or business unit;
- ensures that the Group's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on operational loss events, risk profiling and control failures groupwide, and monitors corrective measures implemented;
- ensures that the outputs from the operational risk management process are factored into the day-to-day management decisions of the Group; and
- ensures that the Group's operational policies and procedures promote the desired risk culture.

THE BUSINESS RISK AND COMPLIANCE COMMITTEE

As a sub-committee of the MANCO, the BRCC ensures the effective and efficient management of the operational and business risks within the Group and reports through the MANCO to the BRMC, which serves as a link between the Board of Directors and senior management with respect to business risk management.

The BRCC:

- carries out the first-level review and challenging of developed operational risk and business risk frameworks, policies, procedures, processes and toolkits;
- ensures that senior management become aware of, and more directly accountable for, risks in their jurisdiction;
- manages significant operational risks where they originate within the business function;
- ensures compliance with the Group's business/function operational and business risk policies and procedures;
- ensures that operational risks identified within businesses are assessed in terms of wider business risk and then reviewed and reported accordingly through the operational risk reporting process;
- ensures implementation of the approved operational risk framework, policies procedures, processes and toolsets;
- continually promotes risk awareness throughout the group so that complacency does not set in;
- identifies, reports and manages the top 20 operational risks in current and six-month timeframes;
- assists the MANCO to manage ongoing corporate governance issues;
- reports through the MANCO to the BRMC on key business risk and compliance issues and decisions taken by the committee;
- reviews the reports from the heads of all risk areas (operational, market and credit) management, business lines and their respective risk profiles, agrees areas of highest priority and puts in place the related mitigation strategies;
- reviews the reports from internal audit relating to operational risk and the appropriateness of management's response thereto, and reports as necessary to the BRMC and/or to the Board of Directors;
- ensures that adequate resources are allocated at various levels to manage business risk across the Group;
- receives copies of regulatory examination reports on matters that are within the purview of the Committee and management's responses thereto; and
- performs other activities related to this charter as requested by the MANCO and the Board.

THE CHIEF RISK OFFICER (CRO)

The CRO:

- leads the development and implementation of operational risk management across the Group;
- develops operational risk management strategy, principles, framework and policy;
- implements appropriate operational risk management processes and methodologies;
- advises and coaches management and business units on risk management;
- coordinates the appropriate and timely delivery of operational risk management information;
- exercises supervisory responsibilities over operational risk management in addition to responsibilities over market risk, credit risk and other key risk types; and
- approves all reports, operational risk policy proposals, recommendations and other documents prepared by the Operational Risk Management department before submission to the MANCO, operational risk committees and the BRMC.

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THE OPERATIONAL RISK MANAGEMENT (ORM) FUNCTION

The ORM function is independent of the Business Development Offices (BDOs), branches, departments/business units and control and support units, and reports to the CRO, a member of the MANCO.

The core responsibility of the ORM function is the development and implementation of operational risk management across the Group.

This entails:

- drafting operational risk management policies, standards, processes and procedures;
- playing the role of thought partner with businesses and support functions in management of their operational risk;
- developing and driving implementation and maintenance of the operational risk management framework;
- developing and distributing tools, techniques, methodologies, common risk language, risk frameworks, analysis, reports, communication and training;
- coordinating, aggregating and facilitating operational risk management activities across the Group;
- monitoring the operational risk profile, including accumulations of risk, trends, and risks from internal and external market changes;
- escalating high-priority issues to senior management and the Board;
- collating, challenging and reporting on aggregate risk profile, control effectiveness and actions to risk committees and the Board;
- analysing BDOs, branches, departments/business units and control and support units' operational risk to derive emerging themes for the group;
- defining yearly operational risk limit and appetite for the Group, business and support units respectively; and
- liaising with external parties, e.g., regulators, analysts and external auditors, on the Group's operational risk management practices.

THE STRATEGIC BUSINESS UNITS (SBUs) AND SUPPORT FUNCTIONS

The SBUs and support functions are the first line of defence in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- implementing and complying with the group's operational risk-related policies, procedures, processes and tools in their areas;
- assessing risks and the effectiveness of controls in line with documented risk policies and toolsets;
- designing, operating and monitoring a suitable system of control;
- managing and reviewing risk as part of day-to-day business activity;
- developing a divisional/control and support unit operational risk management plan that is consistent with the operational risk appetite and strategy of the Group;
- keeping the Group's ORM fully informed of operational risk developments via timely ad hoc or regular reports and meetings;
- identifying, reviewing and assessing the inherent operational risks in the context of the existing control environment and documenting decisions with regard to the required mitigating action or acceptance of the risk;
- updating and maintaining the operational risk framework for the division/control and support unit;
- ensuring that the data and analysis are timely, relevant and complete for reporting and, as required, validating and certifying their quality;
- ensuring that potential operational risks in new businesses, products and services, and processes within their business units, are identified and mitigated;
- preparing quarterly risk profiles for review by divisional/control and support senior management and the Group's ORM function.

The divisional/control and support unit senior management or their designate appoints the Operational Risk Coordinator with responsibility for executing the divisional/control and support unit ORM strategy, effectively managing operational risk day to day and maintaining the required data within the division/control and support unit in line with this policy.

OPERATIONAL RISK COORDINATORS

The role of the operational risk coordinator is a part-time one performed by an individual alongside his/her business as usual role. The key responsibilities of the role are to:

- help line management in coordinating and driving operational risk management at branch and departmental levels;
- address and escalate significant operational risk issues/trends to branch/departmental management and to the ORM department through the real-time incidence reporting mechanism and the issue and action plan page of the OpRisk application;
- create awareness of operational risk;
- oversee all OpRisk activities, including:
  - capturing all operational losses, events and exposures on the operational risk system;
  - proper monitoring and rendering of key risk indicators;
  - prompt response to OpRisk control self-assessment administered on branch/ department;
  - reporting cases of default/breaches; and
- serve as business continuity champion.

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Milestones

MAINTENANCE OF ISO 22301 (SOCIETAL SECURITY: BUSINESS CONTINUITY MANAGEMENT SYSTEM) CERTIFICATION

Though the general security situation in the country is still a concern, the Government is acting decisively in tackling insurgency/terrorism and other political, social and economic problems, and rebuilding a climate of mutual trust and safety. FirstBank Group continues to invest significantly in building a highly resilient organisation with diversified operations to ensure safety and protection of assets, staff and customers' investments.

Also, the Group continues to develop and implement a robust and holistic business continuity management system in line with the international standard. The Group has maintained the global ISO 22301 (Societal Security: Business Continuity Management System) certification, having successfully passed the surveillance audit conducted by the British Standards Institution (BSI) in September 2015. The ISO 22301 BCMS certification has improved the Group's operational processes and efficiency.

Merchant Banking and Asset Management (MBAM) group

MBAM has implemented standard operational risk management processes for actively managing operational risk. Throughout 2015, the Risk Management department rolled out, and began embedding, these operational risk management processes to enhance the control culture and minimise losses reported across the group. In addition, the Risk Management department is raising the levels of risk awareness throughout the group, to complement these risk management processes and contribute to a reduction in the frequency and value of operational loss incidents. Finally, the group is reviewing its business continuity and disaster management plans and processes to ensure that the capability to operate off-site in the event of emergencies is available with little or no downtime in the process.

Insurance group

The group mitigates its operational risks through its culture and values, internal controls, internal audit, forensic and compliance functions, and other measures such as backup facilities, contingency planning and insurance. The following are also in place:

- a clear policy on recruitment;
- tolerance limits for errors, breaches and operational threats;
- service-level consultations; and
- an information security policy.

Transactions are initiated and administered by segregating duties, to ensure they are correct, complete and valid.

Outlook

As the Group continues to reposition strategically for the future, embedding a robust operational risk management practice and culture in a challenging environment is paramount to enhancing and contributing to stakeholders' value, and the long-term survival of the institution. To this end, a number of initiatives and projects are currently ongoing that, when completed, will enhance the risk management culture and practices within the organisation and by extension, significantly reduce the Group's operational risk exposures and incidences.

Some of these key initiatives and projects are:

- the implementation and roll-out of the world-class ERP-ERM solution to the Commercial Banking group to support ongoing Basel II implementation;
- collaboration with internal audit to help embed the culture of control and risk control self-assessment (RCSA) in all activities and across all levels in the Group;
- continuous implementation and embedding of business continuity management (BCM) culture across the Group and key vendors;
- the review and updating of existing operational risk management tool-sets and processes, and introduction of new ones; and
- the capacity-building/aggressive Group-wide operational risk awareness campaign to increase employees' risk-awareness level and competence in managing risks.

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COMPLIANCE RISK

OVERVIEW

The corporate culture of the Group emphasises the highest standards of honesty and integrity in our business conduct and activities, and this tone is set from the top by the Board of Directors and executive management across the Group.

However, the diversity of the business activities of FBN Holdings Plc and all its subsidiaries exposes the Group to the risk of non-compliance with the various laws and regulations guiding their operations. This also includes the standards issued by the relevant self-regulatory organisations, internal policies, rules, code of corporate governance, and code of conduct and ethics. Compliance and adherence to policies that meet best practices forms an essential part of the Group's ethical values.

The Group acknowledges that it is responsible to all its stakeholders in complying with all the relevant laws, regulations and standards that bind their relationship. However, in order to minimise risks associated with non-compliance, the Group is committed to:

- Complying in both the letter and spirit with all relevant laws, codes, rules, regulations and standards of good practice in all markets where we conduct business.
- Resolving any irregularities in a manner that minimises financial loss and protects the reputation of the Group, and, where required, promptly reporting them to the relevant authority.
- Complying and adhering to ethical standards that meet best practices.

Compliance principles

In addition to promoting honest, ethical conduct and ensuring compliance with relevant laws, regulations, rules and professional standards, the following fundamental principles shall guide the Group's compliance risk management process:

A. INTEGRITY AND HIGH ETHICAL CONDUCT

Integrity and strong ethical conduct in all business transactions and activities are the Group's major asset, and the Group is deeply committed to protecting these assets by ensuring strict compliance with applicable laws, regulations and standards in all markets and jurisdictions where we operate.

B. COMPLIANCE IS A SHARED RESPONSIBILITY

Compliance is a shared responsibility for all staff, irrespective of their position and location within the Group. This requires a strong commitment to comply with applicable laws and standards, responsible corporate behaviour and good corporate citizenship on a global level.

C. TONE FROM THE TOP

The Board and management are the primary owners of compliance. They are not only expected to set good examples, but to set the 'tone from the top', through the creation of an enabling environment where compliance-related issues are taken into consideration in all business decisions.

D. AUTHORITY AND INDEPENDENCE OF THE COMPLIANCE FUNCTION

The Group compliance function shall be accorded the necessary standing, authority and independence to appropriately discharge its responsibilities.

E. EFFECTIVENESS AND INTEGRITY OF COMPLIANCE PROCESS

Each compliance officer shall ensure the effectiveness and integrity of the compliance process and controls framework, including the compliance risk management process.

F. CONFLICT OF INTEREST

Staff across the Group shall at all times act in the best interests of the Group and its stakeholders, without giving any kind of preference to third parties on the basis of personal consideration that may give rise to perceived or actual conflicts of interest.

Compliance governance

In line with the risk governance framework, as contained in the Group Enterprise Risk Management (ERM) framework, overall responsibility for compliance to all relevant laws and regulations, and for managing the risks associated with compliance rests with the Board. The executive management takes ownership of compliance risk management, and sets the right tone for ensuring collective accountability when meeting compliance obligations across the Group. The specific responsibilities in the compliance governance process are as summarised below.

BOARD OF DIRECTORS

The Board has the overall responsibility for managing compliance in the Bank. However, the Board can delegate the role to any appropriate Board committee.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee (BRMC) provides supporting oversight on the management of compliance within the Commercial Banking group.

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BUSINESS UNITS, MANAGEMENT AND STAFF

As the first line of defence, all management and staff are committed to complying with the relevant and applicable regulatory requirements within each business department, inclusive of any outsourced business.

MANAGEMENT COMMITTEE (MANCO)

The MANCO is responsible for reviewing the compliance risk management framework to ensure its continuous relevance and appropriateness and to endorse changes for Board approval.

BUSINESS RISK AND COMPLIANCE COMMITTEE (BRCC)

The BRCC is responsible for ensuring the implementation of the approved compliance risk policies, procedures, processes and tool

CHIEF COMPLIANCE OFFICER (CCO)

The CCO is responsible for setting entity-wide policy and compliance standards, and for coordinating the overall compliance system in the Bank.

INTERNAL CONTROL AND ENHANCEMENT GROUP

Internal control assists the compliance function in the conduct of independent monitoring.

INTERNAL AUDIT

The internal Audit department is responsible for developing and implementing audit programmes to evaluate the level of compliance by the Compliance department with policies and procedures.

BOARD AUDIT COMMITTEE

The Board Audit Committee oversees the Internal Audit and External Audit Function.

Presented in the chart below is the compliance governance structure of FirstBank, one of the largest operating companies in the Group, and its relationship with the holding company.

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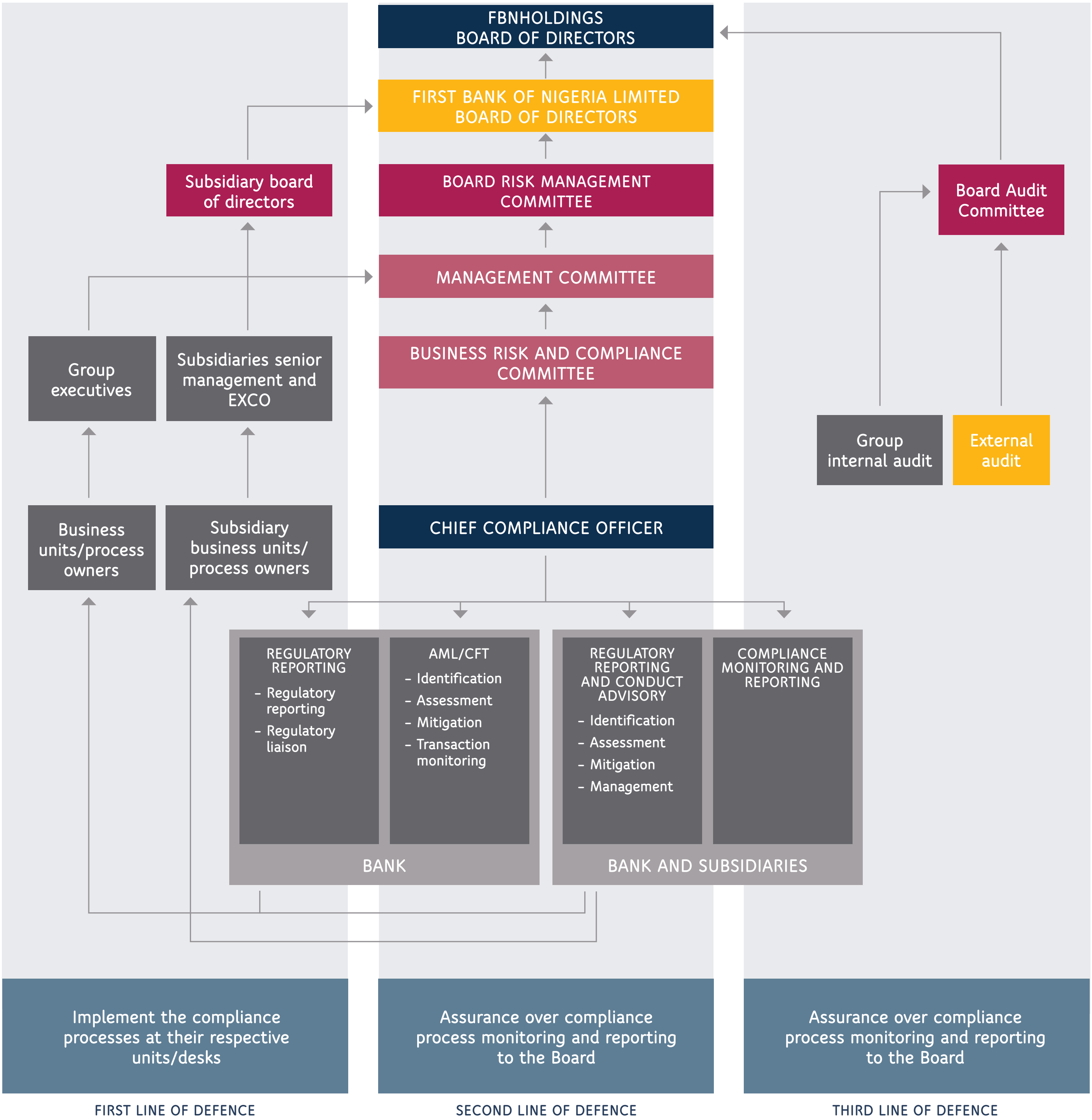
Compliance risk governance structure



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The Group adopts the 'three lines of defence' model in managing compliance risk. Details of this model can be found in the Risk Governance Framework section on page 128.

Responsibilities and accountabilities in the three lines of defence

FIRST LINE OF DEFENCE	BUSINESS LINE RESPONSIBILITIES
Risk identification and control	· Identify and manage compliance risks on a day-to-day basis. · Ensure activities are within the Group's compliance risk appetite. · Design, implement and maintain effective internal control within the business lines. · Implement compliance risk-based approval process for new activities and products. · Track internal mitigation activities. Plan and execute compliance training and other activities in this framework.
SECOND LINE OF DEFENCE	**GOVERNANCE, RISK AND OVERSIGHT FUNCTION RESPONSIBILITIES**
Standard setting and challenging	· Develop compliance framework, compliance risk and control strategies and practices. · Provide oversight and independent challenge on the first line of defence through review, enquiry and discussion. · Engage and partner with other departments, such as the Legal department, to identify relevant compliance risk-related laws, regulations and standards. · Translate laws into compliance obligations and assist management to identify the compliance risk inherent in such laws. · Provide training, tools and advice to support the first line of defence. · Monitor and report on compliance risk appetite and policies. · Review policies and framework where and when necessary.
THIRD LINE OF DEFENCE	**INTERNAL AUDIT RESPONSIBILITIES**
Independent and objective assurance	· Verify that the Group's compliance risk management framework is operating effectively. · Validate the effectiveness of the first and second lines of defence.

Compliance risk management

Compliance risk management is the process of developing and implementing a compliance programme; identifying and analysing rules and regulations (which together form the regulatory universe); and designing and implementing Compliance Risk Management Plans (CRMPs) and Compliance Monitoring Plans (CMPs) to ensure effective management of compliance risks. The Group's compliance risk management process involves: identification of compliance risk obligations; risk assessment of the obligations; compliance risk mitigation; compliance risk monitoring; and compliance risk reporting, which includes incident management and action tracking. This process is depicted in the diagram below:

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Compliance risk

The Group adopts a culture of zero tolerance for compliance risk; this is aimed at ensuring that there are no compliance breaches, and is in line with the Group risk appetite. Further description of each of the elements in the compliance risk management process can be found in the table below.

RISK IDENTIFICATION	RISK ASSESSMENT	RISK MITIGATION	RISK MONITORING	REPORTING
Scanning of the external regulatory environment	Interviewing stakeholders to obtain an understanding of the business activities being conducted	Policies (including those on ethical issues) or procedures specifically designed to facilitate compliance	Develop annual monitoring plan	To Board Risk Management Committee (BRMC)
Identification and analysis of new laws and regulations	Perform regulatory risk assessment: assessing impacts and likelihoods	People and/or other resources such as information technology	Document results and commitment to findings to relevant stakeholders	To Business, Risk and Compliance Committee (BRCC)
		Training and education	Remedial actions	To the Management Committee (MANCO)
		Sound relationship with regulatory changes	Action tracking	To regulatory agencies
			Incidence management	
			Investigations	

Outlook

The financial services industry will continue to be the focus of regulatory controls, scrutiny and intensive monitoring by the various regulators. This is evident by the punitive sanction regime that was observed within the year under review. We believe government and the various regulatory bodies will continue to develop policies, regulations and circulars that may impose new requirements and also increase the cost of compliance, which may heighten compliance risks.

As we look forward to 2016, the Group will adopt a more proactive approach towards ensuring a sanction-free organisation by making staff fully aware of their compliance obligations and responsibilities at all times, and by taking concrete steps towards ensuring that issues and challenges that will expose the Group to regulatory risks are addressed on a timely basis.

To this end, the Group will strive to implement the following initiatives in 2016:

- Increased engagement and regular interaction between the business units and the compliance risk function to ensure speedy dissemination of regulatory directives and the quick resolution of outstanding issues.
- Increased training and awareness of all staff on their compliance obligations and responsibility towards ensuring an informed and more compliance-focused workforce across the Group.
- Timely approval and implementation of the Group Compliance Policy and framework; this will go a long way to ensuring that compliance risk responsibilities are appropriately discharged, and also provide clear and consistent procedures for managing compliance risks across the Group.

Finally, the Group is poised to comply, in both letter and spirit, with all relevant laws, codes, rules and regulations in the areas where we conduct business, and with the ethical standards that meet best practices.

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INFORMATION SECURITY RISK

Growing cybercrime and cyber terrorism have opened financial institutions to a number of risks, including unauthorised access, use, disclosure, modification, inspection, recording and destruction of information and information assets, which could potentially cause denial or disruption of the Bank's services and operations.

Potential impacts on business

Information is critical to the Banking Group's operations and crucial to the delivery of its service to customers. The recent growth in hacktivism, the proliferation of hack tools and the reduced cost of computing hardware have created huge risks for the financial industry.

Potentially, unplanned disruptions caused by cyber criminals on the operations of information systems or assets could result in dire and costly consequences. These might include huge financial losses, reputational damage, and regulatory and legal infractions if not properly managed.

Mitigating measures

A number of measures have to be in place to mitigate the risk posed by information security threats. These include:

- implementing a centralised Information Security Operations Centre (ISOC) that will provide round-the-clock monitoring and protection of FirstBank's information assets and customers;
- implementing globally recognised information security models, as well as approved standards and best information security practices and assets management;
- using advanced technology and efficient processes for information management and protection;
- continuing to evaluate risk through the use of a proven risk assessment methodology that identifies key risk areas and prescribes controls necessary to reduce these risks to an acceptable level;
- documenting and standardising processes within the Group while building appropriate security controls into them;
- identifying and classifying all information assets within the Group and assigning appropriate control measures, ownership and monitoring for security gaps;
- using an independent security assessment company to risk-assess Bank-wide independent security, determine the security risk position of the Bank and recommend appropriate safeguards;
- developing and implementing a Group-wide security policy and an awareness programme for staff, third-party service providers and customers, ensuring that information security is built into the culture of the Banking Group; and
- aligning the Group's processes to international standards and best practices, such as the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS) and other key and regulatory mandated standards.

Responsibility

In line with international security best practices, the Board and management have overall responsibility for ensuring that all information assets and systems within the Bank are adequately protected, while all staff are responsible for the security of the Group's assets and for adhering to the Group's information security policy.

Overview

In line with the Bank's robust governance, risk management and compliance (GRC) model, we remain committed to putting our customers first in protecting all information entrusted to us by them, our staff, partners and service providers.

The Bank will continue to extend and update the implementation of its security standard. Since the award of the ISO 27001 standard certificate in 2010 and the Payment Card Industry Data Security Standard (PCI DSS) in 2013, FirstBank has successfully gone through various audits and recertification to the ISO 27001 and PCI DSS, as mandated by the standards and the CBN, with the aim of continuously reducing card data and cyber-related theft and resulting fraud.

The ISO 27001: 2013 and PCI DSS v3.1 are international benchmarks for measuring governance, risk management and compliance. The continued maintenance of these certificates demonstrates how strongly the Bank values its customers and assets, and operates within the highest ambit of security controls in the world.

The implementation of these standards has become more relevant given that the financial environment is witnessing an accelerating increase in the scale of information security threats, endangering the integrity and reputation of trusted organisations all over the world. Although cyberspace offers opportunities for leading institutions, this environment is uncertain and potentially dangerous. As hacktivists and cyber criminals hone their skills, institutions and governments are introducing new controls and regulations in response to major incidents and public concerns. For the Bank to thrive in this environment, our systems have been designed to continually adapt and rapidly respond to adverse situations. To stay ahead, the Bank will remain informed and prepared for change.

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Philosophy and approach

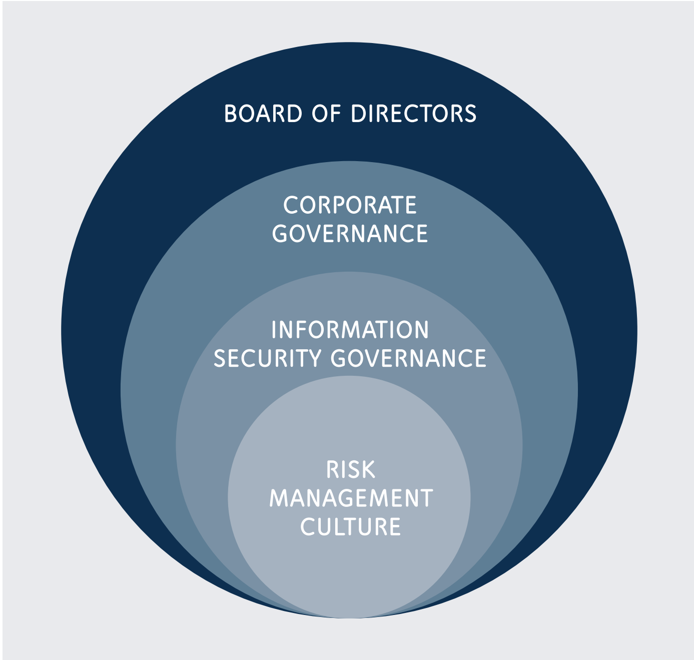
Information security management is an integral component of the Bank's overall risk management culture, with a top-to-bottom implementation model. Management at all levels is championing ownership and overall implementation direction for information security initiatives. The Group will continue to align its processes with information security policy demands and recognised security standards. The Bank's information security management system (ISMS) is intended to enable information sharing, electronic operations and e-commerce, and reduce information-related risks within a defined acceptable risk appetite.

Culture

A coordinated bank information security awareness programme has, over time, embedded positive security behaviour in end-users, including staff, customers, third-party service providers and consultants. Information security has become a culture in the Bank and has enabled us to develop a forward-looking information security strategy, analyse threats and potential impacts and responses, and brainstorm risk treatments. To sustain this culture, the Bank must provide an environment that promotes fresh thinking, delivers innovative awareness methodologies and uses educational technology platforms.

Appetite

In line with the Bank governance model, the information security risk appetite is set by the Board of Directors as identified in the risk assessment methodology; it is set at a level that minimises adverse risk to information assets and adequately protects the Bank from a range of identified threats.



GOVERNANCE STRUCTURE

The Board

The Board and management have overall responsibility for ensuring that all information assets within the Bank are protected and adequately secure.

These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information assets in the Bank to ensure all customer information is adequately protected. In addition, they ensure that the Bank complies with all legal, regulatory, contractual and commercial requirements of information security.

Oversight

The risks posed to information assets require the effective management of data confidentiality, integrity and availability. This is achieved by applying defined control objectives and best-practice information security policies and techniques. Risk management routinely measures the functionality of data information systems against policy requirements, in order to ensure their compliance.

Information security risk is managed through two principal committees: the Business Risk and Compliance Committee (BRCC) and the Board Risk Management Committee (BRMC).

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BUSINESS RISK AND COMPLIANCE COMMITTEE (BRCC)

The BRCC is responsible for approving the information security policies and budget prior to further approvals by the BRMC and the Board.

Key responsibilities of the BRCC on information security risk include:

- ensuring that the information security policies are up to date to support the business;
- ensuring that a business continuity plan is in place;
- ensuring that there is an adequate annual budget to support the information technology (IT) infrastructures; and
- ensuring information security procedures are up to date with modern security developments.

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The BRMC reviews and approves information security policies and budgets to ensure they are in line with the Bank's strategic vision before passing them to the Board for final approval. This includes making sure that:

- top management as well as key stakeholders responsible for information security possess the requisite expertise and knowledge to secure the Bank's information assets;
- the Bank implements a sound methodology for managing information security consistent with the ISO 27001 standard; and
- detailed policies, standards and procedures are created, updated regularly and communicated effectively within the Bank.

Relationships with other units

The Information Security department maintains key relationships with other units in the Bank through activities such as:

- getting involved in strategic projects within the Bank to ensure that information security and Information Security Policy requirements are built into applications and processes at the conceptual stage and not bolted on at disparate junctions after full implementation;
- an information security awareness programme for the Bank that includes awareness concepts computer-based training and facilitator-led training for all staff;
- organisation-wide asset identification, valuation and risk assessment based on the requirement of ISO 27001;
- liaising with Information Security Champions, information asset owners and subsidiary coordinators;
- documenting incidents and disseminating learning points; and
- monitoring information security incidents across the Bank.

Strategy and policy

The Bank has adopted an integrated approach to information security risk management in line with the ISO 27001 standard. The fundamental objective of the standard is to ensure the confidentiality, integrity and availability of its information assets.

The protection of the Bank's information assets is critical to the Bank's business continuity and its ability to meet business objectives. Accordingly, the Information Security Management department (ISMD) has been assigned the responsibility of ensuring that the Bank's information assets are adequately protected at all times; this is achieved through well-documented policies, the constant training and retraining of staff on policy requirements, and good information security practices.

This responsibility is to be shared with both the management and the employees of the Bank, irrespective of designation or function. Information security management in the Bank is a continuous process. As part of its role, the ISMD monitors risk indicators, such as incidents related to information security, and carries out trend analysis that highlights high-risk or emerging issues, so that prompt action can be taken.

Certification drives

The Bank has continued to maintain its certificates in good standing; this includes the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS), initially awarded in 2010 and 2013 respectively.

MERCHANT BANKING AND ASSET MANAGEMENT GROUP (MBAM)

In line with the group's approach to risk, MBAM continuously develops policies, processes and procedures to proactively identify, analyse and put in place acceptable measures to control risks.

The risks posed to its information assets require the effective management of data confidentiality, integrity and availability of IT systems. MBAM is currently undertaking a significant transformation of current IT systems with a key objective being to optimise the approach to managing related risks.

Information security risk management approach

The group focuses on preventive proactive, rather than reactive, risk management. Risk and vulnerabilities are identified through a systematic process of risk evaluation and management practice, while documented policies and procedures are used to drive the daily operation of the Merchant Banking group to effectively manage the confidentiality, integrity and availability of information assets.

Information security risk

The group has established policies, processes, procedures and standards to identify risks, analyse the risks identified and put in place acceptable measures for controlling those risks.

The risks posed to its information assets require the effective management of data confidentiality, integrity and availability. This is achieved by applying defined control objectives and best-practice information security policies and techniques. Risk management routinely measures the functionality of data information systems against policy requirements, in order to ensure their compliance.

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Information Security risk is managed through two principal committees: the BRMC and the Management Committee (MANCO). Their oversight responsibilities for Information security risk management are as follows:

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The BRMC is responsible for approving the information security policies and budget prior to final approval by the Board of the company. Key responsibilities include:

- ensuring that the company's information security policies are up to date and able to support the business of the company;
- ensuring that the company has a business continuity plan in place;
- providing an adequate budget to support the IT infrastructures annually; and
- ensuring that the company's IT procedures are up to date and in line with modern technological developments.

MANAGEMENT COMMITTEE (MANCO)

The MANCO is responsible for ensuring the implementation of the various policies and budgets related to IT as approved by the Board. Key responsibilities include:

- day-to-day supervision of the operation of the IT department; and
- ensuring the department has qualified staff.

INSURANCE GROUP

The Insurance group is primarily involved in the equitable transfer of the risk of loss and offers various products to the generality of its customers. Given the level of exchange of information between the Insurance group and its customers, information security is a critical concern.

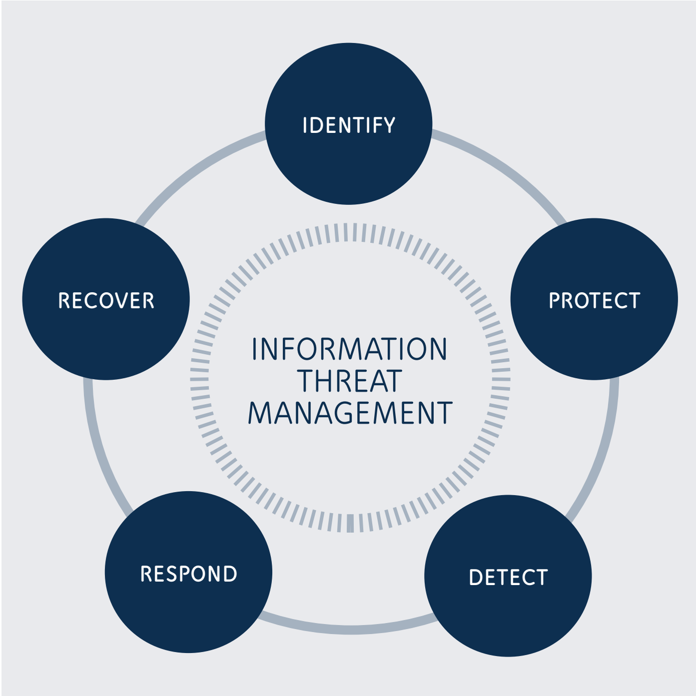
Information security risk factors

A company's proprietary information about products, processes, customers and suppliers is critical to its daily operations and survival. The most common threat in a networked system is unauthorised access to information and computer resources. This may cause the loss of confidentiality, integrity and availability of information assets.

Information security risk management approach

The information security risk management approach is proactive rather than reactive. As a result, the Insurance group has policies in place to safeguard the information assets, in line with its Information Security Policy, and effectively maintains the confidentiality, integrity and availability of such assets. Some of the key policies ensure that:

- all computers are password protected to prevent unauthorised access;
- all computers are set to log out after a predefined period of time and require the password to be entered to log in again;
- all members of staff have a unique password allocated to them;
- no two users have the same login credentials; and
- access to data resources is granted on a need-to-know basis.



Outlook

Security trends and cyber events towards the tail end of 2015 have given clear indications of security events that will be on the front burners in 2016. These include new threats coming over the horizon, mobile application security, encryption and user authentication over the cyberspace, big data management, data confidentiality and cyber terrorism.

The cost of investigating, managing and containing incidents will rise as the incidents grow more complex and regulators' demands increase. The insider threat will continue to challenge organisations because people will remain the weakest link in information security. Whether through deliberate or inadvertent actions, organisations will still face threats from within. In all this, walking away from the cyberspace for organisations is not an option.

The good news is that there are actions that can be taken now to counter this disintegration of trust and sustain the Bank's cyber resilience. FirstBank, in its proactive nature has put in place strategies and policies that support a robust cyber resilience system, which will provide a 24/7, 365-days-a-year monitoring centre to detect any illicit activities against the bank and its infrastructure.

The Group will continue with its time-proven risk management methodology, which focuses on identifying information assets, risks and treatment, thereby providing a global view of all possible risk exposures and how to proactively manage them. The core outlook for 2016 for the Bank will include growing its cyber resilience status, addressing cyber criminality and improving customer security awareness.

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FINANCIAL STATEMENTS

Our financial statements for the year ended 31 December 2015 represent the fourth year of reporting performance under the holding company structure and are prepared in compliance with International Financial Reporting Standards (IFRS).

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DIRECTORS AND ADVISORS

DIRECTORS

Dr Oba Otudeko, CFR	Non-Executive Director (Group Chairman)
Bello Maccido	Group Chief Executive Officer - Retired 31 December 2015
UK Eke, MFR	Group Managing Director - w.e.f. 1 January 2016
Oye Hassan-Odukale, MFR	Non-Executive Director
Abdullahi Mahmoud	Non-Executive Director - Retired 31 December 2015
Bisi Onasanya	Non-Executive Director - Retired 31 December 2015
Chidi Anya	Non-Executive Director
Dr Hamza Wuro Bokki	Non-Executive Director
'Debola Osibogun	Non-Executive Director - Appointed 27 January 2015
Omatseyin Ayida	Non-Executive Director - Appointed 27 January 2015
Muhammad Ahmad, OON	Non-Executive Director - Appointed 28 July 2015
Dr Adesola Adeduntan	Non-Executive Director - w.e.f. 25 January 2016

COMPANY SECRETARY:	Tijjani Borodo
REGISTERED OFFICE:	Samuel Asabia House 35 Marina Lagos
AUDITOR:	PricewaterhouseCoopers (Chartered Accountants) Landmark Towers, Plot 5B, Water Corporation Road Oniru, Lagos
REGISTRAR:	First Registrars & Investor Services Limited Plot 2 Abebe Village Road Iganmu Lagos
BANKER:	First Bank of Nigeria Limited 35 Marina Lagos

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RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

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

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

- International Financial Reporting Standards (IFRS);
- Financial Reporting Council of Nigeria (FRC) Act;
- guidelines for licensing and regulation of financial holding companies in Nigeria;
- relevant circulars issued by the Central Bank of Nigeria (CBN);
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

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

Nothing has come to the attention of the directors to indicate that FBN Holdings Plc will not remain a going concern for at least 12 months from the date of this statement.

UK Eke, MFR

Group Managing Director
FRC/2013/ICAN/00000002352

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FBN HOLDINGS PLC

Report on the financial statements

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

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

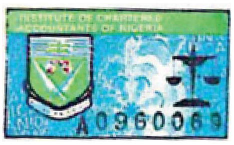
Opinion

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

Report on the other legal requirements

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. the company has kept proper books of account, so far as appears from our examinations of those books and returns adequate for our audit have been received from branches not visited by us;
iii. the company's statements of financial position and comprehensive income are in agreement with the books of account;
iv. the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 50 to the financial statements;
v. to the best of our information, there were no penalties for contraventions of relevant circulars issued by Central Bank of Nigeria.



Tola Ogundipe

for PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner, Tola Ogundipe
FRC/2013/ICAN/0000000639
7 April 2016

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REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 31 December 2015 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion.
2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
3. The internal control was being constantly and effectively monitored.
4. The external auditors' management report received satisfactory response from Management.
5. The Committee reviewed the Audit Report on insider-related party transactions and is satisfied with their status as required by Central Bank of Nigeria (CBN).

Job Onwughara

Chairman, Audit Committee
FRC/2016/CIBN/00000014339
Dated 4 April 2016

MEMBERS OF THE COMMITTEE

Job Onwughara (Chairman)
Oye Hassan-Odukale, MFR
Ayodeji Sonubi
Chidi Anya
Abubakar Yahyah
Abdullahi Mahmoud

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INCOME STATEMENT

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CONTINUING OPERATIONS					
Interest income	7	396,190	362,579	614	2,886
Interest expense	8	(131,167)	(118,725)	-	-
Net interest income		265,023	243,854	614	2,886
Impairment charge for credit losses	9	(119,322)	(25,942)	-	-
Net interest income after impairment charge for credit losses		145,701	217,912	614	2,886
Insurance premium revenue	10	8,448	3,320	-	-
Insurance premium revenue ceded to reinsurers		(1,107)	(616)	-	-
Net insurance premium revenue		7,341	2,704	-	-
Fee and commission income	11	64,058	66,983	-	-
Fee and commission expense	11b	(9,583)	(6,205)	-	-
Net gains on foreign exchange	12	22,226	44,905	31	42
Net gains/(losses) on sale of investment securities	13	6,666	(230)	35	-
Net gains/(losses) from financial instruments at fair value through profit or loss	14	2,055	(1,262)	-	-
Gain from disposal of subsidiary	34	1,572	-	1,600	-
Dividend income	15	1,531	1,469	4,493	13,747
Other operating income	16	3,551	2,854	22	294
Gain on bargain purchase	32	-	1,172	-	-
Insurance claims		(3,306)	(1,043)	-	-
Personnel expenses	17	(80,416)	(79,843)	(685)	(1,159)
Depreciation of property, plant and equipment	35	(11,516)	(11,375)	(384)	(229)
Amortisation of intangible assets	36	(2,157)	(1,384)	-	-
Impairment loss on investment		-	-	(850)	(7,781)
Operating expenses	18	(126,211)	(143,200)	(2,696)	(2,117)
Operating profit		21,512	93,457	2,180	5,683
Share of profit of associates	30	-	599	-	-
Profit before tax		21,512	94,056	2,180	5,683
Income tax expense	19a	(6,364)	(10,045)	-	-
Profit for the year from continuing operations		15,148	84,011	2,180	5,683
Profit for the year		15,148	84,011	2,180	5,683
Profit/(loss) attributable to:					
Owners of the parent		15,406	84,231	2,180	5,683
Non-controlling interests		(258)	(220)	-	-
		15,148	84,011	2,180	5,683
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share (in naira):	55				
From continuing operations		0.43	2.35	0.06	0.16
From profit for the year		0.43	2.35	0.06	0.16

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STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	Group		Company	
		31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit for the year		15,148	84,011	2,180	5,683
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
– Unrealised net gains/(losses) arising during the period, before tax		43,154	(378)	(17)	291
– Net reclassification adjustments for realised net losses, before tax		(1,616)	(2,100)	-	-
Exchange difference on translation of foreign operations, before tax		630	5,297	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme, before tax	44	(1,404)	(364)	-	-
Income tax relating to remeasurement of defined benefit pension scheme		-	122	-	-
Other comprehensive income for the year, net of tax		40,764	2,577	(17)	291
Total comprehensive income for the year		55,912	86,588	2,163	5,974
Total comprehensive income attributable to:					
Owners of the parent		58,341	86,848	2,163	5,974
Non-controlling interests		(2,429)	(260)	-	-
		55,912	86,588	2,163	5,974
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		58,341	86,848	2,163	5,974
		58,341	86,848	2,163	5,974

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STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
ASSETS					
Cash and balances with central banks	20	**715,871**	698,104	**-**	-
Loans and advances to banks	22	**385,769**	460,911	**4,792**	3,261
Loans and advances to customers	23	**1,817,271**	2,178,986	**63**	80
Financial assets at fair value through profit or loss	24	**26,426**	27,601	**-**	-
Investment securities					
– Available-for-sale investments	25	**799,850**	553,154	**7,019**	2,806
– Held-to-maturity investments	25	**106,623**	158,485	**-**	1,466
– Loans and receivables	25	**7,306**	-	**-**	-
Asset pledged as collateral	26	**105,646**	68,483	**-**	-
Other assets	27	**35,483**	40,640	**4,670**	14,361
Inventory	28	**49,649**	37,805	**-**	-
Investment properties	29	**3,025**	2,826	**-**	-
Investments in associates accounted for using the equity method	30	**-**	-	**1,500**	1,500
Investment in subsidiaries	31	**-**	-	**263,595**	260,777
Property, plant and equipment	35	**88,398**	88,557	**1,192**	1,519
Intangible assets	36	**9,687**	8,569	**-**	-
Deferred tax assets	37	**14,615**	11,285	**-**	-
		4,165,619	4,335,406	**282,831**	285,770
Asset held for sale	33	**570**	8,331	**-**	2,000
Total assets		**4,166,189**	4,343,737	**282,831**	287,770
LIABILITIES					
Deposits from banks	38	**144,652**	171,151	**-**	-
Deposits from customers	39	**2,970,922**	3,050,853	**-**	-
Financial liabilities at fair value through profit or loss	24a	**12,488**	10,917	**-**	-
Current income tax liability	19b	**8,773**	11,829	**-**	-
Other liabilities	40	**168,441**	132,633	**5,751**	9,590
Liability on investment contracts	41	**10,157**	60,617	**-**	-
Liability on insurance contracts	42	**11,837**	8,260	**-**	-
Borrowings	43	**256,116**	369,707	**-**	-
Retirement benefit obligations	44	**3,764**	2,029	**-**	-
Deferred tax liabilities	37	**239**	87	**-**	-
		3,587,389	3,818,083	**5,751**	9,590
Liabilities held for sale	33	**-**	1,592	**-**	-
Total liabilities		**3,587,389**	3,819,675	**5,751**	9,590

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STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
EQUITY					
Share capital	45	**17,948**	16,316	**17,948**	16,316
Share premium	46	**252,892**	254,524	**252,892**	254,524
Retained earnings	46	**163,198**	109,809	**5,885**	6,968
Other reserves					
Statutory reserve	46	**66,647**	65,278	**-**	-
Capital reserve	46	**1,223**	1,223	**10**	10
SSI reserve	46	**6,076**	6,076	**-**	-
AFS fair value reserve	46	**56,241**	12,532	**345**	362
Contingency reserve	46	**438**	217	**-**	-
Statutory credit reserve	46	**2,433**	46,673	**-**	-
Treasury shares	46	**-**	(18)	**-**	-
Foreign currency translation reserve	46	**8,029**	7,399	**-**	-
		575,125	520,029	**277,080**	278,180
Non-controlling interest		**3,675**	4,033	**-**	-
Total equity		**578,800**	524,062	**277,080**	278,180
Total equity and liabilities		**4,166,189**	4,343,737	**282,831**	287,770

The financial statements on pages 70 to 206 were approved and authorised for issue by the Board of Directors on 4 April 2016 and signed on its behalf by:

Dr Oba Otudeko, CFR
Group Chairman
FRC/2013/ICAN/00000002365

UK Eke, MFR
Group Managing Director
FRC/2013/ICAN/00000002352

Oyewale Ariyibi
Head Finance
FRC/2013/ICAN/00000001251

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million	AFS fair value reserve ₦ million	Contingency reserve ₦ million	Statutory credit reserve ₦ million	Treasury shares ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
Balance at 1 January 2014	16,316	254,524	115,397	-	52,074	6,076	14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777
Profit for the year (as previously reported)	-	-	83,059	-	-	-	-	-	-	-	-	83,059	(220)	82,839
Effect of final accounting of business combination (Note 57)			1,172									1,172		1,172
Profit for the year (revised)	-	-	84,231	-	-	-	-	-	-	-	-	84,231	(220)	84,011
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	5,297	5,297	-	5,297
Fair value movements on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(2,437)	-	-	-	-	(2,437)	(41)	(2,478)
Remeasurement of defined benefit pension scheme, net of tax	-	-	(242)	-	-	-	-	-	-	-	-	(242)	-	(242)
Total comprehensive income	-	-	83,989		-	-	(2,437)	-	-	-	5,297	86,849	(261)	86,588
Transactions with owners														
Dividends	-	-	(35,895)	-	-	-	-	-	-	-	-	(35,895)	(107)	(36,002)
Changes in treasury shares	-	-	-	-	-	-	-	-	-	2,262	-	2,262	-	2,262
Other changes*	-	-	-	-	-	-	-	-	-	-	-	-	(58)	(58)
Business restructuring	-	-	(1,682)	1,223	-	-	-	-	-	-	-	(459)	(47)	(506)
Transfer between reserves	-	-	(52,000)	-	13,204	-	-	110	38,686	-	-	-	-	-
Total transactions with owners	-	-	(89,577)	1,223	13,204	-	-	110	38,686	2,262	-	(34,092)	(211)	(34,304)
At 31 December 2014	16,316	254,524	109,809	1,223	65,278	6,076	12,532	217	46,673	(18)	7,399	520,029	4,033	524,062
Profit for the year	-	-	15,406	-	-	-	-	-	-	-	-	15,406	(258)	15,148
Other comprehensive income														
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	-	630	630	-	630
Fair value movements on available-for-sale financial assets, net of tax	-	-	-	-	-	-	43,709	-	-	-	-	43,709	(2,171)	41,538
Remeasurement of defined benefit pension scheme, net of tax	-	-	(1,404)	-	-	-	-	-	-	-	-	(1,404)	-	(1,404)
Total comprehensive income	-	-	14,002	-	-	-	43,709	-	-	-	630	58,341	(2,429)	55,912
Transactions with owners														
Dividends	-	-	(3,263)	-	-	-	-	-	-	-	-	(3,263)	(344)	(3,607)
Bonus issue	1,632	(1,632)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-	-	-	-	18	-	18	-	18
Loss of control in Ivory Trust Fund (excluding NSIA II)	-	-	-	-	-	-	-	-	-	-	-	-	1,127	1,127
Additional investment in FBN Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	-	1,326	1,326
Other changes*	-	-	-	-	-	-	-	-	-	-	-	-	(38)	(38)
Transfer between reserves	-	-	42,650	-	1,369	-	-	221	(44,240)	-	-	-	-	-
Total transactions with owners	1,632	(1,632)	39,387	-	1,369	-	-	221	(44,240)	18	-	(3,245)	2,071	(1,174)
At 31 December 2015	17,948	252,892	163,198	1,223	66,647	6,076	56,241	438	2,433	-	8,029	575,125	3,675	578,800

*Other changes represents the change in non-controlling interest arising from the acquisition or disposal of unit holdings in FBN Heritage Funds.
FBN Heritage Fund is an open-ended mutual fund, which allows unit holders to buy and sell holdings, resulting in changes in the value of non-controlling interest.

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COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	AFS fair value reserve ₦ million	Total ₦ million
Balance at 1 January 2014	16,316	254,524	37,180	10	71	308,101
Profit for the year	-	-	5,683	-	-	5,683
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	291	291
Total comprehensive income	-	-	5,683	-	291	5,974
Transactions with owners						
Dividends	-	-	(35,895)	-	-	(35,895)
Total transactions with owners	-	-	(35,895)	-	-	(35,895)
At 31 December 2014	16,316	254,524	6,968	10	362	278,180
Profit for the year	-	-	2,180	-	-	2,180
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	(17)	(17)
Total comprehensive income	-	-	2,180	-	(17)	2,163
Transactions with owners						
Dividends	-	-	(3,263)	-	-	(3,263)
Bonus issue	1,632	(1,632)	-	-	-	-
Total transactions with owners	1,632	(1,632)	(3,263)	-	-	(3,263)
At 31 December 2015	17,948	252,892	5,885	10	345	277,080

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STATEMENT OF CASH FLOWS

		Group		Company	
	Note	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
OPERATING ACTIVITIES					
Cash flow generated from/(used in) operations	47	**234,804**	(716,279)	**(1,533)**	(4,024)
Income taxes paid	19	**(12,267)**	(31,329)	**-**	-
Interest received		**388,584**	352,041	**604**	1,917
Interest paid		**(128,555)**	(93,316)	**-**	-
Net cash flow generated from/(used in) operating activities		**482,566**	(488,883)	**(929)**	(2,107)
INVESTING ACTIVITIES					
Acquisition/additional investment in subsidiary		**-**	-	**(6,400)**	(3,200)
Disposal of subsidiaries, net of cash disposed	33	**(37,037)**	-	**380**	-
Purchase of investment securities		**(997,897)**	(491,692)	**(9,762)**	-
Proceeds from the sale of investment securities		**834,991**	478,252	**5,578**	124
Cash and cash equivalent acquired from subsidiary		**-**	16,935	**-**	-
Dividends received		**1,531**	1,469	**14,525**	44,963
Purchase of investment properties		**(1)**	(13)	**-**	-
Purchase of property, plant and equipment	35	**(11,594)**	(16,916)	**(115)**	(676)
Purchase of intangible assets	36	**(4,371)**	(2,208)	**-**	-
Proceeds on disposal of property, plant and equipment		**347**	1,346	**51**	-
Net cash flow (used in)/generated from investing activities		**(214,031)**	(12,827)	**4,257**	41,211
FINANCING ACTIVITIES					
Proceeds from sale of treasury shares		**18**	2,262	**-**	-
Dividend paid		**(3,607)**	(36,002)	**(3,263)**	(35,895)
Proceeds from new borrowings	43	**75,961**	315,792	**-**	-
Repayment of borrowings	43	**(200,445)**	(71,308)	**-**	-
Interest paid on borrowings	43	**(12,102)**	(11,850)	**-**	-
Additional investment by NCI		**1,288**	(58)	**-**	-
Net cash flow (used in)/generated from financing activities		**(138,887)**	198,836	**(3,263)**	(35,895)
Increase/(decrease) in cash and cash equivalents		**129,648**	(302,874)	**65**	3,209
Cash and cash equivalents at start of year		**532,456**	834,691	**4,727**	1,476
Effect of exchange rate fluctuations on cash held		**4,264**	639	**-**	42
Cash and cash equivalents at end of year	21	**666,368**	532,456	**4,792**	4,727

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2015

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Holdings Plc (the Company) and its subsidiaries (hereafter referred to as 'the Group'). The Registered office address of the Company is at 35 Marina, Samuel Asabia House, Lagos, Nigeria.

The principal activities of the Group are mainly the provision of commercial banking services, investment banking services, insurance business, other financial services, merchant banking and other equity investments.

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 4 April 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Group's consolidated financial statements for the year 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes for the Group and the Company.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed.

The directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 January 2015: Annual improvements to IFRS 2010-2012 cycle and 2011-2013 cycle. The adoption of the improvements made in the 2010-2013 cycles has resulted in additional disclosure in our segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2.2.2 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements. The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2016.

i. Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
   Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
   - apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
   - disclose the information required by IFRS 3 and other IFRSs for business combinations.

   The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

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ii. Amendments to IAS 1 - Presentation of Financial Statements (effective 1 January 2016)
Amends IAS 1 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

iii. Amendments to IAS 27 - Separate Financial Statements (effective 1 January 2016)
Amends IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

iv. Amendments to IFRS 7 - Financial Instruments: Disclosures (effective 1 July 2016)
Amends IFRS 7 to remove the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that offsetting disclosures is not required in the condensed interim financial report. However, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, an entity is required to include the disclosures in the condensed interim financial report.

On servicing contract, it clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

v. Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective 1 July 2016)
Amends IAS 19 to clarify that high-quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high-quality corporate bonds should be assessed at currency level).

vi. Amendments to IAS 34 – Interim Financial Reporting (effective 1 July 2016)
Amends IAS 34 to clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross reference between the financial statements and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

vii. IAS 16 – Property, Plant and Equipment (effective 1 January 2016)
Amends IAS 16 to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

viii. IAS 38 – Intangible Assets (effective 1 January 2016)
Amends IAS 38 to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as stated in the amendment to IAS 16 above. The amendment stated that there are limited circumstances where the rebuttable presumption can be overcome. This is when the intangible asset is expressed as a measure of income and when it can be demonstrated that revenue and consumption of economic benefits of the intangible asset are highly correlated although there are no clear details as to the admissible evidence that is required to overcome the presumption.

ix. IAS 41 – Agriculture (effective 1 January 2016)
The amendment seeks to move biological assets that meet the definition of a 'Bearer Plant' away from the fair value measurement approach as prescribed by IAS 41 - Agriculture and bring it within the scope of IAS 16 - Property, Plant and Equipment. This will enable entities to measure bearer plants at cost subsequent to initial recognition or at revaluation. The amendment also introduced an appropriate definition of a bearer plant.

The Group does not have any operational business related to agriculture and therefore is not in any way impacted by the standard or its amendments.

x. IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2017)
IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The five steps in the model are identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the performance obligations in the contracts, and recognition of revenue when (or as) the entity satisfies a performance obligation.

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xi. IFRS 14 - Regulatory Deferral Accounts (effective 1 January 2016)
IFRS 14 is designed as a limited scope standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted IFRS. Its purpose is to allow rate-regulated entities adopting IFRS for the first time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the IASB can complete its comprehensive project on rate-regulated activities. This standard would not have an impact on the Group as it is not a first-time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

xii. Amendments to IFRS 5 - Non-Current Asset Held for Sale and Discontinued Operations (effective 1 July 2016)
Amends IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

xiii. Amendments to IFRS 10 - Consolidated Financial Statements (effective 1 January 2016)
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. These amendments do not have a significant impact on the Group.

xiv. IFRS 9 - Financial Instruments (1 January 2018)
IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments that was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The Bank is yet to quantify the impact of this change although it is expected to lead to an increased impairment charge rather than be recognised under IAS 39.

Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Bank is yet to quantify the impact of these changes on its financial statements.

The Group is yet to assess the full impact of the amendments and new standards.

2.3 Consolidation

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

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

Investment in subsidiaries is measured at cost in the separate financial statements of the parent.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

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The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

b. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c. Disposal of subsidiaries

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

d. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates is measured at cost in the separate financial statements of the investor. Investments in associates are accounted for using the equity method of accounting in the Consolidated Financial Statements of the Group. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

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2.4 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Management Committee that makes strategic decisions.

2.5 Common control transactions

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making this judgement, directors consider the requirements of IFRS dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework.

Directors also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or interpretation.

Accordingly, the Group’s policy is that the assets and liabilities of the business transferred are measured at their existing book value in the consolidated financial statements of the parent, as measured under IFRS. The Company incorporates the results of the acquired businesses only from the date on which the business combination occurs.

2.6 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’).

The consolidated financial statements are presented in Nigerian naira which is the Group’s presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c. Group companies

The results and financial position of all the Group entities that have functional currency different from the Group’s presentation currency, are translated into the Group’s presentation currency as follows:

- assets and liabilities of each foreign operation are translated at the rates of exchange ruling at the reporting date;
- income and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case income and expenses are translated at the exchange rate ruling at transaction date; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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2.7 Income taxation

a. Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

b. Deferred income tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Inventories

The Group purchases and constructs properties for resale.

The Group recognises property as inventory under the following circumstances:

i. property purchased for the specific purpose of resale;
ii. property constructed for the specific purpose of resale (work in progress under the scope of IAS 18: Revenue); and
iii. property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

They are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads that have been incurred in bringing the inventories and work in progress to their present location and condition. Cost is determined using weighted average cost. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.9 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.

2.9.1 Financial assets

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

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a. Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading.

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

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income on financial assets held for trading are included in 'Net interest income' or 'Dividend income' respectively.

The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

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:

i. those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
ii. those that the Group upon initial recognition designates as available for sale; or
iii. 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 recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as 'Interest income'.

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'impairment charge for credit losses'.

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

i. those that the Group upon initial recognition designates as at fair value through profit or loss;
ii. those that the Group designates as available for sale; and
iii. those that meet the definition of loans and receivables.

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

Interest on held-to-maturity investments is included in the income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss has been reported as a deduction from the carrying value of the investment and recognised in the income statement as 'Net gains/(losses) on investment securities'.

d. Available-for-sale financial assets
Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

However, interest is calculated using the effective interest method, and foreign currency gains and losses on non-monetary assets classified as available for sale are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Dividend income' when the Group's right to receive payment is established.

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e. Recognition
The Group uses settlement date accounting for regular way contracts when recording financial asset 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.

2.9.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a. Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

A financial liability 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 liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

b. Other liabilities measured at amortised cost
Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

2.9.3 Derivative financial instruments

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset where there is a legal right of offset of the recognised amounts and the parties intend to settle the cash flows on a net basis, or realise the asset and settle the liability simultaneously.

2.9.4 Embedded derivatives

Hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and measured at fair value with gains and losses being recognised in the income statement.

2.9.5 Determination of fair value

Fair value is defined as 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.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, the NSE) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange (FX) rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

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The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted securities (including those with embedded derivatives) and other instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The impact on other comprehensive income of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.7.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The estimated fair value of loans and advances represents an estimation of the value of the loans using average benchmarked lending rates, which were adjusted for specific entity risks based on history of losses.

2.9.6 Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.9.7 Reclassification of financial assets

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.

The Group may reclassify a financial instrument when its intentions and the characteristics of the financial instrument change.

2.10 Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Revenue recognition

a. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' 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 liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected 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 instrument.

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The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

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.

b. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of, a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

c. Dividend income

Dividend income is recognised when the right to receive income is established.

2.12 Impairment of financial assets

a. Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As is practically expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b. Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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2.13 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and 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 higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units (CGU)). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.14 Collateral

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

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

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.15 Discontinued operations

The Group presents discontinued operations in a separate line in the income statement if an entity or a component of an entity has been disposed or is classified as held for sale and:

i. represents a separate major line of business or geographical area of operations;
ii. is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
iii. is a subsidiary acquired exclusively with a view to resale.

Classification as a 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 re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

2.16 Leases

Leases are divided into finance leases and operating leases.

a. The Group is the 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 income statement 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.

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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 counterparty.

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.

b. The Group is the 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.

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, which allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.17 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated Group, are classified as investment properties. Investment properties comprise residential buildings constructed with the aim of leasing out to tenants or for selling. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value.

The fair value reflects market conditions at the date of the statement of financial position and is obtained from professional third-party valuators contracted to perform valuations on behalf of the Group. The fair value does not reflect future capital expenditure that will improve or enhance the property.

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 the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in the income statement.

2.18 Property, plant and equipment

All property, plant and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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Asset class	Depreciation rate
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33.3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for leases under 50 years
Land	Not depreciated

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets.

When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

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.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain/loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

2.19 Intangible assets

a. Goodwill

Goodwill arises on the acquisition of subsidiary and associates, and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill that is recognised as an asset is reviewed at least annually for impairment. Any impairment loss is immediately recognised in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each CGU that is expected to derive benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on acquisitions of associates is included in the amount of the investment.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

b. Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as 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:

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

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iv. it can be demonstrated how the software product will generate probable future economic benefits;
v. adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
vi. 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.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over three years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

c. Brand, customer deposits and customer relationships
Brand, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using a straight-line method over three years, five years and two years respectively.

2.20 Investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts are measured at amortised cost.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, 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 statement of cash flows, cash and cash equivalents excludes restricted balances with central banks.

2.22 Employee benefits

a. Post-employment benefits
The Group has both defined benefit and defined contribution plans

i. Defined contribution plan
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. 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.

The company and all the entities within the Group make contributions in line with relevant pension laws in their jurisdictions. In Nigeria, the company contributes 16.5% of each employee's monthly emoluments (as defined by the Pension Reform Act 2014) to the employee's Retirement Savings Act. The Act stipulates a minimum contribution of 10%.

ii. Defined benefit plan
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Federal Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

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b. Short-term benefits

Short-term benefits consists of salaries, accumulated leave allowances, bonuses and other non-monetary benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related services provided.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

2.23 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

2.24 Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

a. Classification of contracts

A contract is classified as an insurance contract where the Group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

b. Recognition and measurement

i. Short-term insurance contracts

Short-duration life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. They are usually short-duration life insurance contracts ranging between 12 to 24 months period of coverage. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

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The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

The liability reserve on short-term insurance contracts is made up of an unexpired premium reserve (UPR) for IBNR claims. The UPR represents premium received in advance on short-term contracts and is released through the income statement over the life of the insurance contract period after adjusting for acquisition expenses. IBNR reserves are required to take account of the delay in reporting claims. These are determined by considering ultimate claims ratios for the life schemes on the Group's books. The ratios differ by industry and have been determined following a historical analysis of portfolio claims experience. The IBNR reserves are calculated by adjusting the ultimate claims amounts to allow for claims already paid and those outstanding for payment, and again adjusted to allow for the holding of a separate UPR reserve. As the short-term insurance contract experience of FBNHoldings builds up we will be able to adjust for company-specific claims settlement patterns.

ii. Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

The long-term insurance contracts insure events associated with human life. They include the following:

Individual insurance contracts

The reserve has been calculated using the gross premium valuation approach. This reserving methodology adopts a cash flow approach taking into account all expected future cash flows including premiums, expenses and benefit payments to satisfy the liability adequacy test. The test also considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees (where applicable).

Individual savings contracts

The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

c. Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and IBNR claims are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The Company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

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2.25 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Group. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

2.27 Share capital

a. Share issue costs

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

b. Dividends on ordinary shares

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

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

Dividends proposed by the directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

c. Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

d. Treasury shares

Where the Company or other members of the Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

e. Statutory credit reserve

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

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

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non-distributable reserve 'Statutory credit reserve'. Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in income statement.

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Following an examination, the regulator may also require more amounts be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

2.28 Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at the fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3 FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's Risk Management Directorate (the Directorate) under policies approved by the Board of Directors. The Risk Management Directorate provides central oversight of risk management across the Company and its subsidiaries to ensure that the full spectrum of risks facing the Company and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal control is responsible for the independent review of risk management and the control environment, while internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of the internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk and market risk (discussed in subsequent sections).

The key elements of the risk management philosophy are the following:

- The Group considers sound risk management to be the foundation of a long-lasting financial institution.
- The Group continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers* are empowered to perform their duties professionally and independently without undue interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Group.
- Risk management is a shared responsibility. Therefore, the Group aims to build a shared perspective on risks that is grounded in consensus.
- The Group's risk management governance structure is clearly defined.
- There is a clear segregation of duties between market-facing business units and risk management functions.
- Risk-related issues are taken into consideration in all business decisions. The Group shall continue to strive to maintain a conservative balance between risk and revenue considerations.
- Risks are reported openly and fully to the appropriate levels once they are identified.
- All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

*Risk officers work as allies and thought partners to other stakeholders within and outside the Group and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.

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3.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk is the single largest risk for the Group arising mainly from the activities of the Commercial Banking segment and to a much lesser extent in the other segments within the Group. These activities include the commercial and consumer loans and advances and loan commitments arising from lending activities, and can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The credit risk management and control are centralised in a credit risk management team, which reports to the Commercial Banking business's Chief Risk Officer (CRO) regularly.

3.2.1 Credit risk measurement

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects the following components:

- the character and capacity to pay of the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development;
- credit history of the counterparty; and
- the likely recovery ratio in case of default obligations – value of collateral and other ways out. The Group's rating scale, which is shown below, 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 reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

a. Obligor risk rating (ORR system)

The obligor risk rating grids have a minimum of 10 risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the ORR grid with impairment allowance calculated for losses that have been incurred. Each risk bucket may be denoted alphabetically and by a range of scores as follows:

Description	Rating bucket		Range of scores	Probability of default			Grade
				Large corporate	Mid corporate	SME	
Extremely low risk	AAA	1	100-94.44%	0.01			Investment
Very low risk	AA	2	100-83.33%	0.01	0.01		
Low risk	A	3	100-72.22%	0.02	0.02	0.02	
Low risk	BBB	4	72.21-66.67%	0.02	0.02	0.02	
Acceptable - moderately high risk	BB	5	66.66-55.56%	0.04	0.04	0.04	Non-investment
High risk	B	6	55.55-44.44%	0.06	0.06	0.06	
Very high risk	CCC	7	44.43-33.33%	0.09	0.09	0.09	
Extremely high risk	CC	8	33.32-16.67%	0.13	0.13	0.13	
High likelihood of default	C	9	16.65-5.56%	0.15	0.15	0.15	
Default risk	D	10	5.55-0.00%	1.00	1.00	1.00	Default

b. Collateral risk rating (CRR)/facility risk rating (FRR)

- The Commercial Banking subgroup does not lend to non-investment grade obligors, on an unsecured basis, except as specified under a product programme. The FRR is different from the ORR to the extent of the perceived value of collateral/enhancement provided.

The FRR approximates a 'loss norm' for each facility, and is the product of two components:

- the default probability of the obligor, i.e., the ORR; and
- the loss given default i.e., a measure of the expected economic loss if the obligor defaults, and includes write-offs, recoveries, interest income and legal costs.

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- The CRR grid indicates the acceptable collateral types rated 1-8 from best to worst in order of liquidity.

Collateral risk rating	Collateral type
1	Cash
2	Treasury bills/govt securities
3	Guarantee/receivables of investment grade banks
4	Legal and equitable mortgage
4	Debenture trust deed/fixed debenture and mortgage debenture
4	Legal mortgage on residential business real estate in prime locations A and B
4	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
5	Domiciliation of receivables from acceptable corporates
5	Enforceable lien on fast-moving inventory in bonded warehouses
6	Equitable mortgages on real estates in any location
6	Negative pledge/clean lending
6	Domiciliation of other receivables
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Letter of hypothecation, personal guarantee

3.2.2 Risk limit control and mitigation policies

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, 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 counterparty are set by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer.

a. Portfolio limits

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews macroeconomic, regulatory and political factors, identifies sectors/industries with opportunity as well as the Group's business targets to determine appropriate portfolio and sub-portfolio limits.

The Group's portfolio limit includes:

- Maintain aggregate large exposure of not more than 400% of Bank's shareholders' funds
- Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'BB'
- Maintain minimum weighted average facility risk rating (facility-WARR) of 'BB'
- The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
  - The Group would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g., oil exploration and oil service, tyre manufacturing and tyre distribution, etc.)
  - The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better
  - No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse
  - No more than 10% of the Group's portfolio would be in any single industry rated 'B' or worse.

b. Geographical limits

Presently, the Group's exposures outside Nigeria are taken by its subsidiaries in the United Kingdom and other African countries, which operate within country limits defined by their boards of directors. However, the Group has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

c. Single obligor limits

The Group as a matter of policy does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.

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For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realisable value of collateral. The Group shall apply the granularity criterion on its retail credit portfolio:

– No single retail loan should amount to more than 0.2% of total retail portfolio.

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

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 borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Standard credit approval grid for wholesale and retail lending

	Approval levels	Investment grade ₦'000	Non-investment grade ₦'000
1	Board of Directors	>58,000,000	>58,000,000
2	Board Credit Committee	58,000,000	58,000,000
3	Management Credit Committee	30,000,000	15,000,000
4	Managing Director + Chief Risk Officer + Business Senior Credit Officer 1/SCO2	10,000,000	3,000,000
5	Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	8,000,000	2,500,000
6	Business Senior Credit Officer 1 + Risk Senior Credit Officer 2	5,000,000	1,000,000
7	Risk Senior Credit Officer 3 + Business Senior Credit Officer 2	500,000	250,000
8	Risk Senior Credit Officer 4 + Business Development Manager/Group Head	100,000	100,000
9	Business Manager + Group Head + Credit Officer	25,000	25,000

The Group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for loans and advances to customers

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:

- Cash/Government securities
- 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.

Lending decisions are usually based on an obligor's ability to repay from normal business operations rather than on proceeds from the sale of any security provided. Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The types of collateral acceptable and the frequency with which they are required at origination is dependent on the size and structure of the borrower. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the company's undertaking on one or more of its assets and keyman insurance. The decision as to whether or not collateral is required is based upon the nature of the transaction, the creditworthiness of the customer and ORR. Other than for project finance, object finance and income producing real estate where charges over the subject assets are a basic requirement, the provision of collateral will not determine the outcome of a credit application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay the debt.

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cash flows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness reassessed if there is observable evidence of distress of the borrower,

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this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

The Group takes physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable to settle indebtedness. Any surplus funds realised from such disposal are returned to the borrower or are otherwise dealt with in accordance with appropriate regulations. The assets in such cases are not carried on the Group's balance sheet.

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

A record of all repossessed collateral is maintained centrally to ensure an orderly disposal and appropriate monitoring of the sales proceeds realised. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers.

3.2.4 Exposure management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for ongoing management of the risk asset portfolio and individual risk exposures are defined. Ongoing exposure management entails collateral management, facility performance monitoring, exposure quality reviews prompt and timely identification of decline in quality and risk portfolio reporting.

3.2.5 Delinquency management/loan workout

The Group's delinquency management process involves effective and timely management of accounts showing signs of delinquency to reduce the crystallisation of impairment loss. In line with the Group's delinquency management process, all activities are geared towards resuscitating delinquent loans and include restructuring and loan workout arrangements.

3.2.6 Credit recovery

In the event of continued delinquency and failure of remediation, full credit recovery action is initiated to recover on such exposures and minimise the overall credit loss to the Group. Recovery action may include appointment of a receiver manager, external recovery agent and/or sale of pledged assets.

3.2.7 Management of concentration risk

The Group manages limits and controls concentrations of credit risk to individual counterparties, groups, industries and countries.

The Group defines levels of concentration risk it is willing to take by placing limits on credit exposure to a single borrower, groups of borrowers and geographic and industry segments. Such concentration risk limits are approved by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer and monitored on a regular basis. The concentration risk limits may be reviewed from time to time to reflect changing macroeconomic and regulatory conditions as well as the Group's business thrust.

3.2.8 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

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3.2.9 Measurement basis of financial assets and liabilities

Group

31 December 2015	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Cash and balances with central banks	-	-	715,871	-	715,871
Loans and advances to banks	-	-	385,769	-	385,769
Loans and advances to customers:					
- Overdrafts	-	-	316,571	-	316,571
- Term loans	-	-	1,402,123	-	1,402,123
- Staff loans	-	-	8,330	-	8,330
- Project finance	-	-	88,280	-	88,280
- Advances under finance lease	-	-	1,967	-	1,967
Financial assets at fair value through profit or loss	26,426	-	-	-	26,426
Investment securities:					
- Available-for-sale investments	-	799,850	-	-	799,850
- Held-to-maturity investments	-	-	-	106,623	106,623
- Loans and receivables	-	-	7,306	-	7,306
Asset pledged as collateral	-	23,626	-	82,020	105,646
Other assets	-	-	21,070	-	21,070
Total financial assets	26,426	823,476	2,947,287	188,643	3,985,832

31 December 2015	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Deposits from banks	-	144,652	144,652
Deposits from customers	-	2,970,922	2,970,922
Financial liabilities at fair value through profit or loss	12,488	-	12,488
Other liabilities	-	168,441	168,441
Liability on investment contracts	-	10,157	10,157
Borrowings	-	256,116	256,116
Total financial liabilities	**12,488**	**3,550,288**	**3,562,776**

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Group

31 December 2014	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Cash and balances with central banks	-	-	698,104	-	698,104
Loans and advances to banks	-	-	460,911	-	460,911
Loans and advances to customers:					
- Overdrafts	-	-	314,114	-	314,114
- Term loans	-	-	1,777,092	-	1,777,092
- Staff loans	-	-	7,461	-	7,461
- Project finance	-	-	77,558	-	77,558
- Advances under finance lease	-	-	2,761	-	2,761
Financial assets at fair value through profit or loss	27,601	-	-	-	27,601
Investment securities:					
- Available-for-sale investments	-	553,154	-	-	553,154
- Held-to-maturity investments	-	-	-	158,485	158,485
Asset pledged as collateral	-	19,203	-	49,280	68,483
Other assets	-	-	26,549	-	26,549
Total financial assets	27,601	572,357	3,364,550	207,765	4,172,273

31 December 2014	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Deposits from banks	-	171,151	171,151
Deposits from customers	-	3,050,853	3,050,853
Financial liabilities at fair value through profit or loss	10,917	-	10,917
Other liabilities	-	132,633	132,633
Liability on investment contracts	-	60,617	60,617
Borrowings	-	369,707	369,707
Total financial liabilities	**10,917**	**3,784,961**	**3,795,878**

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Company

31 December 2015	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Loans and advances to banks	-	-	4,792	-	4,792
Loans and advances to customers:					
- Staff loans	-	-	63	-	63
Investment securities:					
- Available-for-sale investments	-	7,019	-	-	7,019
Other assets	-	-	4,454	-	4,454
Total financial assets	-	7,019	9,309	-	16,328

31 December 2015	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Other liabilities	-	5,751	5,751
Total financial liabilities	-	5,751	5,751

Company

31 December 2014	Fair value through P/L held for trading ₦ million	Fair value through OCI available for sale ₦ million	Amortised cost loans and receivables ₦ million	Amortised cost held to maturity ₦ million	Total ₦ million
FINANCIAL ASSETS					
Loans and advances to banks	-	-	3,261	-	3,261
Loans and advances to customers:					
- Staff loans	-	-	80	-	80
Investment securities:					
- Available-for-sale investments	-	2,806	-	-	2,806
- Held-to-maturity investments	-	-	-	1,466	1,466
Other assets	-	-	14,111	-	14,111
Total financial assets	-	2,806	17,452	1,466	21,724

31 December 2014	Fair value through P/L ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL LIABILITIES			
Other liabilities	-	9,590	9,590
Total financial liabilities	-	9,590	9,590

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3.2.10 Maximum exposure to credit risk before collateral held or credit enhancements

Credit risk exposures relating to on balance sheet assets are as follows:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Balances with central banks	639,561	634,796	-	-
Loans and advances to banks	385,769	460,911	4,792	3,261
Loans and advances to customers				
- Overdrafts	316,571	314,114	-	-
- Term loans	1,402,123	1,777,092	-	-
- Staff loans	8,330	7,461	63	80
- Project finance	88,280	77,558	-	-
- Advances under finance lease	1,967	2,761	-	-
Financial assets at fair value through profit or loss	19,220	23,674	-	-
Investment securities - debt				
- Available-for-sale investments	741,966	494,576	4,183	-
- Held-to-maturity investments	106,623	158,485	-	1,466
- Loans and receivables	7,306	-	-	-
Asset pledged as collateral	105,646	68,483	-	-
Other assets	21,070	26,549	4,454	14,111
	3,844,432	4,046,460	13,492	18,918
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	33,342	90,379	-	-
Letter of credit and other credit-related obligations	421,696	701,997	-	-
	455,038	792,376	-	-
Total maximum exposure				
	4,299,470	4,838,836	13,492	18,918

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3.2.11 Concentration of risks of financial assets with credit risk exposure

a. Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2015 and 31 December 2014. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	629,961	-	-	9,331	269	-	639,561
Loans and advances to banks	120,595	-	3,350	40,679	158,277	62,868	385,769
Loans and advances to customers							
- Overdrafts	229,116	52,039	11,091	22,001	1,541	783	316,571
- Term loans	914,746	196,469	63,064	105,698	47,632	74,514	1,402,123
- Staff loans	6,842	-	-	1,448	40	-	8,330
- Project finance	40,031	2,246	11,614	31,057	3,220	112	88,280
- Advances under finance lease	1,374	561	32	-	-	-	1,967
Financial assets at fair value through profit or loss	16,655	-	-	303	2,262	-	19,220
Investment securities							
- Available-for-sale investments	713,582	5,384	2,617	-	10,368	10,015	741,966
- Held-to-maturity investments	89,457	4,919	130	12,117	-	-	106,623
- Loans and receivables	7,306	-	-	-	-	-	7,306
Asset pledged as collateral	105,646	-	-	-	-	-	105,646
Other assets	18,938	-	-	2,132	-	-	21,070
31 December 2015	2,894,249	261,618	91,898	224,766	223,609	148,292	3,844,432

Credit risk exposure relating to off balance sheet items are as follows:

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	28,887	3,286	9	1,060	100	-	33,342
Letters of credit and other credit-related obligations	336,189	48,782	19,431	7,230	6,128	3,936	421,696
31 December 2015	365,076	52,068	19,440	8,290	6,228	3,936	455,038

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Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	626,208	-	-	8,160	428	-	634,796
Loans and advances to banks	109,234	-	2,717	21,905	271,655	55,400	460,911
Loans and advances to customers							
- Overdrafts	220,338	58,629	16,745	17,411	991	-	314,114
- Term loans	1,032,778	332,387	102,839	97,653	211,435	-	1,777,092
- Staff loans	6,608	2	11	798	42	-	7,461
- Project finance	38,310	803	9,563	25,896	2,986	-	77,558
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets at fair value through profit or loss	13,870	-	-	-	8,674	1,130	23,674
Investment securities							
- Available-for-sale investments	470,894	3,235	799	9,065	10,583	-	494,576
- Held-to-maturity investments	139,810	7,334	504	10,837	-	-	158,485
Asset pledged as collateral	67,114	-	-	1,369	-	-	68,483
Other assets	12,644	8,590	609	4,479	227	-	26,549
31 December 2014	2,739,847	411,663	133,826	197,573	507,021	56,530	4,046,460

Credit risk exposure relating to off balance sheet items are as follows:

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	63,410	7,171	10,327	2,239	7,232	-	90,379
Letters of credit and other credit-related obligations	458,547	66,959	46,960	18,602	110,929	-	701,997
31 December 2014	521,957	74,130	57,287	20,841	118,161	-	792,376

Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loans and advances to banks	**4,792**	-	-	-	-	-	**4,792**
Loans and advances to customers							
- Staff loans	**63**	-	-	-	-	-	**63**
Investment securities							
- Available-for-sale investments	**4,183**	-	-	-	-	-	**4,183**
Other assets	**4,454**	-	-	-	-	-	**4,454**
31 December 2015	**13,492**	-	-	-	-	-	**13,492**

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Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loans and advances to banks	3,261	-	-	-	-	-	3,261
Loans and advances to customers							
- Staff loans	80	-	-	-	-	-	80
Investment securities							
- Held-to-maturity investments	1,466	-	-	-	-	-	1,466
Other assets	14,111	-	-	-	-	-	14,111
31 December 2014	18,918	-	-	-	-	-	18,918

b. Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities (debt) – available for sale ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Asset pledged as collateral ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	126	-	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	639,561	385,769	4,719	45,448	5,540	3,955	3,428
Transportation	-	-	-	1,096	-	-	-
Communication	-	-	-	-	-	3,351	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	14,501	695,296	101,083	-	102,218
Total at 31 December 2015	639,561	385,769	19,220	741,966	106,623	7,306	105,646

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Group

		Loans to customers					
	Other assets ₦ million	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	-	2,686	55,663	-	-	-	58,349
Oil and gas	3,206	123,098	432,616	20	34,748	197	590,679
Consumer credit	-	5,220	134,776	5,830	-	-	145,826
Manufacturing	-	51,381	296,766	-	18,486	298	366,931
Real estate	-	20,174	92,705	2,090	-	-	114,969
Construction	517	30,477	16,964	-	18,004	9	65,454
Finance and insurance	16,517	3,907	20,776	21	3,986	125	28,815
Transportation	-	3,125	16,928	-	6,519	83	26,655
Communication	-	10,138	54,244	-	-	-	64,382
General commerce	830	35,230	38,831	-	110	6	74,177
Utilities	-	8,788	55,064	-	-	-	63,852
Retail services	-	21,397	39,699	369	5,542	1,236	68,243
Public sector	-	950	147,091	-	885	13	148,939
Total at 31 December 2015	21,070	316,571	1,402,123	8,330	88,280	1,967	1,817,271

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	1,241
Finance and insurance	634,796	460,911	11,955	38,078	6,746	-	20,346
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	11,719	428,878	150,732	68,483	554
Total at 31 December 2014	634,796	460,911	23,674	466,956	158,485	68,483	26,549

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Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	688,760	-	33,805	284	853,104
Consumer credit	5,137	163,522	5,984	-	29	174,672
Manufacturing	54,165	302,602	-	18,043	405	375,215
Real estate	20,297	122,947	1,477	-	-	144,721
Construction	32,709	43,258	-	14,322	-	90,289
Finance and insurance	853	17,841	-	1,744	14	20,452
Transportation	3,710	4,820	-	3,851	28	12,409
Communication	2,432	64,202	-	-	-	66,634
General commerce	23,987	70,675	-	209	9	94,880
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,410	1,974	110,015
Public sector	6,201	113,197	-	1,174	18	120,590
Total at 31 December 2014	314,114	1,777,092	7,461	77,558	2,761	2,178,986

Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Investment securities – available for sale ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Finance and insurance	-	4,792	4,183	-	-	-	4,454
Public sector	-	-	-	-	-	-	-
Total at 31 December 2015	-	4,792	4,183	-	-	-	4,454

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Consumer credit	-	-	24	-	-	24
Real estate	-	-	39	-	-	39
Total at 31 December 2015	-	-	63	-	-	63

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Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Finance and insurance	-	3,261	-	-	-	-	14,111
Public sector	-	-	-	1,466	-	-	-
Total at 31 December 2014	-	3,261	-	1,466	-	-	14,111

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Consumer credit	-	-	24	-	-	24
Real estate	-	-	56	-	-	56
Total at 31 December 2014	-	-	80	-	-	80

Credit risk exposure relating to off balance sheet items are as follows:

Group

	Loan commitments 31 Dec 2015 ₦ million	Letter of credit and other related obligations 31 Dec 2015 ₦ million	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million
Agriculture	-	4,056	138	6,896
Oil and gas	10,026	46,212	19,145	116,243
Consumer credit	-	10	432	24
Manufacturing	6,290	77,589	39,004	171,184
Real estate	891	1,079	1,436	663
Construction	13	63,956	10,923	85,179
Finance and insurance	-	120,593	9	189,320
Transportation	564	1,068	1,686	9,748
Communication	74	1,862	8,218	2,024
General commerce	8,249	37,183	3,341	39,642
Utilities	6,619	45,592	3,911	48,350
Retail services	577	21,419	2,097	29,183
Public sector	39	1,077	39	3,541
Total	33,342	421,696	90,379	701,997

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3.2.12 Loans and advances to customers

Credit quality of loans and advances to customers is summarised as follows:

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2015						
Neither past due nor impaired	210,781	1,206,638	8,333	76,319	1,978	1,504,049
Past due but not impaired	27,702	59,554	64	12,098	-	99,418
Individually impaired	117,034	220,775	2	-	332	338,143
Collectively impaired	2,941	12,430	1	-	11	15,383
Gross	358,458	1,499,397	8,400	88,417	2,321	1,956,993
Less: allowance for impairment (Note 23)	(41,887)	(97,274)	(70)	(137)	(354)	(139,722)
Net	316,571	1,402,123	8,330	88,280	1,967	1,817,271
Individually impaired	39,089	67,275	-	-	322	106,686
Portfolio allowance	2,798	29,999	70	137	32	33,036
Total	41,887	97,274	70	137	354	139,722

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	300,769	1,675,947	7,529	77,425	1,698	2,063,368
Past due but not impaired	11,087	81,046	-	284	1,058	93,475
Individually impaired	14,571	37,798	-	-	241	52,610
Collectively impaired	3,151	8,977	-	-	46	12,174
Gross	329,578	1,803,768	7,529	77,709	3,043	2,221,627
Less: allowance for impairment (Note 23)	(15,464)	(26,676)	(68)	(151)	(282)	(42,641)
Net	314,114	1,777,092	7,461	77,558	2,761	2,178,986
Individually impaired	11,845	15,932	-	-	241	28,018
Portfolio allowance	3,619	10,744	68	151	41	14,623
Total	15,464	26,676	68	151	282	42,641

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Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2015						
Neither past due nor impaired	-	-	63	-	-	63
Net	-	-	63	-	-	63
DECEMBER 2014						
Neither past due nor impaired	-	-	80	-	-	80
Net	-	-	80	-	-	80

Group – December 2015

a. Loans and advances to customers – 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 (see Note 3.2.1 for an explanation of the internal rating system).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	359	7,695	580	-	-	8,634
AA	-	23,838	-	-	-	23,838
A	1,388	20,452	-	-	-	21,840
BBB	26,998	95,348	97	-	-	122,443
BB	125,899	625,603	2,150	7,288	941	761,881
B	50,357	222,816	5,469	2,259	1,037	281,938
CCC	283	725	-	-	-	1,008
CC	-	-	-	-	-	-
C	5,497	210,161	37	66,772	-	282,467
Total	210,781	1,206,638	8,333	76,319	1,978	1,504,049

b. Loans and advances past due but not impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	211	5,200	2	19	-	5,432
Past due by 30-60 days	24,729	45,546	1	11,706	-	81,982
Past due 60-90 days	2,762	8,808	61	373	-	12,004
Gross amount	27,702	59,554	64	12,098	-	99,418

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c. Collectively impaired loans

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	2,941	12,430	1	-	11	15,383

d. Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	117,034	220,775	2	-	332	338,143
Specific impairment	(39,089)	(67,275)	-	-	(322)	(106,686)
Net amount	77,945	153,500	2	-	10	231,457

Group – December 2014

a. Loans and advances to customers – neither past due nor impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	4,604	-	-	-	4,745
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	154,205	291	1,404	-	221,905
BB	163,467	825,402	6,323	14,464	1,066	1,010,722
B	69,614	329,111	740	1,973	632	402,070
CCC	-	10,583	-	-	-	10,583
CC	-	-	24	-	-	24
C	1,152	290,124	119	59,584	-	350,978
Total	300,769	1,675,947	7,529	77,425	1,698	2,063,368

b. Loans and advances past due but not impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	10,046	57,356	-	-	996	68,398
Past due by 30-60 days	178	3,035	-	-	-	3,213
Past due 60-90 days	863	20,655	-	284	62	21,864
Gross amount	11,087	81,046	-	284	1,058	93,475

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c. Collectively impaired loans

These represent insignificant impaired loans that are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,151	8,977	-	-	46	12,174

d. Loans and advances individually impaired

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,571	37,798	-	-	241	52,610
Specific impairment	(11,845)	(15,932)	-	-	(241)	(28,018)
Net amount	2,726	21,866	-	-	-	24,592

e. Sensitivity analysis on impairment

The loan portfolio of First Bank of Nigeria ('the Bank'), the most significant entity of the Commercial Banking group, has been adopted for this sensitivity test; this is based on the premise that the outcome of this stress test on the Bank is reflective of the entire portfolio of the Group. The credit factors considered for this sensitivity are highlighted below:

Probability of Default (PD): This represents the probability that a currently performing account will decline in credit quality. The probability of default model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short-term horizon (usually 12 months). A low probability of default indicates a borrower with good credit quality while a high probability of default indicates a borrower with low credit quality and a high likelihood of default.

Loss Given Default (LGD): The Loss Given Default estimates the expected loss on a default account after all recoveries have been exhausted. In estimating the LGD for the credit portfolio, recoveries made on historic loan loss data by way of loan repayment, recovery efforts and/or sale of collateral was applied.

Approach to sensitivity analysis

In performing the sensitivity analysis, two scenarios were considered as detailed below.

Scenario 1

The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2

The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realising collaterals pledged.

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Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss:

	Impairment charge in profit or loss		
	Current year ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
31 DECEMBER 2015			
Overdrafts	37,858	38,118	38,167
Term loans	83,451	84,660	85,127
Staff loans	1	15	15
Project finance	(14)	13	13
Advances under finance lease	119	123	124
Total	121,415	122,929	123,446
31 DECEMBER 2014			
Overdrafts	10,253	10,638	10,675
Term loans	13,956	15,579	15,813
Staff loans	(102)	(88)	(88)
Project finance	(580)	(550)	(550)
Advances under finance lease	(456)	(433)	(432)
Total	23,071	25,146	25,418

3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody’s rating, Agusto & Co.'s rating (credit rating agency) and the internal rating system at 31 December 2015 and 31 December 2014.

	Group
	Loans to banks ₦ million
31 DECEMBER 2015	
A+ to A-	85,279
B+ to B-	18,706
Unrated	281,784
	385,769
31 DECEMBER 2014	
A+ to A-	282,494
B+ to B-	109,825
Unrated	68,592
	460,911

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Credit quality of investment in debt securities and other assets is summarised as follows:

All investments in debt instruments are neither past due nor impaired.

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Co.'s rating (credit rating agency) at 31 December 2015 and 31 December 2014.

Group

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
31 DECEMBER 2015					
A+ to A-	20,954	69,458	1,835	18,813	4,735
B+ to B-	474,984	195,802	4,191	158,222	237
Unrated	2,830	1,565	8,412	-	16,098
	498,768	266,825	11,608	177,035	21,070
31 DECEMBER 2014					
A+ to A-	-	19,001	-	22,469	937
B+ to B-	360,783	131,672	10,436	167,908	8,316
Unrated	-	2,322	6,952	-	17,296
	360,783	152,995	17,388	190,377	26,549

Company

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Loans and receivables ₦ million	Other assets ₦ million
31 DECEMBER 2015						
A+ to A-	3,532	651	-	-	-	-
Unrated	-	-	-	-	-	4,454
	3,532	651	-	-	-	4,454
31 DECEMBER 2014						
A+ to A-	-	-	1,466	-	-	-
Unrated	-	-	-	-	-	14,111
	-	-	1,466	-	-	14,111

3.2.14 Collateralised assets

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ('over-collateralised assets') and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset. The effect of collateral at 31 December 2015 and 31 December 2014 are as shown below.

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Group

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2015				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	385,769	19,837
Financial assets at fair value through profit or loss	-	-	26,426	5,983
Total financial assets	-	-	412,195	25,820
31 DECEMBER 2014				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	460,911	19,837
Financial assets at fair value through profit or loss	-	-	27,601	5,983
Total financial assets	-	-	488,512	25,820

Loans and advances to customers have been excluded from the tables above, as no aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel. See further details on collateral management for the loan book in Note 3.2.3.

The underlisted financial assets are not collateralised:

- Cash and balances with central banks
- Investment securities:
  - available-for-sale investments
  - held-to-maturity investments
- Asset pledged as collateral
- Other assets.

The Group's investment in risk-free government securities and its cash and balances with central banks are not considered to require collaterals given their sovereign nature.

3.3 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or will have to meet the obligations at excessive costs. This risk could arise from mismatches in the timing of cash flows.

Funding risk is a form of liquidity risk that arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- 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;
- active monitoring of the timing of cash flows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits;
- monitoring the liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

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Particular attention is also paid to the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquidity risk on derivatives is managed using the same source of funding as for the non-derivative liabilities.

3.3.2 Funding approach

The Group is funded primarily by a well-diversified mix of retail, corporate and public sector deposits. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and interbank takings as significant sources of funding.

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in table A below are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk on a behavioural basis, which is shown in table B below.

a. Table A – liquidity analysis on a contractual basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,641
Deposits from customers	2,230,551	364,398	109,762	135,532	126,109	12,495	2,978,847
Financial liabilities at fair value through profit or loss	-	-	367	-	-	-	367
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	133,470	10,007	3,199	10,513	25	168,441
Insurance contracts liability	-	557	-	902	6,390	3,988	11,838
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	2,328,767	529,993	173,712	161,592	292,629	148,649	3,635,342
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit-related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,012	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	119,807	42,793	4,573	3,978	-	-	171,151
Deposits from customers	2,285,701	465,753	70,684	92,567	134,030	9,658	3,058,393
Borrowings	62,139	130,550	7,567	11,624	60,349	164,086	436,315
Other liabilities	38,682	32,685	15,133	34,672	4,585	-	125,756
Insurance contracts liability	-	556	-	7,704	-	-	8,260
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	2,506,329	672,337	97,957	211,162	198,964	173,744	3,860,493
Loan commitments	66,690	7,171	3,327	900	12,291	-	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	295,440	75,100	52,290	96,802	62,892	209,852	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

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Company

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Financial liabilities							
Other liabilities	-	-	-	5,751	-	-	5,751
Total financial liabilities	-	-	-	5,751	-	-	5,751
Assets held for managing liquidity risk	4,792	-	-	4,454	-	-	9,247
31 DECEMBER 2014							
Financial liabilities							
Other liabilities	-	-	-	7,950	-	-	7,950
Total financial liabilities	-	-	-	7,950	-	-	7,950
Assets held for managing liquidity risk	3,261	1,466	-	14,111	-	-	18,838

b. Table B – liquidity analysis on a behavioural basis

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Financial liabilities							
Deposits from banks	71,067	22,980	50,595	-	-	-	144,642
Deposits from customers	477,416	388,168	196,170	266,588	369,326	1,264,287	2,961,955
Borrowings	15,923	8,588	2,981	11,802	149,616	132,141	321,051
Other liabilities	11,227	129,733	10,007	3,199	10,513	25	164,704
Investment contracts	-	-	-	10,157	-	-	10,157
Total financial liabilities	575,633	549,469	259,753	291,746	529,455	1,396,453	3,602,509
Loan commitments	160	15,187	852	908	10,857	5,378	33,342
Letters of credit and other credit-related obligations	31,932	62,824	33,333	75,772	46,548	171,287	421,697
Total commitments	32,092	78,011	34,185	76,680	57,405	176,665	455,039
Assets held for managing liquidity risk	692,532	214,929	119,371	104,107	203,448	117,099	1,451,486

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Group

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	85,538	36,770	44,865	3,979	-	-	171,152
Deposits from customers	473,470	539,000	228,443	282,872	324,473	1,210,135	3,058,393
Borrowings	62,139	130,542	7,489	11,624	66,104	164,086	441,985
Other liabilities	38,645	32,937	15,211	34,672	4,585	-	126,049
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	**659,792**	**739,809**	**296,008**	**401,464**	**395,162**	**1,374,221**	**3,866,456**
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

3.3.4 Assets held for managing liquidity risk

The Group holds a diversified portfolio of liquid assets - largely cash and government securities to support payment and funding obligations in normal and stressed market conditions across foreign and local currencies. The Group's liquid assets comprise:

- cash and balances with the Central Bank comprising reverse repos and overnight deposits;
- short-term and overnight placements in the interbank market;
- government bonds and treasury bills that are readily accepted in repurchase agreements with the Central Bank and other market participants;
- secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios; and
- the ability to access incremental short-term funding by interbank borrowing from the interbank market.

The Bank is largely deposit funded and thus, as is typical among Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, while lending is longer term. On an actuarial basis, our demand deposits exhibit much longer duration, with 75.53% of our current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the Bank typically holds significant short-term liquidity in currency placements or taps the repo markets to raise short-term funding as is required. To grow local currency liquidity we have also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid shorter-dated treasury bills over longer-term bonds, to allow more flexibility in managing liquidity. While on the foreign currency side, we have built up placement balances with our offshore correspondents.

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3.3.5 Derivative liabilities

a. **Derivatives settled on a net basis**

The put options and the accumulator foreign exchange (FX) contract will be settled on a net basis.

The table below analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Derivative liabilities							
Cross-currency swap	-	-	-	-	-	-	-
Accumulator-forward FX contract	-	-	-	-	-	-	-
Put options	(522)	(222)	-	-	(2,645)	-	(3,389)
	(522)	(222)	-	-	(2,645)	-	(3,389)
Derivative assets							
Cross-currency swap	367	-	-	-	-	-	367
Put options	-	-	-	-	-	-	-
Forward contract	571	235	-	-	2,958	-	3,764
	937	235	-	-	2,958	-	4,130
	415	13	-	-	313	-	741
AT 31 DECEMBER 2014							
Derivative liabilities							
Cross-currency swap	-	-	-	-	-	-	-
Accumulator-forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,671	-	22,103
	919	2,664	2,881	6,066	9,671	-	22,201
Derivative assets							
Cross-currency swap	1,002	-	-	-	-	-	1,002
Foreign exchange derivatives	938	2,728	2,842	6,257	9,848	-	22,613
Put options	1,011	439	-	-	-	-	1,450
	2,951	3,167	2,842	6,257	9,848	-	25,065
	3,870	5,831	5,723	12,323	19,519	-	47,266

b. **Derivatives settled on a gross basis**

The Group's derivatives that will be settled on a gross basis are foreign exchange derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cash flows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

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	Up to 1 month ₦ million	1–3 months ₦ million	3–6 months ₦ million	6–12 months ₦ million	1–5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2015							
Liabilities held for trading							
FX swap - payable	(2,985)	(24,285)	(12,994)	-	-	-	(40,264)
FX swap - receivable	3,132	23,876	12,920	-	-	-	39,928
Forward contract - payment	-	(4,433)	(218,574)	(98,944)	-	-	(321,951)
Forward contract - receipt	-	-	-	-	-	-	-
Put options	-	-	-	-	46	-	46
	147	(4,842)	(218,648)	(98,944)	46	-	(322,241)
AT 31 DECEMBER 2014							
Derivatives held for trading							
FX swap - payable	14,777	-	-	-	-	-	14,777
FX swap - receivable	(14,884)	-	-	-	-	-	(14,884)
Forward contract - payment	1,169	1,022	162	-	-	-	2,353
Forward contract - receipt	(376)	-	-	-	-	-	(376)
Put options	-	-	-	-	143	-	143
	686	1,022	162	-	143	-	2,014

3.4 Market risk

Market risk is the potential for adverse changes in the value of a trading or an investment portfolio due to changes in market risk variables such as equity and commodity prices, interest rates and foreign exchange rates.

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and/or income statement.

Through the financial year, the Bank was exposed to market risk in its trading and non-trading activities, mainly as a result of:

- interest rate movements in reaction to monetary policy changes by the CBN, fiscal policy changes and market forces;
- foreign exchange fluctuations arising from demand and supply as well as government policies; and
- equity price movements in response to market forces and changing market dynamics, such as market making on the NSE.

3.4.1 Management of market risk

First Bank of Nigeria Limited’s market risk management process applies disciplined risk-taking within a framework of well-defined risk appetite that enables the Group to boost shareholders' value while maintaining competitive advantage through effective utilisation of risk capital. Thus, FirstBank’s Group market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls;
- an independent market risk management function reporting directly to the Bank’s Chief Risk Officer;
- a Group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk (VaR) methodology, stress testing and scenario analysis;
- a robust market risk management infrastructure reinforced by a strong management information system (MIS) for controlling, monitoring and reporting market risk, including transactions between the Bank and the subsidiaries;

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- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

3.4.2 Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below:

a. **Value at risk (VaR)**

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the bank) is subject to the VaR methodology. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the VaR of the bank is deemed to be fairly representative of the Group.

The bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors.

The bank uses the parametric method as its VaR methodology with an observation period of two years obtained from published data from pre-approved sources. VaR is calculated on the bank's positions at close of business daily.

The table below shows the trading VaR of the bank. The major contributors to the trading VaR are treasury bills and foreign exchange due to volatility in those instruments impacting positions held by the bank during the period.

The assets included in the VaR analysis are the held for trading assets.

The treasury bill trading VaR is ₦106 million as at 31 December 2015 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was nil as at 31 December 2015, reflecting the new regulatory Trading Open Position of Zero stipulated by the CBN. Hence, there was no open position as at year end.

Group

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2015			
Foreign exchange risk	7	25	-
Interest rate risk	354	1,155	82
Total VaR	**361**	**1,180**	**82**
12 MONTHS TO 31 DECEMBER 2014			
Foreign exchange risk	12	34	-
Interest rate risk	415	1,286	22
Total VaR	**427**	**1,320**	**22**

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b. **Stress tests**

Based on the reality of unpredictable market environment and the frequency of regulations that have had a significant effect on market rates and prices, the Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The Assets & Liabilities Committee (ALCO) is responsible for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Non-trading portfolio

The principal objective of market risk management of non-trading portfolios is to optimise net interest income. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities the Bank is exposed to interest rate risk.

Non-trading interest rate risk results mainly from differences in the mismatches or repricing dates of assets and liabilities, both on and off balance sheet as interest rate changes.

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:

- interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
- forecasting and simulating interest rate margins;
- market value sensitivity;
- calculating earnings at risk using various interest rate forecasts; and
- re-pricing risk in various portfolios and yield curve analysis.

Hedged non-trading market risk exposures

The Group's books have some key market risk exposures, which have been identified and are being managed using swaps and options.

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3.4.3 Foreign exchange risk

The Group is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2015 and 31 December 2014. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2015						
Financial assets						
Cash and balances with central banks	678,502	5,791	6,576	6,215	18,787	715,871
Loans and advances to banks	40,557	214,953	89,649	28,178	12,432	385,769
Loans and advances		-	-	-	-	
- Overdrafts	180,309	125,885	307	3,603	6,468	316,571
- Term loans	539,978	744,698	41,768	67,463	8,216	1,402,123
- Staff loans	6,846	1,126	40	-	318	8,330
- Project finance	18,026	66,209	-	4,045	-	88,280
- Advances under finance lease	1,967	-	-	-	-	1,967
Investment securities		-	-	-	-	
- Available-for-sale investments	671,603	70,363	-	-	-	741,966
- Held-to-maturity investments	94,506	-	-	3	12,114	106,623
- Loans and receivables	7,306	-	-	-	-	7,306
Assets pledged as collateral	103,514	-	-	-	2,132	105,646
Financial assets at fair value through profit or loss	16,036	3,184	-	-	-	19,220
Other assets	12,358	3,274	452	18	4,968	21,070
	2,371,508	1,235,483	138,792	109,525	65,435	3,920,743
Financial liabilities						
Customer deposits	2,049,590	507,269	357,541	23,680	32,842	2,970,922
Deposits from banks	8,021	114,100	15,285	6,704	542	144,652
Financial liabilities at fair value through profit or loss	367	10,743	-	1,378	-	12,488
Borrowings	82,332	171,669	127	-	1,988	256,116
Other liabilities	101,946	56,597	2,690	4,723	2,485	168,441
Investment contracts	10,157	-	-	-	-	10,157
	2,252,413	860,378	375,643	36,485	37,857	3,562,776

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Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with central banks	664,969	14,526	2,599	4,203	11,807	698,104
Loans and advances to banks	52,389	233,210	147,746	22,963	4,603	460,911
Loans and advances						-
- Overdrafts	186,567	109,295	117	99	18,036	314,114
- Term loans	740,884	884,209	60,655	80,648	10,696	1,777,092
- Staff loans	6,600	-	42	-	819	7,461
- Project finance	15,767	60,048	-	1,743	-	77,558
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities						-
- Available-for-sale investments	422,296	67,136	-	1	5,142	494,575
- Held-to-maturity investments	147,651	-	-	-	10,834	158,485
Assets pledged as collateral	67,115	-	-	-	1,368	68,483
Financial assets at fair value through profit or loss	13,869	8,354	-	1,450	-	23,673
Other assets	16,575	5,215	238	1	4,520	26,549
	2,337,443	1,381,993	211,397	111,108	67,825	4,109,766
Financial liabilities						
Customer deposits	2,098,639	529,284	340,812	8,115	74,003	3,050,853
Deposits from banks	20,528	126,205	18,416	5,897	105	171,151
Financial liabilities at fair value through profit or loss	1,062	9,722	-	133	-	10,917
Borrowings	30,414	334,219	105	958	4,011	369,707
Other liabilities	74,546	20,240	21,724	3,433	5,814	125,757
Investment contracts	60,617	-	-	-	-	60,617
	2,285,806	1,019,670	381,057	18,536	83,933	3,789,002

The Group is exposed to the US dollar and euro currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in naira against the US dollar and euro. Management believes that a 10% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and euro denominated financial assets and liabilities. A positive number indicates an increase in profit where naira weakens by 10% against the US dollar and euro. For a 10% strengthening of naira against the US dollar and euro, there would be an equal and opposite impact on profit.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Naira strengthens by 10% against the US dollar profit/(loss)	**(37,511)**	(36,232)
Naira weakens by 10% against the US dollar profit/(loss)	**37,511**	36,232
Naira strengthens by 10% against the euro profit/(loss)	**(7,304)**	(9,257)
Naira weakens by 10% against the euro profit/(loss)	**7,304**	9,257

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3.4.4 Interest rate risk

Interest rate risk is the risk of loss in income or portfolio value as a result of changes in market interest rates. The Group is exposed to interest rate risk in its fixed income securities portfolio, as well as on the interest sensitive assets and liabilities in the course of banking and/ or trading. The Board sets limits on the level of mismatch of interest rate repricing and VaR that may be undertaken, which is monitored daily by the Assets & Liabilities Committee.

The table below summarises the Group's interest rate gap position showing its exposure to interest rate risks. VaR exposure is disclosed in Note 3.4.2.

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2015				
Financial assets				
Cash and balances with central banks	715,871	15,255	8,000	692,616
Loans and advances to banks	385,769	247,947	78,802	59,020
Loans and advances to customers:		-	-	-
- Overdrafts	316,571	316,571	-	-
- Term loans	1,402,123	1,356,123	46,000	-
- Staff loans	8,330	20	8,310	-
- Project finance	88,280	88,280	-	-
- Advances under finance lease	1,967	1,967	-	-
Financial assets at fair value through profit or loss	26,426	46	16,208	10,172
Investment securities:		-	-	-
- Available-for-sale investments	799,850	4,634	737,874	57,342
- Held-to-maturity investments	106,623	-	106,620	3
- Loans and receivables	7,306	-	7,306	-
Assets pledged as collateral	105,646	-	105,646	-
Other assets	21,070	-	-	21,070
	3,985,832	2,030,843	1,114,766	840,223
Financial liabilities				
Deposits from customers	2,970,922	1,378,045	1,080,460	512,417
Deposits from banks	144,652	86,864	53,061	4,727
Financial liabilities at fair value through profit or loss	12,488	-	-	12,488
Other liabilities	168,441	-	-	168,441
Liability on investment contracts	10,157	10,157	-	-
Borrowings	256,116	13,139	242,977	-
	3,562,776	1,488,205	1,376,498	698,073
Interest rate mismatch		542,638	(261,732)	142,151

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Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	698,104	8,238	8,001	681,865
Loans and advances to banks	460,911	195,319	86,706	178,885
Loans and advances				
- Overdrafts	314,114	314,114	-	-
- Term loans	1,777,092	1,747,066	30,026	-
- Staff loans	7,461	-	7,461	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
- Available-for-sale investments	553,154	515	495,646	56,994
- Held-to-maturity investments	158,485	-	158,485	
Assets pledged as collateral	68,483	-	68,483	-
Financial assets at fair value through profit or loss	27,601	144	17,521	9,936
Other assets	26,549	-	2,497	24,052
	4,172,273	2,345,715	874,826	951,732
Financial liabilities				
Customer deposits	3,050,853	1,349,992	1,156,095	544,766
Deposits from banks	171,151	138,576	22,565	10,010
Financial liabilities at fair value through profit or loss	10,917	-	1,002	9,915
Borrowings	369,707	176,317	193,390	-
Other liabilities	125,757	-	209	125,548
Investment contracts	60,617	60,617	-	-
	3,789,002	1,725,502	1,373,261	690,239
Interest rate mismatch		620,213	(498,435)	261,493

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3.4.5 Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31 December 2015. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the Bank is deemed to be fairly representative of the Group.

	<=30 days ₦ billion	31-90 days ₦ billion	91-180 days ₦ billion	181-365 days ₦ billion	1-2 years ₦ billion	Over 2 years ₦ billion	Rate sensitive ₦ billion
Treasury bills	133	196	101	44	-	-	474
Government bonds	-	-	1	50	184	112	347
Corporate bonds	-	-	4	-	7	-	11
Loans and advances to banks	372	-	-	-	-	-	372
Project finance	6	11	2	1	1	-	21
Term loans	194	95	29	77	73	668	1,136
Overdraft	24	48	72	148	-	-	292
Equipment on lease	-	-	2	-	-	-	2
Staff loans	-	-	6	-	-	-	6
Total assets	729	350	217	320	265	781	2,662
Deposits from customers	345	275	119	157	246	457	1,599
Deposits from banks	51	-	-	-	-	-	51
Medium-term loan	30	28	2	3	84	143	290
Total liabilities	426	302	121	160	330	601	1,940
	303	48	96	160	(65)	180	722

Current and savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice, however, these deposits form a stable base for the Bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the Bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

3.5 Management of insurance risk

The Group, through its primary insurance business – FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

3.5.1 Underwriting risk

Underwriting risk relates mainly to the uncertainty that the insured event will occur. The nature of an insurance contract is that the timing and size of claims are uncertain and therefore unpredictable. The principal underwriting risk is the risk that the actual outcome of mortality, morbidity and medical claims will result in volatile profits from one year to the next. Such volatility may result from large concentrations of risk or from charging inadequate premiums relative to the severity or incidence of the risk accepted. Inadequate policy wording may fail to protect the insurer from claims that were not envisaged when the product was priced.

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Insurance events are random and the actual number and amount of underwriting benefits will vary from the best estimates established from statistical techniques and taking cognisance of past experience. The Group manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
- The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. While this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

The Group's core funeral product offering is characterised by low sums assured, which negates the need for underwriting at policy inception. The policy conditions enable the Group to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception.

The Group's reinsurance arrangements include risk premium treaties for a high life cover, hospital cover product and critical illness products. The decision on the proportion of risk to be ceded follows mainly from the Group's desire to maintain its relationship with the reinsurers and is based on the level of assistance received from the reinsurers. Exceptions to this are reinsurance cessions that are intended to limit the Group's exposure to large sums assured.

Claims risk is represented by the fact that the Group may incur unexpectedly high mortality and morbidity losses on any group of policies. Client service staff are trained to identify and investigate fraudulent claims timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also investigates and advises on improvements to internal control systems.

3.5.2 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information is not readily available.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

The Group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised in the next table, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from all life and non-life insurance contracts:

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	31 December 2015			31 December 2014		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Individual traditional	8,554	-	8,554	4,802	-	4,802
Group credit life	560	-	560	765	-	765
Group life – UPR incl AURR	725	(1)	724	357	(8)	349
General business – UPR incl AURR	515	-	515	573	-	573
Group life - IBNR	251	(1)	249	133	(4)	129
Additional reserves	852	(350)	502	942	-	942
Outstanding claims	382	(36)	345	688	-	688
Total	11,838	(388)	11,449	8,260	(12)	8,248

Claims paid by class of business during the period under review are shown below:

	31 December 2015			31 December 2014		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Group life	1,271	(108)	1,163	423	(71)	352
Group credit life	339	-	339	232	-	232
Individual life	1,640	-	1,640	466	-	466
General business	569	(364)	205	466	(270)	196
Total	3,819	(472)	3,347	1,587	(341)	1,246

3.5.3 Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to IBNR claims.

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behaviour.

The insurance business offers varying products, from which the Group is exposed. The main products on offer and the associated risks are:

Product	Types of insurance	Product features	Risk
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in four equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the sum assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of ₦100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a maximum of ₦5 million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lump sum in case of death of any of the covered members. Also gives back one full-year premium for every five years that there have been no claims on the policy.	Death only

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Product	Types of insurance	Product features	Risk
Family Income Protection Plan	Individual traditional	Pays a lump sum to the beneficiary should any of the covered events happens to the policyholder, depending on the option chosen at inception.	Death with permanent disability and initial illness options
Group Life Assurance	Group life	1. The scheme will pay a benefit of ₦500,000.00 (subjected to ₦1 million for a maximum of two lines) for registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years, thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the Bank. 2. The scheme pays a maximum of six months' instalment after loss of job by the borrower to the Bank.	Death and loss of job
General Business – Short Term Insurance	Individual and corporate risk	The scheme pays benefit equivalent to the loss suffered by the insured.	Motor and general accident, fire outbreak, burglary and other hazards

The insurance liabilities have been made on the following principles:

Type of business	Valuation method
Individual risk business	Gross premium valuation approach
Group credit life	UPR + IBNR + expense reserve
Daily term assurance	Loss ratio estimation
Non-life business	Basic chain ladder + loss ratio estimation + Bornheutter-Ferguson method

Individual business

A gross premium method was used for individual risk business. This is a monthly cash flow projection approach taking into account the incidence of all expected future cash flows including office premiums, expenses and benefit payments satisfying the Liability Adequacy Test.

For the endowment plans, the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The FlexiSave Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. FlexiSave is an embedded product having components of insurance and financial risk. The product has not been unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cash flows including expenses.

Interest is allocated to policyholder FlexiSave accounts at a rate of 2% below the Monetary Policy Rate (MPR). In order to accurately consider the potential cost of the life cover to the Group from this product (and hence the reserves that should be held) the policyholder funds were projected; this enabled a comparison of the expected future income to the Group from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgo (death benefits and expenses). A reserve is then set up to meet any shortfalls.

Life cover is only available for 'active' policies, being those that paid a premium in the year. The risk reserves will allow for future life cover on policies that are active at the valuation date. Policyholders are able to reinstate their life cover by paying any outstanding premiums. Allowance for reinstated policies are made within the additional reserves.

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Group business

Reserves for Group life business comprise a UPR and, where necessary, a reserve for IBNR claims to make an allowance for the delay in reporting of claims.

The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR has been tested by comparing against an additional unexpired risk reserve (AURR), which has been calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach (basic chain ladder in 2015) has been used for IBNR reserving, which considers the pattern of claims emerging.

No separate reserve is proposed for claims handling costs for Group Life business as these are typically insignificant in size. Costs incurred are absorbed as part of the general business management costs.

Due to the limited nature of data captured for credit life business, the cash flow projection approach could not be used for reserving. Instead reserves have been estimated via a UPR where necessary, and unexpired future operating expenses.

Non-life business

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The basic chain ladder method, a loss ratio method adjusted for assumed experience to date and in more recent years and where the claim development seems different than in the past a Bornheutter-Ferguson method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to sub-divide claims between large and small claims. Sub-dividing the data would reduce the volume of the data in the triangles and compromise the credibility. Extreme large claims, however, were removed from the triangulations to avoid distorting development patterns.

3.5.4 Process used to decide on assumptions

Valuation interest rates

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further, the result is a 'fair value' liability calculation, which aids the comparability of accounts between insurers.

Net valuation interest rate of 10.25% per annum was adopted for all long-term business, which has been applied as a single long-term rate of return. As at 23 December 2015, Federal Government of Nigeria (FGN) bond yields of duration between 5 and 20 years were around 11%. The 20-year FGN bond yield was 11.15%. By comparison long term bonds were yielding 15% at December 2014.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long-term yield to arrive at a gross valuation interest rate of 10.90%. This makes some allowance for the volatility and liquidity of the 'risk free' yields.

	Rate
Long-term FGN bond yield	11.15%
Less 0.25% risk adjustment	(0.25%)
Less 0.65% tax	(0.65%)
Net valuation rate	10.25%

The valuation interest rates for the individual risk products are as follows:

Type of business	Current valuation	Previous valuation
Risk products	10.25%	14.75%
Pension annuity	10.25%	

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Expenses

The Group makes provisions for expenses in its mathematical reserves of an amount that is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

Future maintenance expenses

The regulatory maintenance expenses are derived from the best estimate maintenance expenses plus a prudence margin for adverse deviations. The best estimate maintenance expenses are calculated as the sum of the following:

(1) Per policy maintenance charges

(2) Allocated operating expenses.

The regulatory maintenance expense assumptions (per policy) are derived by adding a 10% additional prudent margin to the best estimate maintenance expenses to give the required assumption. This has consistently been adopted for IFRS purposes.

The Group performed an expense analysis during the year, which suggests actual expense experience over the year of:

(1) Individual life: ₦4,297 per policy

(2) Credit life: ₦600 per policy

(3) Family shield: ₦520 per policy

(4) Group life: 42% of premium.

The Group adopted a valuation expense assumption of ₦4,300 per policy on risk policies excluding family shield and ₦600 per policy for credit life, while expense per policy for family shield is set at ₦500. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of business	Current valuation	Previous valuation
Individual life	₦4,300 pp	₦5,000 pp
Credit life	₦600 pp	₦250 pp
Family shield	₦500 pp	

Expense inflation

The above expenses are subject to inflation at 9.5% per annum. Consumer price inflation at 31 December 2015 was 9.42%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A6770 (Assured Lives 1967-70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data, which demonstrated a good fit to the A6770 table.

Future mortality improvements

No allowance is proposed for future mortality improvements. The Company does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and FlexiSave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the FlexiSave surrender values are apportioned on the basis of sum insured.

Surrender rate was not applied in the current valuation, however, the reserves for the Cashflow Plans will be subjected to a minimum floor of the surrender value at the valuation date.

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Lapses

We have made an allowance for future lapses (being an exit without payment, before a surrender value becomes payable) and surrenders under the endowment plans at the rates:

Education and Cashflow	Lapse rate per annum	Surrender rate per annum
Year 1	12.5%	-
Year 2	-	2.5%
Year 3	-	2.5%
Year 4	-	2.5%
Year 5	-	2.5%

i. For individual policies the valuation age has been taken as Age Last Birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.
ii. The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.
iii. No specific adjustment has been made for immediate payment of claims.
iv. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies.
v. No allowance had been made for lapses or surrenders.
vi. For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.
vii. Any policies subject to substandard terms were valued using the same basis as standard policies.

Bonuses

We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% per annum for the Cashflow Endowment.

Group and credit life businesses

UPR are reduced by a margin representing acquisition expenses, as these have been loaded into rates yet they have already been incurred.

Acquisition expense ratio of 20% of gross premium was adopted. Group life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, stamp duty of 0.15% and management expenses.

The following assumptions were adopted for the credit life valuation:

i. Where no effective (start) date has been provided, we assumed the credit date.
ii. Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.
iii. The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.
iv. The IBNR was estimated based on an average claims notification delay period of three months, which was derived from the claims experience data.

Additional contingency reserves were made in addition to those provided for long-term business to be held. These contingencies are considered as standard for the 12 months following the valuation date, i.e., short-term contingency only. Other liabilities such as expense and data contingencies reserves have been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All business groups	2015	2014
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

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Reinsurance agreements
Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. All reserves have been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

Changes in assumptions
The Company did not change its assumptions for the insurance contracts.

3.5.5 Insurance and market risk sensitivities

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the available capital and shareholder risk tolerance levels.

The 'assumption changes' component of the analysis of change in the table below shows the impact on liabilities of the actual assumption changes made over the year.

The sensitivity analysis was performed using the under-listed variables:

a. valuation interest (discount) rate +/- 1%;
b. expenses +/- 10%;
c. expense inflation +/- 2%; and
d. mortality +/- 5% (including Group life).

2015 ₦ million	Base	VIR		Expenses		Expense inflation	
		1%	(1%)	10%	(10%)	2%	(2%)
Individual risk reserves	8,552	7,476	10,105	8,876	8,116	9,853	7,858
Group credit life	560	560	560	568	551	560	560
Group life – UPR incl AURR	725	725	725	725	725	725	725
General business – UPR incl AURR	515	515	515	515	515	515	515
Group life - IBNR	251	251	251	251	251	251	251
Additional reserves	225	225	225	225	225	225	225
Reinsurance	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Net liability	10,826	9,750	12,379	11,158	10,381	12,127	10,132
% change in net liability		90.1%	114.4%	103.1%	95.9%	112.0%	93.6%
Assets	13,783	13,783	13,783	13,783	13,783	13,783	13,783
Surplus	2,957	4,033	1,404	2,625	3,402	1,656	3,651

2015 ₦ million	Base	Mortality	
		5%	(5%)
Individual traditional	8,552	8,607	8,498
Group credit life	560	560	560
Group life – UPR incl AURR	725	725	725
General business – UPR incl AURR	515	515	515
Group life - IBNR	251	251	251
Additional reserves	225	225	225
Reinsurance	(2)	(2)	(2)
Net liability	10,826	10,881	10,771
% change in net liability		100.5%	99.5%
Assets	13,783	13,783	13,783
Surplus	2,957	2,902	3,012

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2014 ₦ million	Base	VIR		Expenses		Expense inflation	
		1%	(1%)	10%	(10%)	2%	(2%)
Individual traditional	1,927	1,542	2,311	1,994	1,861	1,959	1,899
Individual savings	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Group credit life	765	765	765	771	760	765	765
Group life – UPR incl AURR	357	357	357	357	357	357	357
Group life - IBNR	133	133	133	133	133	133	133
Additional reserves	943	942	943	947	938	943	942
Reinsurance	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Net liability	6,988	6,602	7,372	7,065	6,912	7,020	6,959
% change in net liability		61.0%	68.1%	65.3%	63.9%	64.9%	64.3%
Assets	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Surplus	1,746	2,132	1,362	1,669	1,822	1,714	1,775

2014 ₦ million	Base	Mortality	
		5%	(5%)
Individual traditional	1,927	1,936	1,918
Individual savings	2,875	2,875	2,875
Group credit life	765	765	765
Group life – UPR incl AURR	357	357	357
Group life - IBNR	133	133	133
Additional reserves	943	944	942
Reinsurance	(12)	(12)	(12)
Net liability	6,988	6,998	6,978
% change in net liability		64.6%	64.5%
Assets	8,734	8,734	8,734
Surplus	1,746	1,736	1,756

Assumptions have been flexed on the basis used to calculate the value of in-force business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

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3.5.6 Solvency

The solvency level at the valuation date was 121% (2014: 100.0%). That is, assets representing life and non-life funds on the Group's balance sheet (₦13.8 billion) were 121% of the value of the actuarially calculated net liabilities (₦11.8 billion).

The assets backing the life and non-life fund are as follows:

	2015 ₦ million	2014 ₦ million
Government bonds	1,386	670
Treasury bills	9,055	7,208
Cash and bank balances	1,970	692
Commercial papers	1,075	-
Investment properties	80	80
Investment in quoted equity	217	24
Investment in unquoted equity	-	61
Total	13,783	8,735

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in section 25 of the 2003 Insurance Act were met. The life fund shows a surplus of ₦1.6 billion (2014: ₦490 million), while life and non-life shows a surplus of ₦1.9 billion (2014: ₦795 million).

3.6 Equity risk

The Group is exposed to equity price risk by holding investments quoted on the NSE and other non-quoted investments. Equity securities quoted on the NSE are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2015, the market value of quoted securities held by the Group is ₦3.73 billion (2014: ₦7.42 billion). If the all share index of the NSE moves by 1,600 basis points from the 28,642.25 position at 31 December 2015, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦596 million.

The Group holds a number of investments in unquoted securities with a market value of ₦61.37 billion (2014: ₦55.09 billion) of which investments in Airtel Nigeria Ltd (42%) and African Finance Corporation (AFC) (54%) are the significant holdings. These investments were valued at ₦20.24 billion (cost ₦2.9 billion) and ₦26.47 billion (cost ₦12.7 billion) respectively as at 31 December 2015. AFC is a private sector-led investment bank and development finance institution, which has the CBN as a single major shareholder (42.5%) with other African financial institutions and investors holding the remaining shares. Airtel Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform. These investments are level 3 instruments, see sensitivity analysis in Note 3.7.

The Group does not deal in commodities and is therefore not exposed to any commodity price risk.

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3.7 Fair value of financial assets and liabilities

3.7.1 Financial instruments measured at fair value

The following table presents the Group's assets and liabilities that are measured at fair value at reporting date.

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	15,990	-	-	15,990
Equity	1,438	2,083	3,685	7,206
Derivatives	-	3,230	-	3,230
Available-for-sale financial assets				
Investment securities - debt	718,411	23,556	-	741,967
Investment securities - unlisted equity	4,483	5,215	45,899	55,597
Investment securities - listed equity	2,288	-	-	2,288
Assets pledged as collateral	22,033	-	-	22,033
Financial liabilities at fair value through profit or loss				
Derivatives	-	12,121	367	12,488

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets at fair value through profit or loss				
Debt securities	13,426	300	-	13,726
Equity	3,927	-	-	3,927
Derivatives	-	9,948	-	9,948
Available-for-sale financial assets				
Investment securities - debt	443,916	50,659	-	494,575
Investment securities - unlisted debt				-
Investment securities - unlisted equity	319	6,731	48,035	55,085
Investment securities - listed equity	3,493	-	-	3,493
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities at fair value through profit or loss				
Derivatives	-	10,917	-	10,917

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Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Available-for-sale financial assets				
Investment securities – debt	**4,183**			**4,183**
Investment securities – unlisted equity	**-**	**2,836**	**-**	**2,836**
31 DECEMBER 2014				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	-	2,806	-	2,806

a. Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily bonds and equity investments classified as trading securities or available for sale.

b. Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

i. quoted market prices or dealer quotes for similar instruments;

ii. the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and

iii. other techniques, such as discounted cash flow analysis and sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 except for certain unquoted equities explained below.

c. Financial instruments in level 3
Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

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The following table presents changes in level 3 instruments

Group	₦ million
At 1 January 2014	44,002
Transfer into level 3 due to change in observability of market data	67
Total gains/(losses) for the period:	
- Included in profit or loss	-
- Included in other comprehensive income	3,966
At 31 December 2014	48,035
Sales	(21)
Transfer out of level 3 due to change in observability of market data	(100)
Total gains/(losses) recognised through OCI	1,694
- Realised gain on sale	(3,709)
At 31 December 2015	**45,899**

Total gains or losses for the period included in profit or loss are presented in net gains/(losses) on investment securities.

Information about the fair value measurements using significant unobservable inputs (level 3)

Description	Valuation technique	Range of unobservable input (probability-weighted average)	Relationship of unobservable inputs to fair value
AIRTEL NIGERIA	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LTD	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
INTERSWITCH LTD	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFRICA FINANCE CORPORATION	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
MOORHOUSE PROPERTIES LTD	Income approach (discounted cash flow)	5% minority discount	the higher the minority discount the lower the fair value
MAIN ONE CABLE COMPANY LTD	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value

EV/EBITDA or P/E valuation multiple – the Group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The Bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the Bank's investee company and the comparable public companies based on company-specific facts and circumstances.

Income approach (discounted cash flow) – the Group determines the free cash flow of the investee company, and discounts these cash flows using the relevant cost of equity. The cost of equity is derived by adjusting the yield on the risk-free securities (FGN bonds) with the equity risk premium and company/sector-specific premium. The present value derived from the calculation represents the investee company's enterprise value.

A reasonable change in the illiquidity discount and minority discount will not result in a material change to the fair value of the investment.

3.7.2 Group's valuation process

The Group's Asset and Liability Management (ALM) unit performs the valuation of financial assets required for financial reporting purposes. This team also engages external specialist valuers when the need arises, and reports directly to the Chief Risk Officer. Discussions on the valuation process and results are held between the ALM team and the Chief Risk Officer on a monthly basis in line with the Group's management reporting dates.

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3.7.3 Financial instruments not measured at fair value

a. The table below shows the carrying value of financial assets not measured at fair value.

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Cash and balances with central banks	500	715,371	-	715,871
Loans and advances to banks	-	385,769	-	385,769
Loans and advances to customers:				
- Overdrafts	-	-	316,571	316,571
- Term loans	-	46,000	1,356,123	1,402,123
- Staff loans	-	564	7,766	8,330
- Project finance	-	-	88,280	88,280
- Advances under finance lease	-	-	1,967	1,967
Held-to-maturity investments	80,533	26,090	-	106,623
Asset pledged as collateral	79,888	2,132	-	82,020
Other assets	-	21,070	-	21,070
Financial liabilities				
Deposit from customers	-	2,970,921	-	2,970,921
Deposit from bank	-	144,652	-	144,652
Borrowing	152,434	103,682	-	256,116
Other liabilities	-	168,441	-	168,441
Investment contracts	-	10,157	-	10,157
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	500	697,604	-	698,104
Loans and advances to banks	-	460,911	-	460,911
Loans and advances to customers:				
- Overdrafts	-	-	314,114	314,114
- Term loans	-	30,017	1,747,075	1,777,092
- Staff loans	-	388	7,073	7,461
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	111,457	47,028	-	158,485
Asset pledged as collateral	47,920	1,360	-	49,280
Other assets	-	26,549	-	26,549
Financial liabilities				
Deposit from customers	-	3,050,853	-	3,050,853
Deposit from bank	-	171,151	-	171,151
Borrowing	141,819	227,888	-	369,707
Other liabilities	-	125,311	446	125,757
Investment contracts	-	60,617	-	60,617

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Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2015				
Financial assets				
Loans and advances to banks	-	4,792	-	4,792
Loans and advances to customers:				
- Staff loans	-	-	63	63
Held-to-maturity investments	-	-	-	-
Other assets	-	4,454	-	4,454
Financial liabilities				
Other liabilities	-	5,751	-	5,751
31 DECEMBER 2014				
Financial assets				
Loans and advances to banks	-	3,261	-	3,261
Loans and advances to customers:				
- Staff loans	-	-	80	80
Investment securities:				
- Held-to-maturity investments	1,466	-	-	1,466
Other assets	-	14,111	-	14,111
Financial liabilities				
Other liabilities	-	7,950	-	7,950

b. The fair value of loans and advances to customers, (including loan commitments) and investment securities are as follows:

Group

	At 31 December 2015		At 31 December 2014	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers				
- Fixed rate loans	51,055	48,915	35,828	33,804
- Variable rate loans	1,766,217	1,811,618	2,143,152	2,188,220
Investment securities (held-to-maturity)	106,624	104,094	158,484	124,995
Asset pledged as collateral	82,020	82,020	86,443	30,649
Financial liability				
Borrowings	256,116	286,016	369,707	407,765

Investment securities have been fair valued using the market prices and are within level 1 of the fair value hierarchy, while the loans and advances to customers have been fair valued using unobservable inputs and are within level 3 of the fair value hierarchy.

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The carrying value of the following financial assets and liabilities for both the Company and Group approximate their fair values:

- cash and balances with central banks;
- loans and advances to banks;
- other assets (excluding prepayments);
- deposits from banks;
- deposits from customers; and
- other liabilities (excluding provisions and accruals).

4 CAPITAL MANAGEMENT

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the regulators (Central Bank of Nigeria Securities and Exchange Commission, National Insurance Commission etc.), (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current capital requirement of 16% for Systemically Important Banks and 10% for Merchant Banks set by the Central Bank of Nigeria (CBN).

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an internal capital adequacy assessment process, which proactively evaluates capital needs vis-à-vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group's capital is divided into two tiers:

- Tier 1 capital: core equity tier 1 capital including ordinary shares, statutory reserve, share premium and general reserve. Non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, unpublished losses and under provisions are deducted in arriving at qualifying tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements as implemented in Nigeria, tier 2 capital is restricted to 331/3% of tier 1 capital.

In 2014, Nigerian banks based on regulatory requirements issued by the Central Bank, migrated from Basel I to Basel II in terms of capital adequacy monitoring and reporting. Basel II introduced capital charges for operational risk and market risks which hitherto were unweighted, in addition to the credit risk.

The Central Bank of Nigeria (CBN) prescribed the minimum limit of total qualifying capital/total risk-weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

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The table below summarises the Basel II capital adequacy ratio (CAR) for 2015 and 2014. It shows the composition of regulatory capital and ratios for the years. During those years, the Bank complied with all the regulatory capital requirements to which it was subjected.

	FBN MERCHANT BANK		FIRST BANK OF NIGERIA	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
TIER 1 CAPITAL				
Share capital	4,302	4,000	16,316	16,316
Share premium	3,905	3,000	189,241	189,241
Statutory reserve	4,657	3,857	63,237	63,231
Deposit for shares	-	1,206	-	-
SMEEIS reserves	-	-	6,076	6,076
Retained earnings	10,500	7,170	130,787	87,200
Less: Goodwill/deferred tax	(6,929)	(5,185)	(5,386)	(1,343)
Less: Loan to subsidiary	-	-	(29,181)	-
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 1 capital	16,435	14,048	333,883	316,687
TIER 2 CAPITAL				
Fair value reserve	289	(3,875)	54,090	16,126
Other borrowings	-	-	152,434	141,819
Total tier 2 capital	289	(3,875)	206,524	157,945
Tier 2 capital restriction	289	(3,875)	133,424	120,688
Less: Investment in subsidiaries	-	-	(37,208)	(29,493)
Total qualifying for tier 2 capital	289	(3,875)	96,216	91,195
Total regulatory capital	16,725	10,173	430,099	407,882
Total risk-weighted assets	67,313	45,270	2,518,285	2,585,214
Risk-weighted CAR	24.85%	22.47%	17.08%	15.78%
Tier 1 CAR	24.42%	31.03%	13.26%	12.25%

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a. Impairment charges on financial assets

The Group reviews its loan portfolios for impairment on an ongoing basis. 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. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that have been deemed to be impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collateralised.

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Management 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 its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See Note 3 for more information.

b. Fair value of financial instruments

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.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. All fair values are on a recurring basis. Refer to Note 3.7 for additional sensitivity information for financial instruments.

c. Held-to-maturity investments

In accordance with IAS 39 guidance, the Group 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 Group evaluates its intention and ability to hold such investments to maturity. If the Group 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 Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held-to-maturity investment portfolio was not tainted.

d. Retirement benefit obligation

For defined benefit pension plans, the measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See Note 44, Retirement benefit obligations, for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the Group.

e. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 36 for detailed information on impairment assessment performed on cash-generating units.

Impairment charges of ₦630 million and ₦242 million arose in FBNBank Gambia and FBNBank Senegal respectively during the course of 2015. Both entities form part of the Commercial Banking group segment. The impairment was attributable to the general economic downturn in both economies.

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6 SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group’s Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The Group is divided into the following business units:

Commercial Banking business group
This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Merchant Banking and Asset Management business group* (MBAM)
This is the investment banking arm of the Group, providing advisory, asset management, markets and private equity services to a large institutional (corporations and governments) clientele, as well as merchant banking services.

Insurance business group
This includes the Group’s legacy insurance brokerage business and the more recent full underwriting business (both life and general). The underwriting business is performed by FBN Insurance Limited, a partnership with South-African-based Sanlam Group.

Other Financial Services business group
This includes the Group’s non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank Limited which provides microfinance services to the mass-market retail segment and SPVs established by the Group. The Group’s interest in FBN Microfinance Bank Limited was sold to Letshego Holdings Limited in December 2015.

The Group’s management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effect of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

As the Group Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Management Committee.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

* Following the acquisition of the Merchant banking licence in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

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Segment result of operations

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2015 is as follows:

	Commercial Banking group ₦ million	MBAM group ₦ million	Insurance group ₦ million	Other Financial Services group ₦ million	Total ₦ million
AT 31 DECEMBER 2015					
Total segment revenue	465,769	32,976	10,500	7,733	516,978
Inter-segment revenue	(6,571)	(35)	(345)	(4,836)	(11,787)
Revenue from external customers	459,198	32,941	10,155	2,897	505,191
Interest income	372,604	20,520	2,113	953	396,190
Interest expense	(119,680)	(11,428)	0	(59)	(131,167)
Profit/(loss) before tax	12,547	10,346	2,163	(3,544)	21,512
Income tax expense	(7,235)	1,151	(280)	0	(6,364)
Profit for the period	5,312	11,497	1,883	(3,544)	15,148
Impairment charge on credit losses	(117,037)	(257)	0	(276)	(117,570)
Impairment charge on doubtful receivables	(517)	(964)	(14)	(257)	(1,752)
Impairment charge on goodwill	(872)	-	-	-	(872)
Depreciation	(10,577)	(380)	(163)	(396)	(11,516)
AT 31 DECEMBER 2015					
Total assets	3,930,665	155,666	22,746	57,112	4,166,189
Other measures of assets:					
Loans and advances to customers	1,773,660	43,313	236	62	1,817,271
Expenditure on non-current assets	82,353	2,676	1,822	1,547	88,398
Investment securities	830,586	61,956	14,218	7,019	913,779
Total liabilities	3,451,319	113,961	13,144	8,965	3,587,389
AT 31 DECEMBER 2014					
Total segment revenue	455,475	23,560	6,539	23,639	509,213
Inter-segment revenue	(6,802)	(4,791)	(1,810)	(14,636)	(28,039)
Revenue from external customers	448,673	18,768	4,729	9,002	481,174
Interest income	343,306	15,075	1,334	2,863	362,579
Interest expense	(109,559)	(9,117)	0	(49)	(118,725)
Profit/(loss) before tax	90,067	3,529	706	(246)	94,056
Income tax expense	(9,526)	(2,727)	(195)	2,403	(10,045)
Profit for the period	80,541	802	511	2,157	84,011
Impairment charge on credit losses	(25,362)	18	-	(312)	(25,656)
Impairment charge on doubtful receivables	(17)	(258)	(7)	(4)	(286)
Impairment charge on goodwill	(501)	-	-	-	(501)
Share of profit/(loss) from associates	521	78	-	-	599
Depreciation	(10,531)	(373)	(156)	(315)	(11,375)
AT 31 DECEMBER 2014					
Total assets	4,080,258	100,455	17,505	145,519	4,343,737
Other measures of assets:					
Loans and advances to customers	2,150,086	1,878	74	26,948	2,178,986
Expenditure on non-current assets	83,404	854	1,764	2,535	88,557
Investment securities	598,904	45,812	12,011	54,912	711,639
Total liabilities	3,649,993	77,304	10,500	81,878	3,819,675

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Geographical information

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
REVENUES		
Nigeria	453,323	439,993
Outside Nigeria	51,868	41,181
Total	505,191	481,174
NON-CURRENT ASSET		
Nigeria	80,864	81,743
Outside Nigeria	7,534	6,814
Total	88,398	88,557

7 INTEREST INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Investment securities	100,979	92,153	306	2,760
Loans and advances to banks	23,463	19,216	292	122
Loans and advances to customers	271,748	251,210	16	4
	396,190	362,579	614	2,886

Interest income on loans and advances to customers for the Group includes interest income on impaired financial assets of ₦8.08 billion (2014: ₦0.598 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 INTEREST EXPENSE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Deposits from customers	105,411	98,017
Deposits from banks	10,483	2,713
Borrowings	15,273	17,995
	131,167	118,725

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Loans and advances to customers (refer to Note 23)		
Increase in collective impairment	24,200	4,149
Increase in specific impairment	95,658	23,768
	119,858	27,917
Net recoveries on loans previously written off	(2,288)	(2,261)

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	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Other assets (refer to Note 27)		
Increase in impairment	1,752	286
	119,322	25,942

Included in the impairment charge for the year in the income statement is the impairment charge in loans and advances (collective: ₦67 million; specific: ₦210 million) in the books of FBN Microfinance Bank Limited, which was classified as held for sale in 2014 and its sale concluded in 2015.

10 INSURANCE PREMIUM REVENUE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross premium written	11,848	7,113
Unearned premium	(538)	(344)
	11,310	6,769
Change in insurance contract liabilities	(2,862)	(3,449)
	8,448	3,320

11a. FEES AND COMMISSION INCOME

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Credit-related fees (i)	5,698	2,492
Commission on turnover	12,655	15,289
Letters of credit commissions and fees	3,826	6,636
Electronic banking fees	15,371	11,465
Money transfer commission	3,154	2,195
Commission on bonds and guarantees	1,488	1,146
Commission on bills and ancillary services	1,075	588
Funds transfer and intermediation fees	4,530	5,086
Account maintenance	3,333	8,344
Brokerage and intermediations	1,909	2,163
Custodian fees	4,182	3,511
Financial advisory fees (ii)	5,338	6,538
Fund management fees (ii)	1,499	1,530
	64,058	66,983

(i) The credit-related fees relate to fees charged on overdraft facilities. These are not integral interest earned on the credit facilities.
(ii) Included in financial advisory and fund management fees are the fee and commission income generated from trusts and other fiduciary activities.

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11b. FEES AND COMMISSION EXPENSE

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees and commission expense	9,583	6,205

Fees and commission expense relates primarily to charges raised by other banks on holders of FirstBank ATM cards, who make use of the other banks' machines while transacting business, and SMS alert-related expense.

12 NET GAINS ON FOREIGN EXCHANGE INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Revaluation gain (unrealised) on foreign currency balances	10,910	30,795	31	42
Foreign exchange trading income (realised)	11,316	14,110	-	-
	22,226	44,905	31	42

The revaluation gain arose from exchange rate movements on the Group’s long foreign currency balance sheet position as at reporting date.

13 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Equity securities	5,935	(366)	-	-
Debt securities	731	136	35	-
	6,666	(230)	35	-

14 NET GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Derivatives	830	(871)
Trading gain/(loss) on debt securities	1,059	(152)
Fair value gain/(loss) on debt securities	166	(239)
	2,055	(1,262)

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15 DIVIDEND INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
First Bank of Nigeria Limited	-	-	-	9,790
FBN Capital Limited	-	-	4,852	4,185
FBN Insurance Brokers Limited	-	-	235	188
FBN Insurance Limited	-	-	339	198
Other entities within the Group	-	-	206	109
Entities outside the Group	1,531	1,469	-	-
Withholding tax on dividend	-	-	(1,139)	(723)
	1,531	1,469	4,493	13,747

16 OTHER OPERATING INCOME

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit on sale of property, plant and equipment	-	435	-	-
VAT recovered	291	295	-	-
Gain on sale of properties (inventory)	1.262	184	-	-
Distribution from Capital Alliance Property Investment Company (CAPIC)	-	324	-	289
Net gain from fair value adjustment on investment properties	198	-	-	-
Private banking services and other activities	1,800	1,616	22	5
	3,551	2,854	22	294

17 PERSONNEL EXPENSES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Wages and salaries	77,474	76,678	671	1,147
Pension costs:				
- Defined contribution plans	2,639	2,954	14	12
- Defined benefit cost (refer to Note 44)	303	211	-	-
	80,416	79,843	685	1,159

Staff received some loans at below the market interest rate. These loans are measured at fair value at initial recognition. The difference between the present value (PV) of cash flows discounted at the contractual rate and PV of cash flows discounted at market rate has been recognised as prepaid employee benefit (in prepayments), which is amortised to personnel expenses over the life of the loan.

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The average number of persons employed by the Group during the period was as follows:

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Executive directors	1	1	1	1
Management	214	198	5	4
Non-management	9,641	10,265	21	19
	9,856	10,464	27	24

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

Below ₦2,000,000	912	1,575	3	7
₦2,000,001–₦2,800,000	214	734	1	-
₦2,800,001–₦3,500,000	897	481	2	-
₦3,500,001–₦4,000,000	96	55	1	1
₦4,000,001–₦5,500,000	2,114	2,368	2	1
₦5,500,001–₦6,500,000	1,963	1,703	1	1
₦6,500,001–₦7,800,000	1,363	764	2	2
₦7,800,001–₦9,000,000	935	462	-	2
₦9,000,001 and above	1,364	2,322	17	12
	9,858	10,464	29	26

18 OPERATING EXPENSES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Auditors' remuneration	752	530	25	25
Directors' emoluments	6,488	6,795	1,047	751
Loss on sale of property, plant and equipment	186	-	7	-
Deposit insurance premium	12,482	13,027	-	-
AMCON resolution cost	17,591	17,132	-	-
Maintenance	19,310	19,949	176	86
Insurance premium	1,220	565	26	11
Rent and rates	4,024	4,394	143	171
Advert and corporate promotions	8,465	12,759	77	127
Legal and other professional fees	6,153	5,741	585	504
Donations and subscriptions	1,424	1,891	6	4
Stationery and printing	2,436	2,335	73	99
Communication, light and power	6,942	6,304	5	32
Cash handling charges	3,522	3,042	-	-
Operational and other losses	2,194	18,488	-	-
Passages and travels	6,031	5,134	345	192
Outsourced cost	15,824	12,939	-	-
Statutory fees	153	57	44	55
Underwriting expenses	1,462	1,539	-	-
Recruitment and training cost	478	106	72	19
WHT on retained dividend	1,139	723	-	-

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	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fines and penalties	1,901	393	-	-
Fair value loss on asset held for sale	-	1,599	-	-
Back duty tax assessment	929	1,886	-	-
Integration and branding project	1,387	2,619	-	-
Other operating expenses	3,718	3,253	65	41
	126,211	143,200	2,696	2,117

19 TAXATION – INCOME TAX EXPENSE AND LIABILITY

a. Income tax expense

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Corporate tax	7,951	8,031	-	-
Education tax	160	138	-	-
Technology tax	180	889	-	-
Capital gains tax	-	3	-	-
Under/(over) provision in prior years	1,250	(162)	-	-
Current income tax – current period	9,541	8,899	-	-
Origination and reversal of temporary deferred tax differences	(3,177)	1,146	-	-
Income tax expense	6,364	10,045	-	-

Group				
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Profit before income tax	21,512		94,056	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	6,454	30	28,217	30
Effect of tax rates in foreign jurisdictions	370	2	(129)	0
Non-deductible expenses	39,057	182	21,984	24
Effect of education tax levy	160	1	138	0
Effect of information technology	180	1	889	1
Effect of capital gains tax	-	0	3	0
Effect of minimum tax	2,984	14	211	0
Effect of excess dividend tax	767	4	403	0
Effect of national fiscal levy	82	0	22	0
Tax exempt income	(46,313)	(215)	(39,730)	(42)
Tax incentives	(109)	(1)	(201)	0
Tax loss effect	1,719	8	(2,220)	(2)
(Over)/under provided in prior years	1,250	6	436	0
Effect of prior period adjustment on deferred tax	(237)	(1)	22	0
Total income tax expense in income statement	6,364	30	10,045	11
Income tax expense	6,364	30	10,045	11

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Company

	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Profit before income tax	2,180		5,683	
Tax calculated using the domestic corporation tax rate of 30% (2015: 30%, 2014: 30%)	654	30	1,705	30
Non-deductible expenses	410	19	2,339	41
Tax exempt income	(1,940)	(89)	(4,661)	(82)
Tax incentives	-	0	(13)	0
Tax loss effect	875	40	630	11
Total income tax expense in income statement	-	0	-	0
Income tax expense	-	0	-	0

b. Current income tax liability

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

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
At start of the period	11,829	34,167	-	-
Effect of adjustment on acquired entities	0	38	-	-
Reclassification to liabilities held for sale	0	(69)	-	-
Tax paid	(12,267)	(31,329)	-	-
Withholding tax credit utilised	(379)	(31)	-	-
Income tax charge	9,541	8,899	-	-
Effect of changes in exchange rate	49	154	-	-
At 31 December	8,773	11,829	-	-
Current	8,773	11,829	-	-

20 CASH AND BALANCES WITH CENTRAL BANKS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash	76,310	63,308
Balances with central banks excluding mandatory reserve deposits	162,145	71,059
	238,455	134,367
Mandatory reserve deposits with central banks	477,416	563,737
	715,871	698,104

Included in balances with central banks is a call placement of ₦7.5 billion for the Group (31 December 2014: ₦7.5 billion).

Restricted deposits with central banks are not available for use in the Group's day-to-day operations. FBN Limited had restricted balances of ₦473.12 billion with CBN as at 31 December 2015 (December 2014: ₦560.08 billion). This balance is a CBN cash reserve requirement. The cash reserve ratio represents a mandatory 20% of qualifying deposits (December 2014: 15% non-government deposits and 75% government deposits), which should be held with the CBN as a regulatory requirement. FBNBank Ghana and FBNBank Guinea had restricted balances of ₦1.090 billion and ₦1.878 billion (December 2014: ₦0.968 billion and ₦1.407 billion) respectively with their respective central banks.

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21 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Cash (Note 20)	76,310	63,308	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	162,145	71,059	-	-
Loans and advances to banks excluding long-term placements (Note 22)	356,782	321,201	4,792	3,261
Treasury bills included in financial assets at fair value through profit or loss (Note 24)	3,985	7,240	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1 and 25.2)	67,146	69,648	-	1,466
	666,368	532,456	4,792	4,727

22 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current balances with banks within Nigeria	130,017	54,776	3,097	375
Current balances with banks outside Nigeria	117,664	156,595	-	-
Placements with banks and discount houses (short term)	109,101	109,831	1,695	2,886
	356,782	321,202	4,792	3,261
Long-term placement	28,987	139,709	-	-
Carrying amount	385,769	460,911	4,792	3,261

Included in loans to banks is non-current placement of ₦28.99 billion for the Group (31 December 2014: ₦139.7 billion), which does not qualify as cash and cash equivalent.

All other loans to banks are due within three months.

23 LOANS AND ADVANCES TO CUSTOMERS

Group					
	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2015					
Overdrafts	358,458	(39,089)	(2,798)	(41,887)	316,571
Term loans	1,499,397	(67,275)	(29,999)	(97,274)	1,402,123
Staff loans	8,400	-	(70)	(70)	8,330
Project finance	88,417	-	(137)	(137)	88,280
	1,954,672	(106,364)	(33,004)	(139,368)	1,815,304
Advances under finance lease	2,321	(322)	(32)	(354)	1,967
	1,956,993	(106,686)	(33,036)	(139,722)	1,817,271

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Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Overdrafts	329,578	(11,845)	(3,619)	(15,464)	314,114
Term loans	1,803,768	(15,932)	(10,744)	(26,676)	1,777,092
Staff loans	7,529	-	(68)	(68)	7,461
Project finance	77,709	-	(151)	(151)	77,558
	2,218,584	(27,777)	(14,582)	42,359	2,176,225
Advances under finance lease	3,043	(241)	(41)	(282)	2,761
	2,221,627	(28,018)	(14,623)	(42,641)	2,178,986

Company

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2015					
Staff loans	**63**	**-**	**-**	**-**	**63**
	63	**-**	**-**	**-**	**63**
31 DECEMBER 2014					
Staff loans	80	-	-	-	80
	80	-	-	-	80

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	**860,104**	1,166,344	**12**	13
Non-current	**957,167**	1,012,642	**51**	67
	1,817,271	2,178,986	**63**	80

CBN/Bank of Industry facilities

Included in loans and advances to customers are term loans granted to customers in line with the CBN ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

CBN/Commercial Agriculture Credit (CACS)

This relates to the balance on term loan facilities granted to customers under the CBN Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of seven years at 9% interest per annum. These balances are included in the loans and advances.

CBN/On-lending Bail-Out Fund

This relates to term loans granted to Osun and Ogun state governments in line with the CBN ₦338 billion special intervention funds for financing the payment of the backlog of staff salaries in states of the Federation. The facility to Osun State is for a period of 20 years at 9% per annum while the facility to Ogun State is for a period of 10 years at 9% per annum.

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
CBN/Bank of Industry	**44,215**	14,514
CBN/Commercial Agriculture Credit	**11,998**	13,733
CBN On-lending Bail-Out Fund	**25,652**	-

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Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2015					
Specific impairment	11,845	15,932	241	0	28,018
Collective impairment	3,619	10,744	41	219	14,623
	15,464	26,676	282	219	42,641
Additional provision/(writeback)					
- Specific impairment	38,080	57,287	81	-	95,448
- Collective impairment	79	24,027	39	(12)	24,133
Loan write-off					
- Specific impairment	(10,789)	(6,220)	-	-	(17,009)
- Collective impairment	(796)	(4,776)	(48)	-	(5,620)
Exchange difference					
- Specific impairment	(47)	276	-	-	229
- Collective impairment	(104)	4	-	-	(100)
	41,887	97,274	354	207	139,722
Specific impairment	39,089	67,275	322	0	106,686
Collective impairment	2,798	29,999	32	207	33,036
At 31 December 2015	41,887	97,274	354	207	139,722

	Specific impairment ₦ million	Collective impairment ₦ million
Additional provision/(writeback)	95,448	24,133
Impairment charge by FBN Microfinance Bank (sold in 2015)	210	67
Impairment charge for the year (refer to Note 9)	95,658	24,200

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Group	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2014					
Specific impairment	10,465	9,480	696	31	20,672
Collective impairment	4,061	19,327	71	916	24,375
	14,526	28,807	767	947	45,047
Additional provision					
- Specific impairment	7,490	16,764	(455)	(31)	23,768
- Collective impairment	2,918	1,927	1	(697)	4,149
Loan write-off					
- Specific impairment	(6,445)	(10,317)	-	-	(16,762)
- Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
Acquisition through business combination					
- Specific impairment	335	77	-	-	412
- Collective impairment	-	2	-	-	2
Reclassification to asset held for sale					
- Specific impairment	-	(72)	-	-	(72)
- Collective impairment	-	(42)	-	-	(42)
	15,464	26,676	282	219	42,641
Specific impairment	11,845	15,932	241	-	28,018
Collective impairment	3,619	10,744	41	219	14,623
AT 31 DECEMBER 2014	15,464	26,676	282	219	42,641

Loans and advances to customers include finance lease receivables as follows:

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Gross investment in finance lease, receivable		
– No later than one year	12	168
– Later than one year and no later than five years	2,632	3,555
– Later than five years	-	-
	2,644	3,723
Unearned future finance income on finance leases	(323)	(680)
Impairment allowance on leases	(354)	(282)
Net investment in finance lease, receivable	1,967	2,761
Net investment in finance lease, receivable is analysed as follows:		
– No later than one year	12	151
– Later than one year and no later than five years	1,955	2,610
	1,967	2,761

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Nature of security in respect of loans and advances:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Legal mortgage/debenture on business premises, factory assets or real estates	470,279	535,263	-	-
Guarantee/receivables of investment grade banks and state government	902,208	746,557	-	-
Domiciliation of receivables	386,217	630,801	-	-
Clean/negative pledge	100,725	79,749	-	-
Marketable securities/shares	16,348	14,755	-	-
Otherwise secured	65,776	110,399	63	80
Cash/government securities	15,440	104,102	-	-
	1,956,993	2,221,626	63	80

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The Group did not take legal repossession of any collateral in the year.

24 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Treasury bills with maturity of less than 90 days	3,985	7,240
Treasury bills with maturity over 90 days	10,243	2,254
Bonds	1,763	4,232
Total debt securities	15,991	13,726
Listed equity securities	1,438	3,927
Unlisted equity securities	5,768	-
Total equity securities	7,206	3,927
Derivative assets (refer to Note 24a)	3,229	9,948
Total assets at fair value through profit or loss	26,426	27,601
Current	15,195	10,944
Non-current	11,231	16,657
	26,426	27,601

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The Group uses the following derivative strategies:

Economic hedges

The Group use of derivative instruments is very nascent and has been limited to hedging of risk exposures resulting from adverse movement in market risk factors. The Group's derivative transactions are principally in forward foreign exchange contracts entered into to hedge against foreign exchange risks arising from cross-currency exposures.

Customers' risk hedge needs

The Group offers its customers derivatives in connection with their risk-management objectives to transfer, modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently, all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to senior management.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

Derivatives

	Group – 31 December 2015		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Foreign exchange derivatives			
Currency swap	41,373	622	(766)
Put options	19,311	2,561	(11,722)
Equity derivatives			
Put options	-	46	-
	60,684	3,229	(12,488)
Current	43,760	967	(4,741)
Non-current	16,924	2,262	(7,747)
	60,684	3,229	(12,488)

	Group – 31 December 2014		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Foreign exchange derivatives			
Forward FX contract	281,325	1,451	(1,975)
FX accumulator contract	565	-	(133)
Currency swap	14,884	-	(1,062)
Put options	52,996	8,354	(7,747)
Equity derivatives			
Put options	-	143	-
	349,770	9,948	(10,917)
Current	296,774	1,451	(3,170)
Non-current	52,996	8,497	(7,747)
	349,770	9,948	(10,917)

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25 INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
25.1 Available-for-sale investments				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**65,034**	64,067	**-**	-
– Treasury bills with maturity of more than 90 days	**411,700**	277,514	**3,532**	-
– Bonds	**265,232**	152,995	**651**	-
Equity securities – at fair value:				
– Listed	**2,288**	3,493	**-**	-
Equity securities – at fair value:				
– Unlisted	**55,596**	55,085	**2,836**	2,806
	799,850	553,154	**7,019**	2,806
Current	**547,193**	435,395	**4,183**	-
Non-current	**252,657**	117,759	**2,836**	2,806
	799,850	553,154	**7,019**	2,806
25.2 Held-to-maturity investments				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	**2,112**	5,581	**-**	1,466
– Treasury bills with maturity of more than 90 days	**7,894**	7,845	**-**	-
– Bonds	**96,617**	145,059	**-**	-
	106,623	158,485	**-**	1,466
Current	**10,006**	13,426	**-**	1,466
Non-current	**96,617**	145,059	**-**	-
	106,623	158,485	**-**	1,466
25.3 Loans and receivables				
Investment in commercial papers	**3,955**	-	**-**	-
Investment in promissory notes	**3,351**	-	**-**	-
	7,306	-	**-**	-
Current	**3,351**	-	**-**	-
Non-current	**3,955**	-	**-**	-
	7,306	-	**-**	-
Total investment securities	**913,779**	711,639	**7,019**	4,272

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26 ASSETS PLEDGED AS COLLATERAL

The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is not permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are usual and customary to standard securities borrowing and lending activities.

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

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Available-for-sale debt securities (Note 26.1)	23,626	19,203
Held-to-maturity debt securities (Note 26.2)	82,020	49,280
	105,646	68,483
26.1 Assets pledged as collateral (available for sale)		
Debt securities - at fair value		
– Treasury bills	22,033	19,203
– Bonds	1,593	-
	23,626	19,203
26.2 Assets pledged as collateral (held to maturity)		
Debt securities - at amortised cost		
– Treasury bills	1,602	3,963
– Bonds	80,418	45,317
	82,020	49,280
The related liability for assets held as collateral includes:		
Bank of Industry	44,477	14,791
CBN/Commercial Agriculture Credit Scheme Intervention fund	11,998	15,624
Borrowings from Deutsche Bank	6,224	6,731

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.

Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of ₦20.2 billion (2014: ₦40.24 billion) for which there is no related liability.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	23,635	23,166
Non-current	82,011	45,317
	105,646	68,483

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27 OTHER ASSETS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
FINANCIAL ASSETS				
Premium debtors	**132**	578	**-**	-
Accounts receivable	**23,567**	27,379	**4,454**	14,111
	23,699	27,957	**4,454**	14,111
Less specific allowances for impairment	**(2,629)**	(1,408)	**-**	-
	21,070	26,549	**4,454**	14,111
NON-FINANCIAL ASSETS				
Stock of consumables	**2,253**	1,884	**-**	-
Prepayments	**12,160**	12,207	**216**	250
	14,413	14,091	**216**	250
Net other assets balance	**35,483**	40,640	**4,670**	14,361

	Group		Company	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
RECONCILIATION OF IMPAIRMENT ACCOUNT				
At start of period	**1,408**	1,533	**-**	-
Acquisition of subsidiary	**-**	11	**-**	-
Write-off	**(531)**	(422)	**-**	-
Increase in impairment	**1,752**	286	**-**	-
At end of period	**2,629**	1,408	**-**	-

All other assets on the statement of financial position of the Group had a remaining period to contractual maturity of less than 12 months.

28 INVENTORY

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Work in progress	**41,972**	29,191
Stock of properties	**7,677**	8,614
	49,649	37,805
Current	**7,677**	8,614
Non-current	**41,972**	29,191
	49,649	37,805

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The inventory balance relates to the carrying amount of the real estate development project of Rainbow Town Development Limited. The project is a Public Private Partnership (PPP) between FBNHoldings and Rivers State Government to develop housing units, ancillary commercial buildings and infrastructure in Trans Amadi Layout of Port Harcourt.

The information of the professional used to determine the net realisable value of the inventory is as follows:
Name of the professional: Wilson Momah
Name of the professional firm/entity: WIM Associates
FRC registration number of the professional: FRC/2013/NIQS/00000003318

Also included is the stock of property of FBN Mortgages Limited.

29 INVESTMENT PROPERTIES

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
At start of period	**2,826**	2,826
Acquisition of subsidiary	**-**	343
Addition and capital improvement	**1**	13
Net gains/(losses) from fair value adjustment	**198**	(355)
	3,025	2,826

Included in investment properties are mainly land acquired by the Group for capital appreciation. As the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The investment properties fall into level 2 fair value hierarchy and the fair value is recurring.

No rental income (2014: ₦3.4 million) arose from the investment properties during the year. The rental income, as well as the fair value gain, is included in other income while fair value loss is included in other operating expense in the income statement. No direct operating expense was incurred on the investment properties.

The information of the professionals engaged by the various entities within the Group for valuation of their respective investment properties is as follows:

Entity:	FBN Insurance Limited	FBN Capital Limited
Location:	Lagos and Abuja	Lagos
Name of the professional:	Lawal Abdulfatai	Muritala Animasaun
Name of the professional firm/entity:	Jide Taiwo & Co	Ubosi Eleh & Co
FRC registration number of the professional:	FRC/2015/NIESV/00000011465	FRC/2014/NIESV/00000003997

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30 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

i. Kakawa Discount House Limited (KDH)

As at 1 January 2014, FBNHoldings and its subsidiaries had 46% shareholding in KDH. During 2014, the Group acquired the balance 54% equity stake in KDH, thus becoming a fully owned subsidiary of FBNHoldings. Consequently, equity accounting was discontinued and the investment in KDH classified as investment in subsidiaries and consolidated accordingly.

ii. Seawolf Oilfield Services Limited (SOSL)

FBNHoldings holds 42% shareholding in SOSL. In 2014, Asset Management Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBNHoldings in the company.

SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital, which is held directly by the Group; the country of incorporation or registration is also their principal place of business. SOSL is not publicly traded and there is no published price information.

iii. FBN Heritage Fund

FBNHoldings and its subsidiaries have 62% shareholding in FBN Heritage Fund, with FBNHoldings alone owning 36%.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. FBN Heritage Fund is not publicly traded. However, the fund manager publishes the daily unit price of the fund on the memorandum listing section of the NSE. The unit price of the fund as at reporting date was ₦108.51.

Due to the exercise of control over FBN Heritage Fund at group level, the entity is being accounted for as a subsidiary and consolidated accordingly.

	Group		Company	
	2015 ₦ million	2014 ₦ million	2015 ₦ million	2014 ₦ million
KDH				
Balance at beginning of year	-	7,029	-	-
Share of profit	-	599	-	-
Fair value loss from acquisition of control	-	(268)	-	-
Transfer to investment in subsidiaries	-	(7,360)	-	-
At end of year	-	-	-	-
SOSL				
Balance at beginning of year	-	-	-	7,781
Impairment loss	-	-	-	(7,781)
At end of year	-	-	-	-
FBN HERITAGE FUND				
Balance at beginning of year	-	-	1,500	1,500
At end of year	-	-	1,500	1,500
	-	-	1,500	1,500

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31 INVESTMENT IN SUBSIDIARIES

31.1 Principal subsidiary undertakings

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
DIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 31a)	205,557	205,557
FBN Capital Limited (Note 31b)	4,300	4,300
FBN Insurance Limited (Note 31c)	4,724	2,262
FBN Insurance Brokers Limited (Note 31d)	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 31e)	1,700	2,550
FBN Merchant Bank Limited (Note 31f)	17,206	16,000
	233,512	230,694
INDIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
FBN Trustees Limited (Note 31g)	25,533	25,533
FBN Funds Limited (Note 31h)	4,550	4,550
	30,083	30,083
	263,595	260,777

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the Group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit, FBN Insurance Limited, New Villa Limited (Rainbow Town Development Limited) and FBN General Insurance Limited (formerly Oasis Insurance Plc) in which it owned 75%, 65%, 55% and 65% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is ₦3.68 billion (2014: ₦4.03 billion).

SUBSIDIARY	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the Group (%)	Statutory year end
First Bank of Nigeria Limited (Note 31a)	Banking	Nigeria	100	100	31 December
FBN Capital Limited (Note 31b)	Investment Banking and Asset Management	Nigeria	100	100	31 December
FBN Insurance Limited (Note 31c)	Insurance	Nigeria	65	65	31 December
FBN Insurance Brokers Limited (Note 31d)	Insurance	Nigeria	100	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 31e)	Investment and General Trading	Nigeria	55	55	31 December
FBN Merchant Bank Limited (Note 31f)	Merchant Banking	Nigeria	100	100	31 December
FBN Trustees Limited (Note 31g)	Trusteeship	Nigeria	100	100	31 December
FBN Funds Limited (Note 31h)	Investment Banking and Asset Management	Nigeria	100	100	31 December

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a. First Bank of Nigeria Limited
The bank commenced operations in Nigeria in 1894 as a branch of Bank of British West Africa (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. The bank was the parent company of the Group until 30 November 2012, when a business restructuring was effected in accordance with the directives of the CBN and FBN Holdings Plc became the parent company of the Group.

b. FBN Capital Limited
FBN Capital Limited is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the SEC to undertake issuing house business. It is also involved in the business of asset management and financial advisory

c. FBN Insurance Limited (formerly FBN Life Assurance Limited)
In February 2010, NAICOM granted an operating licence to FirstBank to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, FirstBank incorporated a subsidiary, FBN Life Assurance Limited. FirstBank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited in 2014.

d. FBN Insurance Brokers Limited
The company was incorporated under the Companies and Allied Matters Act CAP C20 LFN 2004, as a limited liability company on 31 March 1994 with the name Trust Link Insurance Brokers Limited. The company prepared financial statements up to 31 March 1998 after which it became dormant. The company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the company is insurance brokerage business.

e. New Villa Limited (Rainbow Town Development Limited)
New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include investments and general trading.

f. FBN Merchant Bank Limited (formerly Kakawa Discount House Limited)
Kakawa Discount House Limited was incorporated in Nigeria as a limited liability company on 14 February 1995 and was granted a licence to carry on the business of a discount house and commenced operations on 16 November 1995. Recently, the Company has transformed into a merchant bank. The Central Bank of Nigeria (CBN) licence for merchant banking was obtained in May 2015, while merchant banking operations commenced on 2 November 2015.

g. FBN Trustees Limited (formerly First Trustees Nigeria Limited)
FBN Trustees Limited was incorporated in Nigeria as a limited liability company on 8 August 1979 and commenced business on 3 September 1979. The company was established to engage in the business of trusteeship as well as portfolio management and financial/ investment advisory services.

h. FBN Funds Limited (formerly First Funds Limited)
FBN Funds Limited was incorporated on 14 November 2002. It commenced operations on 1 April 2003. Its principal activities are to carry on venture capital and private equity business.

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31.2 Condensed results of consolidated entities from continuing operations

31 December 2015	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
SUMMARISED INCOME STATEMENT													
Operating income	6,795	336,386	14,729	6,380	9,829	671	876	34	225	(2,875)	373,050	(8,609)	364,441
Operating expenses	(4,615)	(200,262)	(7,521)	(2,233)	(7,750)	(471)	(923)	30	(71)	(266)	(224,082)	475	(223,607)
Impairment charge for credit losses	-	(125,943)	(939)	(282)	-	(14)	(276)	-	-	(257)	(127,711)	8,389	(119,322)
Operating profit	2,180	10,181	6,269	3,865	2,079	186	(323)	64	154	(3,398)	21,257	255	21,512
Associate	-	-	280	-	-	-	-	-	-	-	280	(280)	-
Profit before tax	2,180	10,181	6,549	3,865	2,079	186	(323)	64	154	(3,398)	21,537	(25)	21,512
Tax	-	(7,235)	(1,549)	2,701	(219)	(61)	-	-	-	-	(6,364)	-	(6,364)
Profit/(loss) for the year	2,180	2,946	5,000	6,566	1,860	125	(323)	64	154	(3,398)	15,173	(25)	15,148
Other comprehensive income	(17)	38,667	(1,304)	4,194	236	(49)	-	(1,060)	86	-	40,753	11	40,764
Total comprehensive income	2,163	41,613	3,696	10,760	2,096	76	(323)	(996)	240	(3,398)	55,926	(14)	55,912
Total comprehensive income allocated to non-controlling interest	-	-	-	-	83	-	-	(1,060)	33	-	(944)		
Dividends paid to non-controlling interest	-	-	-	-	183	-	-	-	161	-	344		
SUMMARISED FINANCIAL POSITION													
Assets													
Cash and balances with central bank	-	715,092	1	277	500	-	-	-	-	-	715,871	-	715,871
Loans and advances to banks	4,792	374,511	11,820	7,962	1,971	797	-	332	668	327	403,180	(17,411)	385,769
Loans and advances to customers	63	1,816,045	6,314	36,650	159	76	-	-	349	-	1,859,656	(42,385)	1,817,271
Financial assets at fair value through profit or loss	-	5,049	7,305	10,696	2,157	-	-	-	1,219	-	26,426	-	26,426
Investment securities	7,019	830,586	10,328	41,042	14,138	80	-	8,239	2,347	-	913,779	-	913,779
Assets pledged as collateral	-	102,218	3,428	-	-	-	-	-	-	-	105,646	-	105,646
Other assets	4,670	26,802	2,406	866	1,156	92	-	-	1	538	36,531	(1,048)	35,483
Inventory	-	7,677	-	-	-	-	-	-	-	48,249	55,926	(6,277)	49,649
Investment properties	-	-	2,705	-	320	-	-	-	-	-	3,025	-	3,025

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Investment in associates accounted for using the equity method	1,500	-	1,191	-	-	-	-	-	-	-	2,691	(2,691)	-
Investment in subsidiaries	263,595	-	0	-	-	-	-	-	-	-	263,595	(263,595)	-
Property, plant and equipment	1,192	82,351	1,712	964	1,741	81	-	-	-	7	88,048	350	88,398
Intangible assets	-	9,274	100	20	284	2	-	-	-	7	9,687	-	9,687
Deferred tax assets	-	2,923	1,180	8,083	-	34	-	-	-	-	12,220	2,395	14,615
Assets held for sale	-	570	-	-	-	-	-	-	-	-	570	-	570
	282,831	3,973,098	48,490	106,560	22,426	1,162	-	8,571	4,584	49,128	4,496,848	(330,659)	4,166,189
Financed by													
Deposits from banks	-	139,052	-	5,600	-	-	-	-	-	-	144,652	-	144,652
Deposits from customers	-	2,905,070	11,475	71,631	-	-	-	-	-	-	2,988,176	(17,254)	2,970,922
Financial liabilities at fair value through profit or loss	-	12,121	-	367	-	-	-	-	-	-	12,488	-	12,488
Current income tax liability	-	5,789	2,500	128	259	90	-	-	-	6	8,773	-	8,773
Other liabilities	5,751	152,877	5,700	901	636	181	-	150	39	3,208	169,442	(1,001)	168,441
Liability on investment contracts	-	-	-	-	-	-	-	10,157	-	-	10,157	-	10,157
Liability on insurance contracts	-	-	-	-	11,837	-	-	-	-	-	11,837	-	11,837
Borrowings	-	249,891	6,224	-	-	-	-	-	-	51,115	307,230	(51,114)	256,116
Retirement benefit obligations	-	3,709	-	-	-	55	-	-	-	-	3,764	-	3,764
Deferred tax liabilities	-	64	-	89	86	-	-	-	-	-	239	-	239
	5,751	3,468,573	25,899	78,716	12,818	326	-	10,307	39	54,329	3,656,756	(69,367)	3,587,389
Equity and reserves	277,080	504,525	22,591	27,844	9,608	836	-	(1,736)	4,545	(5,201)	840,093	(261,293)	578,800
SUMMARISED CASH FLOWS													
Operating activities													
Interest received	604	369,734	4,571	14,105	197	116	0	777	0	0	390,104	(1,520)	388,584
Interest paid	-	(118,133)	0	(9,853)	-	0	0	(569)	0	0	(128,555)	0	(128,555)
Income tax paid	-	(11,157)	(1,590)	(50)	(214)	(72)	0	-	0	0	(13,083)	816	(12,267)

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Cash flow generated from operations	(1,533)	218,150	(2,052)	(13,154)	4,344	139	(748)	138	(65)	(1,292)	203,928	30,876	234,804
Net cash generated from operating activities	(929)	458,593	929	(8,952)	4,327	183	(748)	346	(65)	(1,292)	452,394	30,172	482,566
Net cash used in investing activities	4,257	(190,405)	(21,359)	14,369	(1,101)	(39)	(3,067)	(8,239)	0	1	(205,583)	(8,448)	(214,031)
Net cash used in financing activities	(3,263)	(113,753)	(5,538)	0	(522)	(234)	(41)	8,226	22	1,409	(113,694)	(25,193)	(138,887)
Increase in cash and cash equivalents	65	154,435	(25,968)	5,417	2,704	(91)	(3,856)	333	(42)	118	133,116	(3,468)	129,648
Cash and cash equivalents at start of year	4,727	486,279	38,535	5,854	6,389	881	3,856	0	711	208	547,440	(14,984)	532,456
Effect of exchange rate fluctuations on cash held	-	4,259	-	-	-	6	-	-	-	-	4,265	(1)	4,264
Cash and cash equivalents at end of year	4,792	644,973	12,567	11,271	9,094	797	0	332	668	325	684,819	(18,451)	666,368

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SUMMARISED INCOME STATEMENT													
Operating income	16,969	338,593	12,230	1,594	4,704	792	1,202	1,431	216	(1,123)	376,609	(20,366)	356,243
Operating expenses	(11,286)	(218,631)	(9,123)	(781)	(3,371)	(553)	(913)	(1,359)	(187)	(339)	(246,542)	9,698	(236,844)
Impairment charge for credit losses	-	(25,730)	(240)	(310)	(3)	(4)	(6)	-	-	-	(26,293)	351	(25,942)
Operating profit	5,683	94,232	2,867	503	1,330	234	283	72	29	(1,462)	103,774	(10,317)	93,457
Associate	-	136	-	-	-	-	-	-	-	-	136	463	599
Profit before tax	5,683	94,368	2,867	503	1,330	234	283	72	29	(1,462)	103,910	(9,854)	94,056
Tax	-	(9,526)	(2,727)	2,580	(242)	46	(176)	-	-	-	(10,045)	-	(10,045)
Profit/(loss) for the year	5,683	84,842	140	3,083	1,088	280	108	72	29	(1,462)	93,862	(9,851)	84,011
Other comprehensive income	291	4,818	(1,101)	(1,681)	(88)	(1)	-	(1,716)	(26)	-	495	2,082	2,577
Total comprehensive income	5,974	89,660	(961)	1,402	1,000	279	108	(1,644)	3	(1,462)	94,358	(7,770)	86,588
Total comprehensive income allocated to non-controlling interest	-	15	-	-	381	-	-	-	1	(657)	(260)		
Dividends paid to non-controlling interest	-	-	-	-	107	-	-	-	-	-	107		
SUMMARISED FINANCIAL POSITION													
Assets													
Cash and balances with central bank	-	697,601	1	1	500	-	90	-	-	-	698,194	(90)	698,104
Loans and advances to banks	3,261	430,053	34,991	1,896	755	881	3,619	24,452	711	209	500,827	(39,916)	460,911
Loans and advances to customers	80	2,193,563	1,872	26,867	-	74	1,594	-	-	0	2,224,050	(45,065)	2,178,986
Financial assets at fair value through profit or loss	-	10,708	7,897	7,366	48	-	-	5,718	1,582	-	33,320	(5,718)	27,601
Investment securities	4,272	598,904	44,613	50,641	11,903	107	149	29,083	2,375	-	742,047	(30,408)	711,639
Assets pledged as collateral	-	64,527	3,956	-	-	-	-	-	-	-	68,483	-	68,483
Other assets	14,361	39,457	7,509	525	1,484	114	158	239	57	1,325	65,229	(24,590)	40,640
Inventory	-	-	-	-	-	-	-	-	-	40,775	40,775	(2,970)	37,805
Investment properties	-	-	2,504	-	322	-	-	-	-	-	2,826	-	2,826

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Investment in associates accounted for using the equity method	1,500	-	990	-	-	-	-	-	-	-	2,490	(2,490)	-
Investment in subsidiaries	260,777	-	0	-	-	-	-	-	-	-	260,777	(260,777)	-
Property, plant and equipment	1,518	83,404	505	1,001	1,687	78	284	-	-	16	88,492	65	88,557
Intangible assets	-	8,104	125	27	301	3	2	-	-	9	8,572	(2)	8,569
Deferred tax assets	-	2,384	1,391	5,185	-	32	-	-	-	-	8,992	2,293	11,285
Assets held for sale	2,000	2,931	-	-	-	-	-	-	-	-	4,931	3,400	8,331
	287,769	4,131,636	106,355	93,509	17,000	1,289	5,896	59,492	4,725	42,334	4,750,005	(406,268)	4,343,737
Financed by													
Deposits from banks	-	163,710	1,212	6,229	-	-	1,950	-	-	-	173,101	(1,950)	171,151
Deposits from customers	-	2,989,735	1,133	68,819	-	-	1,291	-	-	-	3,060,979	(10,126)	3,050,853
Financial liabilities at fair value through profit or loss	-	9,915	-	1,002	-	-	-	-	-	-	10,917	0	10,917
Current income tax liability	-	8,529	2,836	85	271	100	69	-	-	7	11,898	(69)	11,829
Other liabilities	9,590	131,702	10,749	1,415	4,154	178	163	656	32	2,216	160,855	(28,221)	132,633
Liability on investment contracts	-	-	60,703	-	-	-	-	60,703	-	-	121,406	(60,789)	60,617
Liability on insurance contracts	-	-	-	-	8,260	-	-	-	-	-	8,260	-	8,260
Borrowings	-	362,976	6,731	-	-	-	-	-	-	41,913	411,620	(41,913)	369,707
Retirement benefit obligations	-	2,012	0	-	-	17	-	-	-	-	2,029	-	2,029
Deferred tax liabilities	-	38	-	81	68	-	29	-	-	-	216	(130)	87
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	1,592	1,592
	9,590	3,668,617	83,365	77,632	12,753	295	3,502	61,359	32	44,136	3,961,283	(141,608)	3,819,675
Equity and reserves	278,179	463,017	22,990	15,877	4,247	996	2,393	(1,866)	4,692	(1,802)	788,722	(264,661)	524,062
SUMMARISED CASH FLOWS													
Operating activities													
Interest received	1,917	342,481	9,633	13,584	1,060	114	0	7,554	268	15	376,628	(24,587)	352,041
Interest paid	-	(96,306)	(7,116)	(8,918)	-	0	0	(6,136)	0	0	(118,475)	25,159	(93,316)
Income tax paid	-	(30,276)	(764)	(104)	(63)	(98)	(88)	0	0	-	(31,393)	64	(31,329)

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31 December 2014	FBN Holdings Plc ₦ million	First Bank of Nigeria Limited ₦ million	FBN Capital Limited ₦ million	FBN Merchant Bank Limited ₦ million	FBN Insurance Limited ₦ million	FBN Insurance Brokers Limited ₦ million	FBN Microfinance Limited ₦ million	NSIA II Fund ₦ million	FBN Heritage Fund ₦ million	Rainbow Town Development Limited ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
Cash flow generated from operations	(4,023)	(676,144)	(4,606)	2,247	6,943	(133)	(2,357)	(12,969)	(322)	(6,405)	(697,769)	(18,509)	(716,279)
Net cash generated from operating activities	(2,106)	(460,245)	(2,853)	6,809	7,941	(117)	(2,445)	(11,551)	(54)	(6,390)	(471,010)	(17,873)	(488,883)
Net cash used in investing activities	41,210	(14,290)	21,465	(2,161)	(2,093)	(30)	(84)	23,873	776	5	68,671	(81,498)	(12,827)
Net cash used in financing activities	(35,895)	198,831	(3,911)	1,206	(305)	(188)	(31)	0	(58)	5,653	165,302	33,534	198,836
Increase in cash and cash equivalents	3,210	(275,704)	14,701	5,854	5,542	(335)	(2,560)	12,322	664	(731)	(237,036)	(65,838)	(302,874)
Cash and cash equivalents at start of year	1,476	762,421	23,833	0	846	1,209	6,416	12,130	47	940	809,318	25,373	834,691
Effect of exchange rate fluctuations on cash held	42	(438)	0			7		-			(389)	1,028	639
Cash and cash equivalents at end of year	4,728	486,279	38,534	5,854	6,389	881	3,856	24,452	711	208	571,893	(39,437)	532,456

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32 ACQUISITION OF SUBSIDIARY

The Group did not conclude any new acquisitions during the year. However, the final acquisition accounting for Kakawa Discount House Limited (now FBN Merchant Bank Limited) was concluded in 2015.

	Kakawa Discount House Limited 30 September 2014 ₦ million
Consideration	
Cash	8,640
Total consideration transferred	8,640
Fair value of equity interest in KDH held before the business combination	7,360
Total consideration	16,000

Recognised amounts of identifiable assets acquired and liabilities assumed	Final fair value ₦ million	Provisional fair value ₦ million	Changes ₦ million
Cash and balances with central banks	2,407	2	2,405
Investment securities	60,389	88,008	(27,619)
Loans and advances to banks	6,072	799	5,273
Loans and advances to customers	41,401	16,869	24,532
Deferred tax asset	4,816	2,523	2,293
Other assets	204	2,908	(2,704)
Property, plant and equipment	1,359	1,006	353
Intangible assets	26	30	(4)
Deposits	(97,504)	(95,841)	(1,663)
Derivative financial instrument	(324)	-	(324)
Current income tax liability	(74)	-	(74)
Deferred tax liability	-	(101)	101
Other liabilities	(1,600)	(1,728)	128
Total identifiable net assets	17,172	14,475	2,697
(Gain on bargain purchase)/goodwill	(1,172)	1,525	(2,697)
Cash and cash equivalents acquired from Kakawa Discount House Limited is made up of the following:			
Cash and balances with central banks	2,407	2	2,405
Treasury bills	18,563	26,241	(7,678)
Loans and advances to banks	6,072	799	5,273
	27,042	27,042	-
Net cash on acquisition of subsidiary	18,402	18,402	-

Total cash and cash equivalents acquired from subsidiaries in 2014	2014 ₦ million
Kakawa Discount House Limited	18,402
ICB entities	190
Oasis Insurance Plc	(1,658)
	16,935

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In 2014, the management account of Kakawa Discount House Limited was used for provisional accounting of the business combination due to the closeness of the acquisition completion date to the year end. In 2015, the fair values of identifiable assets and liabilities were determined. The identifiable assets and liabilities whose values changed from the provisional numbers are detailed in the table above. The resultant impact of these changes in value of the identifiable net assets and liabilities at date of acquisition have been adjusted in the 2014 numbers and detailed in Note 57.

33a. ASSET HELD FOR SALE: DISCONTINUED OPERATIONS

The assets classified as held for sale in 2014 included the assets and liabilities of FBN Microfinance Bank Limited (FBN MFB) and the Property Development Portfolio of FBN Mortgages Limited ('FBNM'). The assets and liabilities of FBN MFB were classified as such following the decision and resolution of the Board of Directors of FBN Holdings Plc. ('the company', 'FBNH' or 'Holdco') to divest from FBN MFB. The property development portfolio of FBN Mortgages Limited ('FBNM') was classified as held for sale following the commitment to sell the assets in compliance with the Central Bank of Nigeria's (CBN) regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which requires banks in Nigeria to concentrate on banking businesses.

The sale of FBN MFB was concluded in 2015, and its assets and liabilities previously classified as held for sale were transferred to the buyer (Letshego Holdings Limited). The net asset transferred was used in determining the gain on sale of subsidiary as presented in Note 34.

On the other hand, some of the inventory balance of the property development portfolio of FBN Mortgages Limited which was previously classified as held for sale was reclassified to Inventory. During the year, subscribers who purchased some of the properties in prior periods subsequently defaulted in their payment obligation to Group and opted to exchange the properties for the outstanding balance due from them. Following reassessment of the continued classification of some assets classified as held for sale at the end of the year, the Group has deemed it fit to reclassify portions of the assets to inventory because there is no firm agreement in respect of their sale despite its marketing effort (see Note 28). The reclassification was necessitated by the general economic slowdown and failure to conclude their sale for over 12 months.

The reclassification has not affected the Group's intention to sell the assets as mandated by regulatory pronouncements and its renewed marketing effort.

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Assets classified as held for sale				
Cash and balances with central banks	-	90	-	-
Loans and advances to banks	-	3,124	-	-
Loans and advances to customers	-	1,594	-	-
Investment securities	-	149	-	-
Other assets	-	157	-	-
Inventory	570	2,931	-	-
Investment in subsidiaries	-	-	-	2,000
Property, plant and equipment	-	284	-	-
Intangible assets	-	2	-	-
	570	8,331	-	2,000
Liabilities classified as held for sale				
Deposit from banks	-	46	-	-
Deposit from customers	-	1,291	-	-
Company income tax liability	-	69	-	-
Other liabilities	-	157	-	-
Deferred tax	-	29		
	-	1,592	-	-
Net asset	570	6,739	-	2,000

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33b. ASSET HELD FOR SALE: DISCONTINUED OPERATIONS

The analysis of inventory balance relating to the property development portfolio of FBN Mortgages is detailed below:

	₦ million
Balance as at 31 December 2014	2,931
Addition (recovery due to payment default)	5,930
Reclass to Inventory (Note 28)	(7,677)
Disposal during the year	(614)
Balance as at 31 December 2015	570

The fair value of the asset held for sale was determined using the sales comparison approach where the key input is price per square metre determined from recent sales of comparable property in the area (comparability is based on location and size). The fair value is within level 2 of the fair value hierarchy.

34 DISPOSAL OF SUBSIDIARY/LOSS OF CONTROL IN SUBSIDIARY

Following the Board’s approval to dispose the Group's interest in FBN Microfinance Bank Limited on 12 August 2014, the Group’s interest was classified as asset held for sale, having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount was expected to be recovered principally by a sale rather than through continuing use. The sale was completed in December 2015. The operating results of FBN Microfinance Bank Limited from 1 January 2015 to date of disposal is included in the Group’s operating results from continuing operations because the disposal group does not meet the definition of discontinued operations.

Also, in accordance with the requirements of IFRS 10, the Group re-assessed its control of Ivory Trust Fund (comprising Liquidity Management Fund, Private Banking Fund, Africa Bond, Eurostructured Bond, NSIA I and NSIA II) and concluded that it no longer controls all the funds in Ivory Trust except NSIA II. In view of this loss of control, the Group discontinued consolidation of the affected entity effective January 2015.

The aggregate book value of the net assets for the subsidiaries disposed at the date of disposal is as follows:

Group	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Cash and balances with central banks	98	-	98
Loans and advances to banks	2,916	24,304	27,220
Loans and advances to customers	1,449	-	1,449
Financial assets at fair value through profit or loss	-	5,718	5,718
Investment securities	149	21,401	21,550
Other assets	117	240	357
Property, plant and equipment	244	-	244
Intangible assets	1	-	1
Deferred tax assets	-	-	-
Total assets	4,974	51,663	56,637

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Group

	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Deposits from banks	(1,379)	-	(1,379)
Deposits from customers	(1,430)	-	(1,430)
Current income tax liability	(11)	-	(11)
Other liabilities	(97)	(598)	(695)
Liability on investment contracts	-	(52,192)	(52,192)
Deferred tax liabilities	(29)	-	(29)
Total liabilities	(2,946)	(52,790)	(55,736)
Net assets of disposal group	2,028	(1,127)	901
Net assets of disposal group attributable to NCI	-	1,127	1,127
Net assets of disposal group attributable to parent	2,028	-	2,028
Proceeds on disposal	3,800	-	3,800
Less:			
Incidental cost (severance cost and professional fees)	(200)	-	(200)
Net proceeds on disposal	3,600	-	3,600
Gain from disposal of subsidiary	1,572	-	1,572

Company

	FBN Microfinance Bank Limited ₦ million	Ivory Trust Fund (excluding NSIA II) ₦ million	Total ₦ million
Net proceeds on disposal	3,600	-	3,600
Cost of investment	(2,000)	-	(2,000)
Gain from disposal of subsidiary	1,600	-	1,600
Cash and cash equivalent lost on disposal of subsidiary/loss of control in subsidiary, net			
Cash and balances with central banks	98	-	98
Treasury bills	149	13,169	13,318
Loans and advances to banks	2,916	24,305	27,221
Less: net proceeds on disposal	(3,600)	-	(3,600)
	(437)	37,474	37,037

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35 PROPERTY, PLANT AND EQUIPMENT

Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Plant and machinery ₦ million	Work in progress* ₦ million	Total ₦ million
COST									
At 1 January 2014	37,799	18,199	9,177	29,808	8,172	7,066	58	7,117	117,396
Additions	1,557	2,658	2,484	4,728	2,333	782	13	2,361	16,916
Acquisition of new subsidiary	1,716	223	439	144	176	158	19	-	2,875
Reclassifications	1,773	456	-	1,669	173	377	-	(4,448)	-
Reclassification to assets held for sale	(125)	(58)	(64)	(120)	(92)	(39)	-	-	(498)
Disposals	-	(601)	(1,064)	(49)	(10)	(10)	(2)	(41)	(1,777)
Write-offs	-	-	(32)	(4)	(3)	(3)	-	(344)	(386)
Exchange difference	490	37	142	140	234	80	2	160	1,285
At 31 December 2014 (as previously reported)	43,210	20,914	11,082	36,316	10,983	8,411	90	4,805	135,811
Effect of final accounting of business combination (Note 57)	349	-	-	-	-	-	-	-	349
At 31 December 2014 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Accumulated depreciation									
At 1 January 2014	5,028	1,414	4,289	19,671	5,822	3,376	(10)	(3,493)	36,097
Charge for the year	1,143	6	2,152	4,944	1,884	1,233	13	-	11,375
Acquisition of new subsidiary	100	-	290	97	151	87	15	-	740
Reclassifications	(59)	(1,410)	(5)	(1,814)	(124)	(119)	37	3,493	-
Reclassification to assets held for sale	(13)	-	(32)	(68)	(74)	(27)	-	-	(214)
Disposals	-	-	(799)	(49)	(9)	(8)	-	-	(865)
Exchange differences	70	-	94	61	192	53	1	-	471
At 31 December 2014	6,269	10	5,989	22,842	7,842	4,595	56	0	47,603
Net book amount at 31 December 2014	36,941	20,904	5,093	13,474	3,141	3,816	34	4,805	88,208
Net book amount at 31 December 2014 (revised)	37,290	20,904	5,093	13,474	3,141	3,816	34	4,805	88,557
COST									
At 1 January 2015 (revised)	43,559	20,914	11,082	36,316	10,983	8,411	90	4,805	136,160
Additions	1,070	184	2,832	2,790	1,115	655	34	2,914	11,594
Reclassifications	397	52	-	1,157	404	115	-	(2,145)	(20)
Disposals	(34)	-	(1,843)	(79)	(15)	(104)	(3)	-	(2,078)
Write-offs	-	-	(12)	-	-	-	(2)	(180)	(194)
Exchange difference	380	(141)	54	67	125	43	28	189	745
At 31 December 2015	45,372	21,009	12,113	40,251	12,612	9,120	147	5,583	146,207
Accumulated depreciation									
At 1 January 2015	6,269	10	5,989	22,842	7,842	4,595	56	0	47,603
Charge for the year	1,216	-	2,331	4,827	1,976	1,150	16	-	11,516

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Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Plant and machinery ₦ million	Work in progress* ₦ million	Total ₦ million
Reclassifications	(1)	(10)	-	-	(1)	1	-	-	(11)
Disposals	(26)	-	(1,354)	(56)	(15)	(93)	(1)	-	(1,545)
Write-offs	-	-	-	-	-	-	(2)	-	(2)
Exchange differences	53	-		22	97	15	22	-	248
At 31 December 2015	7,511	-	7,005	27,635	9,899	5,668	91	0	57,809
Net book amount at 31 December 2015	37,861	21,009	5,108	12,616	2,713	3,452	56	5,583	88,398

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

Exchange difference on property, plant and equipment

The exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the Group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBNBank UK and FBNBank Congo.

*Work in progress refers to capital expenditures incurred on items of property, plant and equipment that are however not ready for use and as such are not being depreciated.

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Company

	Improvement and buildings ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture and fittings ₦ million	Work in progress* ₦ million	Total ₦ million
COST							
At 1 January 2014	-	169	20	1	212	717	1,119
Additions	-	87	2	2	7	578	676
Reclassifications	615	-	428	-	252	(1,295)	-
At 31 December 2014	615	256	450	3	471	-	1,795
ACCUMULATED DEPRECIATION							
At 1 January 2014	-	19	4	-	24	-	47
Charge for the year	61	52	47	1	68	-	229
At 31 December 2014	61	71	51	1	92	-	276
Net book amount at 31 December 2014	554	185	399	2	379	-	1,519
COST							
At 1 January 2015	615	256	450	3	471	-	1,795
Additions	-	112	1	2	1	-	115
Disposal	-	(94)	(5)	0	(17)	-	(116)
At 31 December 2015	615	274	446	5	455	-	1,794
ACCUMULATED DEPRECIATION							
At 1 January 2015	61	71	51	1	92	-	276
Charge for the year	123	76	90	1	94	-	384
Disposal	-	(46)	(3)	0	(9)	-	(58)
At 31 December 2015	184	101	138	2	177	-	602
Net book amount at 31 December 2015	431	173	308	3	278	-	1,192

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

*Work in progress refers to capital expenditures incurred on items of property, plant and equipment that are however not ready for use and as such are not being depreciated.

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36 INTANGIBLE ASSETS

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
COST						
At 1 January 2014	7,138	-	-	-	4,073	11,211
Additions	-	-	-	-	2,208	2,208
Write-off	-	-	-	-	(732)	(732)
Other changes	(1,081)	52	330	699	-	-
Acquisition of subsidiary	2,133	-	-	-	461	2,594
Exchange difference	(996)	-	-	-	126	(870)
At 31 December 2014 (as previously reported)	7,194	52	330	699	6,136	14,411
Effect of final accounting of business combination (Note 57)	(1,525)	-	-	-	-	(1,525)
At 31 December 2014 (revised)	5,669	52	330	699	6,136	12,886
Additions	-	-	-	-	4,371	4,371
Exchange difference	(141)	-	(4)	(11)	5	(151)
At 31 December 2015	5,528	52	326	688	10,512	17,106
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	552	-	-	-	1,911	2,463
Amortisation charge	-	20	207	139	1,018	1,384
Impairment charge	501	-	-	-	-	501
Write-off	-	-	-	-	(512)	(512)
Acquisition of subsidiary	-	-	-	-	393	393
Exchange difference	-	-	-	-	88	88
At 31 December 2014	1,053	20	207	139	2,898	4,317
Amortisation charge	-	26	61	144	1,926	2,157
Impairment charge	872	6	58	9	-	945
At 31 December 2015	1,925	52	326	292	4,824	7,419
NET BOOK VALUE						
At 31 December 2015	3,603	-	-	396	5,688	9,687
At 31 December 2014 (as previously reported)	6,141	32	123	560	3,238	10,094
At 31 December 2014 (revised)	4,616	32	123	560	3,238	8,569

The amortisation charge for the year is included in the income statement.

The goodwill balance of ₦3.60 billion includes ₦0.55 billion attributable to the acquisition of FBNBank DRC in the Democratic Republic of Congo concluded in 2013; ₦2.79 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; and ₦0.26 billion attributable to the acquisition of FBN General Insurance Limited (formerly Oasis Insurance Plc) in 2014.

Brands, customer deposits and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have finite useful lives and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using a straight-line method over three years, five years and two years respectively. The brand and customer relationship intangible assets were written off due to a change in the name of the acquired entities.

The software is not internally generated.

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Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash-generating unit and segmented as part of the Commercial Banking business and Insurance business groups.

In the prior year, the value of goodwill in FBNBank Guinea (formerly ICB Guinea) was reduced to the recoverable amount by an impairment charge which was recognised in operating expenses in the income statement. The impairment in FBNBank Guinea arose as a result of the outbreak of Ebola, which has led to an adverse effect on the economy.

In the current year, the goodwill of FBNBank Senegal (formerly ICB Senegal) and FBNBank Gambia (ICB Gambia) has been fully impaired and the impairment recognised in the income statement. The impairment was attributable to the general economic downturn in both economies.

The recoverable amount of each cash-generating unit has been based on value in use and the weighted average cost of capital (WACC). These calculations use pre-tax cash flow projection covering five years. The discount rate used is pre-tax.

Impairment testing on cash-generating units containing goodwill

The cash-generating units with material goodwill balances relates to FBNBank Ghana (formerly ICB Ghana) and FBNBank DRC (formerly BIC) and the key assumptions used in the value-in-use calculation are as follows:

	2015		2014	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Terminal growth rate: %	6%	4%	6%	6%
Discount rate: %	24%	27%	24%	27%
Deposit growth rate: %	12%	6%	12%	15%
Recoverable amount of the cash-generating unit: (₦' million)	11,173	10,259	12,983	8,776

Management determined deposits to be the key value driver in each of the entities above.

	2015		2014	
	FBNBank DRC	FBNBank Ghana	FBNBank DRC	FBNBank Ghana
Goodwill (₦ million)	552	2,345	1,104	2,285
Net asset (₦ million)	7,771	5,826	6,158	5,272
Total carrying amount (₦ million)	8,323	8,172	7,262	7,557
Excess of recoverable amount over carrying amount	2,850	2,087	5,721	1,219

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37 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2014: 30%, 2013: 30%).

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:		
DEFERRED TAX ASSETS		
Property and equipment	(7,842)	(8,219)
Allowance for loan losses	3,676	3,426
Tax losses carried forward	20,276	17,871
Other assets	1,472	1,318
Other liabilities	(7,491)	(7,488)
Defined benefit obligation	3,265	3,265
Prior year adjustment	987	987
Effect of changes in exchange rate	231	125
Borrowings	40	-
	14,614	11,285
DEFERRED TAX LIABILITIES		
Property and equipment	149	15
Other assets	7	7
Other liabilities	83	65
	239	87
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	13,123	9,794
- Deferred tax asset to be recovered within 12 months	1,491	1,491
	14,614	11,285
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	129	86
- Deferred tax liability to be recovered within 12 months	110	1
	239	87

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Group

	1 Jan 2015 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Assets classified as held for sale ₦ million	31 Dec 2015 ₦ million
Movements in deferred tax assets during the year:						
Property and equipment	(8,219)	-	377	-	-	(7,842)
Allowance for loan losses	3,426	-	250	-	-	3,676
Tax losses carried forward	17,871	-	2,405	-	-	20,276
Other assets	1,318	-	154	-	-	1,472
Other liabilities	(7,488)	-	(3)	-	-	(7,491)
Defined benefit obligation	3,265	-	-	-	-	3,265
Prior year adjustment	987	-	-	-	-	987
Effect of changes in exchange rate	125	-	106	-	-	231
Borrowings	-	-	40	-	-	40
	11,285	-	3,329	-	-	14,614

Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Assets classified as held for sale ₦ million	Revised 31 Dec 2014 ₦ million
Movements in deferred tax assets during the year:						
Property and equipment	(500)	-	(7,719)	-	-	(8,219)
Allowance for loan losses	3,631	-	(205)	-	-	3,426
Tax losses carried forward	419	5,145	12,307	-	-	17,871
Other assets	(405)	-	1,723	-	-	1,318
Other liabilities	(629)	-	(6,859)	-	-	(7,488)
Defined benefit obligation	3,145	-	(2)	122	-	3,265
Prior year adjustment	1,459	-	(471)	-	-	987
Effect of changes in exchange rate	-	-	125	-	-	125
	7,120	5,145	(1,101)	122	-	11,285

Group

	1 Jan 2015 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Liabilities classified as held for sale ₦ million	31 Dec 2015 ₦ million
Movements in deferred tax liabilities during the year:						
Property and equipment	15	-	134	-	-	149
Other assets	7	-	-	-	-	7
Other liabilities	65	-	18	-	-	83
	87	-	152	-	-	239

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Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P/L ₦ million	Recognised in OCI ₦ million	Liabilities classified as held for sale ₦ million	Revised 31 Dec 2014 ₦ million
Movements in deferred tax liabilities during the year:						
Property and equipment	-	0	15	-	-	15
Other assets	-	-	36	-	(29)	7
Other liabilities	37	34	(6)	-	-	65
	37	34	45	-	(29)	87

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. Temporary difference relating to the Group's investment in subsidiaries is ₦79.0 billion (2014: ₦89.5 billion). As the Group exercises control over the subsidiaries, it has power to control the timing of the reversals of the temporary difference arising from its investments in them. The Group has determined that the subsidiaries will not be disposed of. Hence, the deferred tax arising from temporary differences above will not be recognised.

38 DEPOSITS FROM BANKS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Due to banks within Nigeria	121,378	78,859
Due to banks outside Nigeria	23,274	92,292
	144,652	171,151

Deposits from banks only include financial instruments classified as liabilities at amortised cost and have a remaining period to contractual maturity of less than 12 months.

39 DEPOSITS FROM CUSTOMERS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Current	732,615	747,627
Savings	829,809	728,728
Term	970,418	1,049,023
Domiciliary	429,360	515,476
Electronic purse	8,720	9,999
	2,970,922	3,050,853
Current	2,822,847	2,891,164
Non-current	148,075	159,689
	2,970,922	3,050,853

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

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40 OTHER LIABILITIES

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Customer deposits for letters of credit	46,844	34,264	-	-
Accounts payable	66,117	52,313	-	-
Creditors	19,817	16,457	380	7,950
Bank cheques	15,290	14,964	-	-
Collection on behalf of third parties	4,621	7,759	-	-
Unclaimed dividend	4,187	-	4,187	-
Accruals	11,565	6,876	1,184	1,640
	168,441	132,633	5,751	9,590

Other liabilities are expected to be settled within no more than 12 months after the date of the consolidated statement of financial position.

41 LIABILITY ON INVESTMENT CONTRACTS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Long-term clients	10,157	-
Short-term clients	-	60,617
	10,157	60,617
Current	-	60,617
Non-current	10,157	-
	10,157	60,617

42 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Outstanding claims	757	556
Unearned premium	1,235	917
Short-term insurance contract - claims incurred but not reported (IBNR)	502	264
Liability on annuity fund	2	-
Liability on long-term insurance contract - life fund	9,341	6,523
	11,837	8,260
Current	2,494	1,737
Non-current	9,343	6,523
	11,837	8,260

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43 BORROWINGS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Long-term borrowings comprise:		
FBN eurobond (a)	**152,434**	141,819
Due to European Investment Bank (b)	**-**	565
Due to Deutsche Bank (c)	**6,224**	6,731
On-lending facilities from financial institutions (d)	**83,332**	32,449
Borrowing from correspondence banks (e)	**14,126**	188,143
	256,116	369,707
Current	**36,125**	206,299
Non-current	**219,991**	163,408
	256,116	369,707
At start of the year	**369,707**	126,302
Acquisition of subsidiary	**-**	2,497
Proceeds of new borrowings	**75,961**	315,792
Finance cost	**15,273**	17,995
Foreign exchange losses/(gains)	**7,722**	(9,721)
Repayment of borrowings	**(200,445)**	(71,308)
Interest paid	**(12,102)**	(11,850)
At end of year	**256,116**	369,707

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2014: nil).

a. FBN Eurobond:
Facilities represent dollar notes I and II issued by FBN Finance Company B.V. Netherlands on 7 August 2013 and on 18 July 2014 for a period of seven years. The notes I bear interest at 8.25% per annum up to the Bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the Bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States dollar swap transactions with a maturity of two years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

b. Due to European Investment Bank:
Facility represents a medium-term loan (callable notes) secured from the European Investment Bank. The loan is divided into tranche A of €35 million for a tenure of five years and tranche B of €15 million for a tenure of eight years, which qualifies it as tier 2 capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The loan was fully repaid in April 2015.

c. Due to Deutsche Bank:
Facility represents a medium-term loan secured from Deutsche Bank on 15 August 2014 for a period of five years to augment working capital. The loan bears interest at the rate of 2.68% per annum.

d. On-lending facilities:
Included in on-lending facilities from financial institutions are disbursements from other banks and financial institutions that are guaranteed by FBN for specific customers. These facilities include the Bank of Industry (BOI) funds and Commercial Agriculture Credit Scheme (CACS) intervention funds. See further notes below.

i. CBN/BOI facilities
The CBN, in a bid to unlock the credit market, approved the investment of ₦200 billion debenture stock to be issued by the BOI, which would be applied to the refinancing/restructuring of the Bank's loans to the manufacturing sector. During the year, the BOI disbursed an additional ₦31.6 billion (2014: ₦9.16 billion) to FirstBank. The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate of 7% per annum.

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ii. CBN/CACS intervention funds
The CBN in collaboration with the FGN represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the CACS. During the year, First Bank of Nigeria Limited received ₦4.2 billion (2014: ₦6.8 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven-year period at an interest rate of 9% per annum.

iii. CBN on-lending bail-out fund
During the year, First Bank of Nigeria Limited received ₦25.7 billion for on-lending to two state governments in line with the CBN special intervention fund. The loans granted are at an interest rate of 9%.

e. Borrowings from correspondence banks:
Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits for international trade.

44 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Defined benefits plan		
Gratuity scheme (i)	55	17
Defined benefits - pension (ii)	3,083	1,636
Gratuity scheme (iii)	626	376
	3,764	2,029

Plan liabilities are based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2015 and 31 December 2014.

Gratuity scheme (i)
This relates to the schemes operated by FBN Insurance Brokers as a non-contributory defined gratuity scheme whereby, on separation, staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity.

Movement in the present value of the defined benefit obligation (gratuity scheme (i)) in the current year is as follows:

Group	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Defined benefit pension obligations/value of plan assets at 1 January 2014	535	(55)	480
Transfer to defined benefits – pension (ii)	(343)	-	(343)
Service cost	45	-	45
Interest cost	8	(7)	1
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	-	2	2
- Change in demographic assumptions	(12)	-	(12)
Contributions:			
- Employer	-	(72)	(72)
Payments:			
- Benefit payment	(85)	1	(84)
Defined benefit pension obligations/value of plan assets at 31 December 2014	148	(131)	17
Transfer to defined benefits – pension (ii)	-	-	-

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	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Service cost	46	-	46
Interest cost	17	(15)	2
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	-	(28)	(28)
- Change in demographic assumptions	50	-	50
Contributions:			
- Employer		(32)	(32)
Payments:			
- Benefit payment	(20)	20	-
Defined benefit pension obligations/value of plan assets at 31 December 2015	**241**	**(186)**	**55**

Composition of plan assets

Group

	2015 Quoted ₦ million	2015 Unquoted ₦ million	2015 Total ₦ million	2014 Quoted ₦ million	2014 Unquoted ₦ million	2014 Total ₦ million
Debt instruments			186			131
- Government	-	144		-	103	
- Money market investments	-	42		-	27	
Others	-	-	-	-	1	-
Total	-	186	186	-	131	131

The weighted average duration of the defined benefit obligation is 11.81 years.

Defined benefit – pension (ii)
FirstBank has an old defined benefit scheme, discontinued in March 2001. The funds are placed with fund managers and the Bank is under obligation to fund the deficit.

In addition, First Pension Custodian Nigeria Limited (FPCNL), a direct subsidiary of FirstBank, has a non-contributory defined gratuity scheme for staff and directors. Staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of nine years. The Company discontinued the staff scheme in 2014 and individual members' benefits were calculated on a discontinuance basis. The directors' scheme is on a continuing basis.

The movement in the defined benefit obligation over the year is as follows:

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Defined benefit pension obligations at 1 January 2014	11,801	(10,690)	1,111
Transfer from gratuity scheme (1)	343	-	343
Interest expense/(income)	1,255	(1,190)	65
Service cost	69	-	69
Curtailment losses	23	-	23

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Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	1,861	1,861
- Change in demographic assumptions	(1,445)	-	(1,445)
Contributions:			
- Employer	-	(381)	(381)
Payments:			
- Benefit payment	(1,608)	1,598	(10)
Defined benefit pension obligations at 31 December 2014	10,438	(8,802)	1,636
Interest expense/(income)	1,328	(1,116)	212
Service cost	43	-	43
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(474)	(474)
- Change in demographic assumptions	1,756	-	1,756
Contributions:			
- Employer	-	(88)	(88)
Payments:			
- Benefit payment	(1,531)	1,531	-
Defined benefit pension obligations at 31 December 2015	12,034	(8,949)	3,085

Composition of plan assets

Group

	2015 Quoted ₦ million	2015 Unquoted ₦ million	2015 Total ₦ million	2014 Quoted ₦ million	2014 Unquoted ₦ million	2014 Total ₦ million
Equity instruments			949			1,556
- Banking	805			1,470		
- Oil service	6			53		
- Real estate	21			33		
- Manufacturing	117			-		
Debt instruments			7,738			7,179
- Government	5,616				5,737	
- Corporate bond	884				466	
- Money market investments		1,238			976	
Money on call		252	252		67	67
Others		10	10		-	-
Total	7,449	1,500	8,949	1,556	7,246	8,802

The fair value of plan assets is calculated with reference to quoted prices and is within level 1 of the fair value hierarchy.

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Arising from the defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: the plan liabilities are calculated using a discount rate set with reference to Federal Government bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. In the equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long-term objectives of the fund while taking advantage of selling off Government bonds to enter duration at attractive yields.

Changes in bond yields: a decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings. The rate used to discount post-employment benefit obligations is determined with reference to market yields at the balance sheet date on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The Group is of the opinion that there is no deep market in corporate bonds in Nigeria and as such assumptions underlying the determination of discount rate are referenced to the yield on Nigerian Government bonds of medium duration, as compiled by the Debt Management Organisation.

Life expectancy: the majority of the plan's obligations are to provide benefits for the members, so increases in the life expectancy will result in an increase in the plan's liabilities. This risk is significantly curtailed by the weighted average liability duration of the plan, which is currently six years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the Group ensures that the investment positions are managed within the Asset and Liability Management (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation.

The weighted average duration of the defined benefit obligation is 6.58 years.

	31 Dec 2015 %	31 Dec 2014 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11	14
Inflation rate	9	9
Future pension increases	0	0

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in table below:

	Assumption	Defined benefit obligation ₦ million	Impact on liability %
Discount rate	14%	11,807	0
	15%	11,137	(5.7)
	13%	12,562	12.8
Life expectancy	Base	11,807	0.0
	Improved by 1 year	11,926	1.0
	Decreased by 1 year	11,683	(2.0)

The above sensitivity analysis is for FirstBank and deemed to be representative of the Group. It is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

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Gratuity scheme (iii)
This relates to the schemes operated by the subsidiaries of FirstBank as follows:

FBNBank Congo (DRC) has a scheme whereby, on separation, staff who have spent a minimum of three years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the bank. FBN Mortgages provides gratuity benefit to eligible staff who are confirmed and have spent a minimum of five years and for directors who have spent minimum of two years.

FBNBank Guinea and FBNBank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receive a lump sum based on their qualifying basic salaries on the number of years spent. The aggregate balance on this scheme is deemed immaterial.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Defined benefit cost, charged to income statement (refer to Note 17)		
Gratuity scheme (i)	**48**	45
Defined benefits - pension (ii)	**255**	134
Gratuity scheme (iii)	**-**	32
	303	211
Defined benefit cost, charged to other comprehensive income		
Gratuity scheme (i)	**50**	(12)
Defined benefits - pension (ii)	**1,756**	(1,445)
Gratuity scheme (iii)	**(402)**	1,821
	1,404	364

The information of the professionals engaged by the entities within the Group for valuation of their respective retirement benefit obligations are as follows:

Entity:	FBN Limited	FBN Insurance Broker Limited
Name of the professional:	O. O. Okpaise	O. O. Okpaise
Name of the professional firm/entity:	HR Nigeria Limited	HR Nigeria Limited
FRC registration number of the professional:	FRC/2012/NAS/00000000738	FRC/2012/NAS/00000000738

45 SHARE CAPITAL

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
AUTHORISED		
50 billion ordinary shares of 50k each (2014: 50 billion)	**25,000**	25,000

Issued and fully paid

	Number of shares In millions	Ordinary shares ₦ million
MOVEMENTS DURING THE PERIOD		
At 31 December 2014	**32,632**	16,316
Issue during the year (bonus)	**3,263**	1,632
At 31 December 2015	**35,895**	17,948

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46 SHARE PREMIUM AND RESERVES

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

Share premium: premiums (i.e., excess over nominal value) from the issue of shares are reported in share premium.

Retained earnings: retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Nigerian banking regulations require banks to make an annual appropriation to a statutory reserve. As stipulated by S16(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.

Capital reserve: reserve arising from business restructuring.

Available for sale (AFS) fair value reserve: the AFS fair value reserve shows the effects from the fair value measurement of financial instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

SSI reserve: this reserve is maintained to comply with the CBN requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments 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 five years, but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The small and medium-scale industries' equity investment scheme reserves are non-distributable.

Contingency reserve: as required by insurance regulations, a contingency reserve is maintained for both the non-life insurance and life assurance contracts underwritten by the Group. The appropriation to contingency reserve for non-life underwriting contracts is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act 2003. The reserve is calculated at the higher of 3% of gross premiums and 20% of net profits of the business for the year. The appropriation to contingency reserve for life underwriting contracts is calculated at the higher of 1% of the gross premium and 10% of net profits of the business for the year. The appropriations are charged to the Life Fund.

Statutory credit reserve: the Group determines its loan loss provisions based on the requirements of IFRS. The difference between the loan loss provision as determined under IFRS and the provision as determined under Nigerian Prudential Guidelines (as prescribed by the CBN) is recorded in this reserve. This reserve is non-distributable.

Treasury share: this represents the purchase consideration of the shares of FBN Holdings Plc, held by one of its subsidiaries as at 31 December 2015 (2014: ₦0.18 billion) entities within the Group. These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.

Foreign currency translation reserve (FCTR): records exchange movements on the Group's net investment in foreign subsidiaries.

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47 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Profit before tax from continuing operations	21,512	94,056	2,180	5,683
Adjustments for:				
- Depreciation and amortisation	13,673	12,758	384	229
- Impairment of intangible assets (Note 36)	945	501	-	-
- Loss/(profit) from disposal of property and equipment	186	(435)	7	-
- Foreign exchange gains	7,443	(9,721)	-	(42)
- Profit from disposal of subsidiaries	(1,572)	-	(1,600)	-
- Gain on bargain purchase	-	(1,172)	-	-
- (Profit)/loss from disposal of investment securities	(6,666)	230	(36)	-
- Net (gains)/losses from financial assets at fair value through profit or loss	(2,055)	1,262	-	-
- Impairment on loans and advances	119,858	27,917	-	-
- Write-off of property, plant and equipment and intangible assets	212	606	-	-
- Change in provision in other assets	1,752	286	-	-
- Change in provision for impairment of investments	-	-	850	7,781
- Change in retirement benefit obligations	331	(258)	-	-
- Share of profit from associates	-	(599)	-	-
- Dividend income	-	(1,469)	(4,493)	(13,747)
- Interest income	(396,190)	(362,580)	(614)	(2,886)
- Interest expense	131,167	118,725	-	-
Increase/(decrease) in operating assets:				
- Cash and balances with the Central Bank (restricted cash)	86,420	(222,526)	-	-
- Inventories	(4,167)	(7,551)	-	-
- Loans and advances to banks	110,004	(38,269)	-	-
- Loans and advances to customers	249,462	(406,121)	17	(8)
- Financial assets at fair value through profit or loss	(5,744)	(11,773)	-	-
- Other assets	(8,261)	12,464	(420)	210
- Pledged assets	(37,163)	(14,833)	-	-
- Assets held for sale	2,787	1,618	-	-
Increase/(decrease) in operating liabilities:				
- Deposits from banks	(26,499)	54,031	-	-
- Deposits from customers	(67,270)	50,199	-	-
- Financial liabilities	1,571	9,217	-	-
- Liability on investment contracts	1,732	(8,106)	-	-
- Liability on insurance contracts	3,577	3,776	-	-
- Liability held for sale	1,354	-	-	-
- Other liabilities	36,405	(18,510)	2,192	(1,244)
Cash flow generated from/(used in) operations	234,804	(716,277)	(1,533)	3,758

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48 COMMITMENTS AND CONTINGENCIES

48.1 Capital commitments

At the balance sheet date, the Company had no capital commitments (2014: nil) in respect of authorised and contracted capital projects.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Authorised and contracted		
Group	**527**	375
Company	**-**	-

48.2 Operating lease rentals

At 31 December 2015, the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Within one year	**262**	257
Between two and five years	**848**	834
More than five years	**2,302**	2,265
	3,412	3,356

48.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations.

There were contingent liabilities in respect of legal actions against the Group, for which provisions amounting to ₦542.81 million have been made (2014: nil). The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystallise from these cases beyond the provision made in the financial statements.

48.4 Other contingent commitments

In the normal course of business the Group is a party to financial instruments that carry off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off balance sheet financial instruments are:

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Performance bonds and guarantees	**295,469**	429,279
Letters of credit	**126,227**	272,718
	421,696	701,997

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48.5 Loan commitments

	Group	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Undrawn irrevocable loan commitments	**33,342**	90,379

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit-related commitments is disclosed in Note 3.7.3b.

48.6 Compliance with covenants

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor that would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

FirstBank is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Management believes that FirstBank is in compliance with these covenants at 31 December 2015 and 31 December 2014.

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49 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The information shown below relates to FirstBank and FBN Insurance, as no other entity within the Group has an offsetting arrangement.

Financial instruments subject to offsetting, enforceable master netting and similar arrangement are as follows:

31 December 2015	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(d)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	5,049	-	5,049	-	2,306	2,743
Reinsurance receivables	663	-	663	43	-	620
Total assets subject to offsetting, master netting and similar arrangements	5,712	-	5,712	43	2,306	3,363
LIABILITIES						
Financial derivatives	2,658	-	2,658	-	-	2,658
Trade payables	43	-	43	43	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	2,701	-	2,701	43	-	2,658

31 December 2014	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collaterals received (e) ₦ million	Net amounts of exposure (f)=(c)-(d)-(e) ₦ million
ASSETS						
Financial assets at fair value through profit or loss	9,258	-	9,258	-	5,983	3,275
Reinsurance receivables	558	-	558	28	-	530
Total assets subject to offsetting, master netting and similar arrangements	9,816	-	9,816	28	5,983	3,805
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Trade payables	28	-	28	28	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	7,974	-	7,974	28	-	7,946

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting

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reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Group also made margin deposits with ICBC Standard Bank (2014: Merril Lynch and Goldman Sachs) as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined event as stipulated within the treaty agreements. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the statement of financial position.

50 RELATED-PARTY TRANSACTIONS

The Group is controlled by FBN Holdings Plc, which is the parent company, whose shares are widely held. FBN Holdings Plc is a financial holding company licensed by the CBN. In 2015, there were no related-party transactions other than a loan granted to a director.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

50.1 Loans and advances to related parties

The Company did not grant credit facilities to other companies that have common directors with the Company and those that are members of the Group.

COMPANY	Directors and other key management personnel and close family members ₦ million	Subsidiaries ₦ million
31 DECEMBER 2015		
Loans and advances to customers		
Loans outstanding at 1 January	37	-
Loans issued during the year	-	-
Loan repayments during the year	(37)	-
Loans outstanding at 31 December	-	-
31 DECEMBER 2014		
Loans and advances to customers		
Loans outstanding at 1 January	52	7,332
Loans issued during the year	-	969
Loan repayments during the year	(15)	(8,301)
Loans outstanding at 31 December	37	-

No impairment loss has been recognised in respect of loans given to related parties.

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 5% to 24%.

50.2 Deposits from related parties

The Company had no deposits from related parties in 2015 (2014: nil).

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50.3 Other transactions with related parties

	Subsidiaries ₦ million
31 DECEMBER 2015	
Interest income	-
Intercompany payable	-
Intercompany receivable	-
31 DECEMBER 2014	
Interest income	969
Intercompany payable	7,844
Intercompany receivable	(571)

50.4 Key management compensation

Key management includes executive directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Salaries and other short-term employee benefits	1,043	1,007	251	208
Post-employment benefits	931	389	190	6
	1,974	1,396	441	214

51 DIRECTORS' EMOLUMENTS

Remuneration paid to the Group's directors (excluding certain allowances) was:

	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million
Fees	68	49
Sitting allowances	11	8
Executive compensation	90	83
Retirement benefit costs	184	-
Other directors' costs and expenses	694	611
	1,047	751
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	48	45
Highest-paid director	90	83

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 Dec 2015	31 Dec 2014
₦3,000,001 and above	10	8
	10	8

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52 COMPLIANCE WITH REGULATIONS

No penalty was paid by the Company during the year.

53 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant event occurred after the reporting date.

54 DIVIDENDS PER SHARE

A cash dividend of ₦3.26 billion at ₦0.10 per share (2013: ₦35.9 billion) that relates to the period to 31 December 2014 was paid in May 2015. In addition, a bonus share of 1 for every 10 held was issued.

55 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the Group and held as treasury shares.

The Company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	Group		Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Profit from continuing operations attributable to owners of the parent (₦ million)	**15,406**	84,231	**2,180**	5,683
Weighted average number of ordinary shares in issue (million)	**35,895**	35,895	**35,895**	35,895
Basic/diluted earnings per share (expressed in naira per share) - from continuing operations	**0.43**	2.35	**0.06**	0.16

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares. In line with requirements of IAS 33, earnings per share (EPS) for the year ended 31 December 2014 has been recalculated to account for the effect of bonus issue during the year ended 31 December 2015.

56 NON-AUDIT SERVICES

The external auditors of FBN Holdings Plc, PricewaterhouseCoopers, rendered services in respect of review of the financial statement of Kakawa Discount House Limited as at 30 September 2014 (acquisition date) and valuation of financial instruments. Payments made in respect of these services, amounting to ₦10.5 million, were included in legal and other professional fees.

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57 EFFECT OF FINAL ACCOUNTING FOR BUSINESS COMBINATION

The Group has revised its previously issued consolidated statements of financial position as at 31 December 2014 and the consolidated income statement for the year ended 31 December 2014 to recognise the impact of final accounting for the acquisition of 100% shareholdings in Kakawa Discount House Limited (now FBN Merchant Bank). In accordance with IFRS 3, the final accounting for the acquisition resulted in changes in the identifiable assets and liabilities acquired, hence the retrospective adjustment.

The retrospective adjustment impacts the following balances:

(i) Loans and advances to customers;
(ii) Other assets;
(iii) Intangible assets;
(iv) Property, plant and equipment;
(v) Deferred tax assets;
(vi) Deferred tax liabilities; and
(vii) Retained earnings.

This application of IFRS 3 did not have an impact on the statement of cash flows.

(i) Impact on consolidated statement of financial position

	As at 31 December 2014 previously reported ₦ million	Adjustment ₦ million	As at 31 December 2014 Revised ₦ million
ASSETS			
Loans and advances to customers	2,178,980	6	2,178,986
Other assets	40,692	(52)	40,640
Intangible assets	10,094	(1,525)	8,569
Property, plant and equipment	88,208	349	88,557
Deferred tax assets	8,992	2,293	11,285
LIABILITIES			
Deferred tax liabilities	188	(101)	87
EQUITY			
Retained earnings	**108,637**	**1,172**	**109,809**

(ii) Impact on the consolidated income statement

	As at 31 December 2014 previously reported ₦ million	Adjustment ₦ million	As at 31 December 2014 Revised ₦ million
Gain from bargain purchase	-	1,172	1,172

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	Group			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	505,191		481,774	
Interest and fee expense	(140,750)		(124,930)	
	364,441		356,844	
Administrative overheads	(129,518)		(145,416)	
Value added	234,923	100	211,428	100
DISTRIBUTION				
Employees				
Salaries and benefits	80,416	34	79,843	38
Government				
Taxation	6,364	3	10,045	5
The future				
Asset replacement (depreciation)	11,516	5	11,375	5
Asset replacement (amortisation)	2,157	1	1,384	1
Asset replacement (provision for losses)	119,322	51	25,942	11
Expansion (transfers to reserves)	15,148	6	84,011	36
	234,923	100	211,428	100

	Company			
	31 Dec 2015 ₦ million	%	31 Dec 2014 ₦ million	%
Gross income	6,794		16,969	
Interest and fee expense	-		-	
	6,794		16,969	
Administrative overheads	(2,695)		(2,117)	
Value added	4,099	100	14,852	100
DISTRIBUTION				
Employees				
Salaries and benefits	685	17	1,159	8
Government				
Company income tax	-	-	-	-
The future				
Asset replacement (depreciation)	384	9	229	2
Asset replacement (amortisation)	-	-	-	-
Asset replacement (provision for losses)	850	21	7,781	52
Expansion (transfers to reserves)	2,180	53	5,683	38
	4,099	100	14,852	100

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STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2011 ₦ million
ASSETS					
Cash and balances with central bank	**715,871**	698,104	594,234	300,532	199,228
Loans and advances to banks	**385,769**	460,911	430,586	439,853	463,328
Loans and advances to customers	**1,817,271**	2,178,986	1,769,130	1,541,377	1,252,154
Financial assets at fair value through profit or loss	**26,426**	27,601	10,287	6,112	5,964
Investment securities	**913,779**	711,639	824,064	718,040	694,826
Assets pledged as collateral	**105,646**	68,483	53,650	50,109	72,129
Other assets	**35,483**	40,640	45,640	45,992	63,061
Inventory	**49,649**	37,805	30,253	21,676	25,609
Investment in associates	**-**	-	7,029	6,321	7,489
Investment properties	**3,025**	2,826	2,413	4,003	4,055
Property, plant and equipment	**88,398**	88,557	81,299	75,407	65,889
Intangible assets	**9,687**	8,569	8,748	3,523	1,008
Deferred tax	**14,615**	11,285	7,120	8,201	6,954
Assets held for sale	**570**	8,331	4,549	5,221	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693
FINANCED BY					
Share capital	**17,948**	16,316	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524	254,524
Reserves	**304,285**	249,190	196,432	167,927	96,251
Non-controlling interest	**3,675**	4,033	4,505	2,548	964
Deposits from banks	**144,652**	171,151	82,032	89,430	183,500
Deposits from customers	**2,970,922**	3,050,853	2,929,081	2,395,148	1,951,011
Financial liabilities at fair value through profit or loss	**12,488**	10,917	1,701	1,796	2,857
Liabilities on investment contracts	**10,157**	60,617	68,723	54,995	49,440
Liabilities on insurance contracts	**11,837**	8,260	3,651	2,127	824
Borrowings	**256,116**	369,707	126,302	75,541	106,204
Retirement benefit obligations	**3,764**	2,029	1,924	19,380	15,081
Current income tax	**8,773**	11,829	34,167	23,389	24,328
Other liabilities	**168,441**	132,633	149,606	122,202	159,325
Deferred income tax liabilities	**239**	87	37	225	1,069
Liabilities held for sale	**-**	1,592	-	819	-
	4,166,189	4,343,737	3,869,001	3,226,367	2,861,693

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INCOME STATEMENT

	As reported under IFRS				
	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million
Gross earnings	**505,191**	481,774	396,235	370,167	273,811
Net operating income	**362,868**	356,243	296,426	301,072	237,027
Gain from disposal of subsidiary	**1,572**	-	-	-	-
Insurance claims	**(3,306)**	(1,043)	(488)	(498)	(81)
Operating expenses	**(220,300)**	(235,801)	(185,298)	(193,513)	(146,064)
Group's share of associate's results	**-**	599	1,006	(592)	(1,507)
Impairment charge for credit losses	**(119,322)**	(25,942)	(20,309)	(12,549)	(38,011)
(Loss) on sale of assets to AMCON	**-**	-	-	-	(15,501)
Profit before taxation	**21,512**	94,056	91,337	93,920	35,863
Taxation	**(6,364)**	(10,045)	(20,706)	(17,120)	(17,227)
Profit from continuing operations	**15,148**	84,011	70,631	76,800	18,636
Profit from discontinuing operations	**-**	-	-	-	-
Profit for the year	**15,148**	84,011	70,631	76,800	18,636
Profit attributable to:					
Owners of the parent	**15,406**	84,231	70,135	77,020	19,520
Non-controlling interest	**(258)**	(220)	496	(220)	(884)
	15,148	84,011	70,631	76,800	18,636
Earnings per share in kobo (basic/diluted)	**43**	235	216	237	57

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	31 Dec 2015 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS				
Loans and advances to banks	**4,792**	3,261	1,477	-
Loans and advances to customers	**63**	80	72	-
Investment securities	**7,019**	4,272	9,847	15,771
Investment in associates	**1,500**	1,500	9,281	11,875
Investment in subsidiaries	**263,595**	260,777	246,777	243,065
Other assets	**4,670**	14,361	43,285	236
Property, plant and equipment	**1,192**	1,519	1,072	30
Assets held for sale	**-**	2,000	-	-
	282,831	287,770	311,811	270,977
FINANCED BY				
Share capital	**17,948**	16,316	16,316	16,316
Share premium	**252,892**	254,524	254,524	254,524
Reserves	**6,240**	7,340	37,261	(947)
Other liabilities	**5,751**	9,590	3,710	1,084
	282,831	287,770	311,811	270,977

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	12 months ended 31 Dec 2015 ₦ million	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	1 month ended 31 Dec 2012 ₦ million
Gross earnings	**6,794**	16,969	74,988	1
Net operating income	**5,195**	7,800	72,289	-
Gain from disposal of subsidiary	**1,600**	-	-	-
Operating expenses	**(4,615)**	(2,117)	(1,658)	(819)
Profit before taxation	**2,180**	5,683	70,631	(819)
Taxation	**-**	-	-	-
Profit after taxation	**2,180**	5,683	70,631	(819)
Earnings per share in kobo (basic/diluted)	**6**	16	216	(3)

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SHAREHOLDER RESOURCES

Global depositary receipts (GDR) programme

FBNHoldings (previously FirstBank) commenced a USD100 million GDR programme in May 2007.

A global depositary receipt (GDR) is a negotiable certificate representing ownership of shares. It is held by a depositary bank and represents a specific number of shares of a stock traded on a stock exchange of many countries. GDRs are quoted and traded, and dividends are usually paid in US dollars. GDRs facilitate the trading and holding of non-US securities by foreign investors.

At inception of the programme, 7,700,400 units were created, with each unit represented by 50 units of FirstBank ordinary shares. Over the years, several investors in the programme have converted their holdings in GDR to nominal FBNHoldings shares for the purpose of trading in the Nigerian equity capital market.

On 26 November 2012, FBNHoldings was listed on the Nigerian Stock Exchange, replacing FirstBank, and the existing shareholders in FirstBank exchanged ordinary shares in FBNHoldings equal to the number of shares held in FirstBank.

As at 31 December 2015, there were 3,754 units outstanding.

Dividend history

FIRST BANK OF NIGERIA LTD

Payment no.	Year end	DIV type	Date payable	Total net DIV AMT (N)	DIV per share	Net DIV AMT unclaimed as at Dec 2015	% net DIV AMT unclaimed
46	31 Mar 2003	Final	04 Aug 2003	3,810,850,516.50	1.50	112,797,881.53	2.96
47	31 Mar 2004	Final	23 Aug 2004	4,886,322,044.71	1.55	100,433,217.06	2.06
48	31 Mar 2005	Final	29 Aug 2005	6,325,223,995.20	1.60	87,030,574.95	1.38
49	31 Mar 2006	Final	28 Aug 2006	4,714,802,449.20	1.00	82,995,656.10	1.76
50	31 Mar 2007	Final	03 Sep 2007	10,477,338,776.00	1.00	291,388,241.08	2.78
51	31 Mar 2008	Final	25 Aug 2008	21,481,234,960.68	1.20	263,986,135.12	1.23
52	31 Mar 2009	Final	24 Aug 2009	30,207,986,658.90	1.35	256,147,878.73	0.85
53	31 Dec 2009	Final	31 May 2010	2,610,566,748.54	0.10	292,400,820.33	11.20
54	31 Dec 2010	Final	06 Jun 2011	17,621,325,552.24	0.60	683,448,427.19	3.88
55	31 Dec 2011	Final	04 Jun 2012	23,495,100,736.32	0.80	672,439,475.96	2.86
Total				**125,630,752,438.29**		**2,843,068,308.05**	**2.26**

FBN HOLDINGS PLC

Payment no.	Year end	DIV type	Date payable	Total net DIV AMT (N)	DIV per share	Net DIV AMT unclaimed as at Dec 2015	% net DIV AMT unclaimed
1	31 Dec 2012	Interim	03 Jun 2013	29,434,858,173.90	1.00	1,279,064,236.28	4.30
2	27 May 2013	Final	26 May 2014	32,408,788,807.89	1.10	2,071,503,257.99	6.30
3	31 Dec 2014	Final	25 May 2015	2,963,937,941.94	0.10	567,375,487.18	19.10
Total				**64,807,584,923.73**		**3,917,942,981.45**	**6.05**

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2016 FBNHoldings financial reporting calendar

Date	Event
Wednesday 13 April	FirstBank Annual General Meeting
Tuesday 26 April	Release of FY 2015 & Q1 2016 results on the floor of the NSE
Wednesday 27 April	FBNHoldings publication of FY 2015 & Q1 results in the national dailies
Wednesday 27 April	FY 2015 & Q1 2016 results conference call
Friday 29 April	FirstBank publication of Q1 2016 results in the national dailies
Thursday 26 May	FBNHoldings Annual General Meeting
Monday 25 July	Release of FBNHoldings H1 2016 on the floor of the NSE
Tuesday 26 July	FBNHoldings publication of H1 2016 results in the national dailies
Tuesday 26 July	FirstBank publication of H1 2016 results in the national dailies
Tuesday 26 July	H1 2016 results conference call
Friday 28 October	Release of 9M 2016 results on the floor of the NSE
Monday 31 October	FBNHoldings publication of 9M 2016 results in national dailies
Monday 31 October	9M 2016 results conference call

These dates are subject to change. Please ensure you refer to the Investor Relations website for updates.

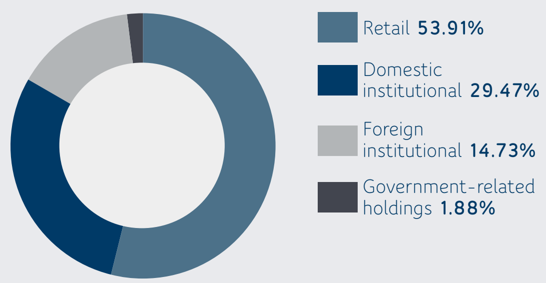
Share statistics

	2015	2014
Market indicators		
NSE all share index	**28,642.25**	34,663.92
Share price		
High for the year ₦	**10.54**	16.29
Low for the year ₦	**4.64**	7.79
Closing ₦	**5.13**	8.8
Share price		
Number of share (million)	**7,163.06**	620.15
Value of shares (₦ million)	**52,933.93**	4,676.47

Shareholder analysis as at 31 December 2015

Type of shareholding	Holdings	Holdings %
Retail	19,352,806,311	53.91
Domestic institutional	10,579,552,190	29.47
Foreign institutional	5,287,901,441	14.73
Government-related holdings	675,032,850	1.88
	35,895,292,792	**100**

BREAKDOWN OF SHAREHOLDERS BY TYPE



Credit rating summary

	Rated entity	Report date	National Long term	National Short term	International Long term	International Short term	Outlook
Standards & Poor's	FBNHoldings	March 2016	ngBB+	ngB	B-	C	Stable
	FirstBank	March 2016	ngA-	ngA-2	B+	B	Negative
Fitch	FBNHoldings	February 2016	A(nga)	F1(nga)	B	B	Negative
	FirstBank	February 2016	A+(nga)	F1(nga)	B+	B	Negative
Global Credit Rating (GCR)	FirstBank	August 2015	AA- (NG)	A1+(NG)	-	-	Stable
Agusto & Co	FirstBank	June 2015	Aa-	-	-	-	Stable

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Share capitalisation history

Year	Authorised Increase (₦)	Cumulative (₦)	Paid Up Increase (₦)	Cumulative (N)	Cumulative No of Shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 July 1976	-	15,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 July 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 July 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 July 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 July 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Holdings Plc shares issued in exchange for minority shares in FBN merchant bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Holdings Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Holdings Plc shares issued to majority shareholders in FBN merchant bank arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
1 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)
21 May 2015			-	3,263,208,435	35,895,292,792	Bonus (1 for 10)

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NOTICE OF 4TH ANNUAL GENERAL MEETING

FBN HOLDINGS PLC
RC 916455

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Thursday, 26 May 2016 at 10a.m. to transact the following:

Ordinary Business

1. To receive the audited accounts for the financial year ended 31 December 2015 together with the reports of the Directors, Auditors and Audit Committee thereon
2. To declare a dividend
3. To elect Directors

3a. To elect Muhammad Kabiru Ahmad, OON, as Director

3b. To elect UK Eke, MFR, as Director

3c. To elect Dr Adesola Adeduntan as Director

4. To re-elect retiring Directors

4a. To re-elect Chidi Anya as Director

4b. To re-elect Dr Oba Otudeko, CFR, as Director

5. To authorise the Directors to fix the remuneration of the Auditors
6. To elect members of the Audit Committee

Special Business

To consider, and if thought fit, pass the following as special resolutions:

7a. To approve the write-down of the Company's Share Premium account, general reserves, or any other reserve account as may be deemed appropriate with the sum of ₦19.5 billion to recognise the write-off of the same amount in the capital reserves of FBN Capital Limited.

7b. To authorise the Directors to perform all such other acts and do all such other things as may be necessary for or incidental to effecting the above resolution, including without limitation, entering into any agreement and/or executing any documents necessary, and obtaining or complying with the directives and/or orders of any court and/or any regulatory authority.

Notes

1. PROXY

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy must be duly stamped at the Stamp Duties Office and deposited at the registered Office of the Company or the Office of the Registrar, First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time for holding the meeting.

2. DIVIDEND WARRANTS

If the proposed dividend recommended by the directors is approved by members at the AGM, the Dividend Warrants will be posted on Monday, 30 May 2016 to members whose names appear in the Register of members at the close of business on 06 May 2016.

3. CLOSURE OF REGISTER OF MEMBERS

In accordance with section 89 of the Companies and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from 9–13 May 2016 (both dates inclusive) to enable the Registrar to update its records in preparation for the payment of dividend.

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4. AUDIT COMMITTEE

In accordance with Section 359(5) of CAMA, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the AGM. The Code of Corporate Governance of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) respectively indicate that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes.

Similarly, in line with Section C of Rule 2 of the Financial Reporting Council of Nigeria (FRCN) Rules, the Chairman of the Audit Committee must be a professional member of an accounting body established by Act of the National Assembly in Nigeria.

In view of the foregoing, we would therefore request that nominations must be accompanied by a copy of the nominee's Curriculum Vitae. The Curriculum Vitae of eligible candidates will be posted on the Company's website before the date of the meeting.

5. ELECTION/RE-ELECTION OF DIRECTORS

i. Election of Directors

Muhammad Kabiru Ahmad, OON, UK Eke, MFR, and Dr Adesola Adeduntan are being proposed for election as Directors. Muhammad Kabiru Ahmad, OON, was appointed on 28 July 2015, while UK Eke, MFR, and Dr Adesola Adeduntan were appointed as Directors on 1 January 2016 and 25 January 2016 respectively. The appointments are now being presented for shareholders' approval at the AGM.

ii. Retirement/Re-Election of Directors

Dr Oba Otudeko, CFR, and Chidi Anya are retiring by rotation at the current meeting in line with section 259 of CAMA. The retiring Directors, being eligible, are therefore offering themselves for re-election as Non-Executive Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

Re-Election of Director Aged 70 Years or More

Pursuant to Section 256 of the Companies and Allied Matters Act, special notice is hereby given that Dr Oba Otudeko, CFR, who is eligible for re-election is 72 years old.

Right of Shareholders to Ask Questions

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook 2015, please note that it is the right of every shareholder to ask questions not only at the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than two weeks before the date of the meeting.

BY ORDER OF THE BOARD

Tijjani M Borodo
Company Secretary

FRC/2013/NBA/00000002367
35 Marina, Lagos

Dated 19 April 2016

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PROXY FORM

FBN Holdings Plc (RC 916455)

4th Annual General Meeting to be held at the Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Thursday, 26 May 2016 at 10a.m.

*We ....
(Name of shareholder in block letters)

The undersigned, being a member of the above named Company

hereby appoint ....

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26 May 2016 and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2016

Signature ....

Notes:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the office of FBNH's registrars: First Registrars & Investor Services Limited, Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

We desire this proxy to be used in favour of/or against the resolution as indicated alongside

Resolution	For	Against
1) To receive the consolidated Annual Report and Account		
2) To declare a dividend		
3a) To elect MK Ahmad as Director		
3b) To elect UK Eke, MFR, as Director		
3c) To elect Dr Adesola Adeduntan as Director		
4a) To re-elect Chidi Anya as Director		
4b) To re-elect Dr Oba Otudeko, CFR, as Director		
5) To fix remuneration of Auditor		
6) To elect members of the Audit Committee		
7a) To approve the write-down of Company's Share Premium Account with the sum of ₦19.5 billion		
7b) To authorise the directors to perform other incidental acts to give effect to item 7a above.		

Please indicate with 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

Admission Form
FBN Holdings Plc (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at the Zinnia Hall, Eko Hotel and Suites, Victoria Island on Thursday, 26 May 2016 at 10a.m.

*Name of shareholder ....

*Name of proxy .... (IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member. The above proxy form has been prepared to enable you to exercise your right to vote.

IMPORTANT

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person, whether a member of the Company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

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E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

FirstRegistrars & INVESTOR SERVICES

You need not worry about the safety of your shares any more. Simply stay aboard with our e-products and services.

E-share notifier SMS alert on transactions that occur on your share account (AGM and EGM, dividend payments, bonuses, debits/credits etc.).

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars & Investor Services Ltd, Plot 2, Abebe Village Road, Iganmu, PMB 12692, Lagos, Nigeria

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2

City State* Country

GSM no (Mobile)* GSM no (Telephone)*

Email address*

Signature(s)* Corporate stamp/seal*

CHARGES:

Individual: ₦1,000 per annum/product
Corporate bodies: ₦2,000 per annum/product

Please tick (✓) the product(s) you are activating.
All payments should be made into each product's account number respectively:

☐ E-share notifier activation Account No. 2013302579
☐ M-access activation Account No. 2011760908
☐ Online access activation Account No. 2013798370

In any FirstBank branch nationwide with a copy of the payment slip attached to this form upon submission.

FIRST REGISTRARS & INVESTOR SERVICES LTD ...connecting you to your wealth Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

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E-DIVIDEND MANDATE MANAGEMENT SYSTEM (E-DMMS)

FBNHoldings

FirstRegistrars & INVESTOR SERVICES

DEAR SHAREHOLDER,

Introducing the E-Dividend Mandate Management System (E-DMMS)

We are pleased to inform you that dividends on your shareholdings can now be paid directly into your preferred bank account.

This is made possible with the **e-Dividend Mandate Platform**, which allows you to **register/validate** your e-dividend mandate at any branch of a bank nearest to you nationwide or at First Registrars offices.

The platform also provides you with a quick and convenient way to enjoy the benefits of the direct cash settlement (DCS) from your registrar, while minimising the incidents of unclaimed dividends.

To register and be mandated for your e-dividend **free of charge within 150 days spanning 14 April 2016 to 13 September 2016**, please visit any of the First Registrars offices listed below or a bank branch nearest to you.

It is easy and it is a one-off exercise!

FIRST REGISTRARS & INVESTOR SERVICES LTD

Plot 2, Abebe Village Road,
Iganmu, PMB 12692,
Lagos

Tel: +234 1 2799880, +234 1 2701078
Email: info@firstregistrarsnigeria.com

ABUJA

First Bank Nigeria Limited
Jos Street Branch,
Plot 451, Opposite Sharon Hotel,
Area 3, Garki,
Abuja

Tel: +234 802 315 4938

ENUGU

First Bank of Nigeria Limited (Main Branch)
21 Okpara Avenue,
Enugu,
Enugu State

Tel: +234 805 459 0483

IBADAN

First Bank Nigeria Limited (2nd Floor)
48 Molete/Challenge Road,
Opposite Texaco,
Ibadan,
Oyo State

Tel: +234 802 571 4780

KADUNA

First Bank of Nigeria Limited (Area Office)
14 Bank Road,
Kaduna,
Kaduna State

Tel: +234 802 396 4430

PORT HARCOURT

First Bank of Nigeria Limited (2nd Floor)
22/24 Aba Road,
Port Harcourt,
Rivers State

Tel: +234 80556 56430

Please fill in the e-dividend form overleaf.

Thank you.

FIRST REGISTRARS & INVESTOR SERVICES LTD ...connecting you to your wealth Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

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E-DIVIDEND FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

FirstRegistrars & INVESTOR SERVICES

AFFIX PASSPORT

(To be stamped by bankers)

Write your name on the back of your passport photograph

INSTRUCTION

Only clearing banks are acceptable.

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars & Investor Services Ltd, 2 Abebe Village Road, Iganmu, PMB 12692, Lagos, Nigeria.

I/We hereby request that from now on, all my/our dividend payment(s) due to me/us from my/our holdings be paid directly to my/our bank named below:

Bank name.. Bank branch..

Bank address..

Bank account no..

SHAREHOLDER ACCOUNT INFORMATION

Surname* | First name* | Other names

Address line 1*

Address line 2

City | State | Country

Mobile telephone* | Email address*

Signature(s)* | Joint/Company's signatories* | Company's seal

Branch sort code (very important)

Authorised signature of banker | Authorised stamp of banker

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STOCKBROKERS' E-LODGEMENT ACTIVATION FORM (FBN HOLDINGS PLC)

FirstRegistrars & INVESTOR SERVICES

To:
The Registrar
First Registrars & Investor Services Limited
Plot 2, Abebe Village Road
Iganmu, PMB 12692
Marina, Lagos
Nigeria

E-LODGEMENT is a special product designed for stockbrokers. It is the electronic transfer of verified share certificates from First Registrars into the depository of CSCS. Here, stockbrokers are given access to view all lodgements made to CSCS on their behalf. It also allows stockbrokers to concentrate more on their core while saving time and money through E-LODGEMENT.

FOR STOCKBROKERS ONLY

Important! The form should be completed in CAPITAL LETTERS using a black or dark blue ballpoint/fountain pen.
Characters and numbers should be similar in style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5

Please fill in the form and return to the address above.

Name of stockbrokers ....

Address ....

....

....

....

Mobile phone ....

Email ....

Authorised signatory/seal ....

NOTE: This service costs ₦25,000 per annum and all cheques should be made payable to First Registrars & Investor Services Limited,
Account No 2013798363

Website: **www.firstregistrarsnigeria.com** Email: **ebusiness@firstregistrarsnigeria.com**

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FBN HOLDINGS PLC
SHAREHOLDERS DATA UPDATE FORM

FBNHoldings

In our commitment to having up-to-date records of our shareholders, please complete this form below.

Surname ....

First name ....

Other names ....

Email address ....

Primary GSM Number ....

Clearing house number (CHN) ....

Bank verification number (BVN) ....

Preferred stockbroker's name ....

Date of birth ....

Bank name ....

Bank account number ....

Old address ....

....

....

New address (to be used for address update) ....

....

....

Next of kin ....

Next of kin phone number ....

I/We hereby authorise FBN Holdings Plc to update my/our shareholding accounts with the above information.

Individual shareholder signature .... Joint shareholder signature ....

Corporate shareholder .... Company seal ....

Kindly download the update form from our websites: **http://www.fbnholdings.com/** or **http://ir.fbnholdings.com/**

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CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
Commercial Banking		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC S.A.	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBNBank Ghana	Meridian House, Ring Road Central, Private Mail Bag No 16, Accra North, Accra, Ghana	+233 302 23 6133, +233 302 23 5611
FBNBank Gambia	48 GIEPA House, KSMD, PO Box 1600, Banjul, the Gambia	+2207993502, +2204377889, +2209147426.
FBNBank Guinea	Ex-cite Chemin de Fer, Immeuble Mamou, BP 3547, Conakry, Republic of Guinea	+224 6571 23001
FBNBank Sierra Leone	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 99305600
FBNBank Senegal	Lot No 2, Mermoz Pyrotechnie, VDN Dakar, Senegal	+221 869 75 04
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2777800-1
FBN Mortgages Limited	76 Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
FirstBank representative offices		
South Africa Rep Office	The Forum Building, 10th Floor No 2 Maude Street, Sandton 2146, Johannesburg, South Africa	+27 11 7849922, +27 11 7849925
Beijing Rep Office	Unit 1431, Tower B COFCO Plaza No 8 Jianguomennei Street, Dong Cheing District, Beijing, China	+861 0652 86820, +861 5201 470057
UAE Rep Office	Salam HQ Plot No C6, Sector E, Abu Dhabi, UAE	+971 26445621
Merchant banking and asset management		
FBN Merchant Bank Limited	2 Broad Street, Lagos Island, Lagos	+234 1-2702290, +234 1-2702291, +234 1-2702292, +234 1-2702293, +234 1 2702294
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt.	+234 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja.	+234 9 2916757
FBN Capital Limited	16 Keffi Street, off Awolowo Road, S/W Ikoyi, Lagos	+234 1 2798300
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt	+243 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja	+234 9 2916757
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos	+234 1-4622673, +234 1-4622831-34, +234 1-4605120-24, +234 1-4605124, +2347080653100
	FirstBank Area Office, 3rd Floor, 22/24, Aba Road, Port Harcourt	+234 802 059 6019
	2nd Floor, Ahmadu Coommassie House, Plot 777, Mohammadu Buhari Way, Central Business District, Garki, Abuja	+234 701 045 5883
FBN Capital Asset Management Limited	16 Keffi Street, off Awolowo Road, S/W Ikoyi, Lagos	+234 1 2798300
	FirstBank Regional Office, 22/24, Aba Road, Port Harcourt	+243 802 059 6019
	2nd Floor, FirstBank Building, Ahmadu Coommassie House, Plot 777, Muhammadu Buhari Way, Central Business District, Abuja	+234 9 2916757
FBN Funds Limited	10 Keffi Street, Off Awolowo Road, South/West, Ikoyi, Lagos	+234 1 2798300, +234 1 2707180-9
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
Insurance		
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4444, +234 1 905 4428, +234 1 9054364
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 4622176

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GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average number of shares in issue
Book value per share (BVPS)	=	Total equity / Number of outstanding shares (35, 895, 292, 792 units)
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio	=	Operating expenses (operating cost before loan loss expense) / Operating income
Debt to capital	=	Long-term debt / Long-term debt + equity
Dividend per share	=	Dividend / Number of shares in issue
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest earning assets	=	Due from other banks + treasury bills + Securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) + Statutory credit reserve / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Provision on non-performing loans

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Glossary of ratios

RATIO		BASIS OF COMPUTATION
Provisioning level (nonperforming loans coverage)	=	Total provision / Total NPL
Price to book	=	Share price / Total assets – intangible assets and liabilities
Price earnings	=	Market value per share / Earnings per share
Return on average assets	=	PAT / Average total assets x 100
Return on average equity	=	PAT / 8Average total equity x 100
Risk asset ratio	=	Total loans / Total assets
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	Total tier 1 capital / Risk-weighted assets
Tier 2 ratio	=	Total tier 2 capital / Risk-weighted assets
Total capital adequacy ratio	=	Total qualifying capital / Risk-weighted assets
Yield on interest earning assets	=	Interest income / Average interest earning assets

*Risk asset is computed using risk weights supplied by CBN/Basel.

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ABBREVIATIONS

AGM	Annual General Meeting
ALCO	Assets & Liabilities Management Committee
AMCON	Asset Management Corporation of Nigeria
AOM	Area Operations Manager
ATM	Automated teller machine
AuM	Assets under management
AURR	Additional Unexpired Risk Reserve
BARAC	Board Audit & Risk Assessment Committee
BCL	Basic Chain Ladder Method
BFIC	Board Finance & Investment Committee
BGNC	Board Governance & Nomination Committee
BIC	Banque Internationale de Crédit SARL
BU	Business Units
CAAP	Control Administrative and Accounting Procedure
CAMA	Companies and Allied Matters Act
CAR	Capital adequacy ratio
CASA	Current and savings accounts
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CFP	Contingency funding plan
CFR	Commander of the Order of the Federal Republic
CGU	Cash generating unit
COSO	Committee of Sponsoring Organisation
COT	Commission on turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral risk rating
CSCS	Central Securities Clearing System
CSR	Corporate social responsibility
DMD	Deputy Managing Director
DPM	Deposit money banks
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
EAR	Earnings at risk
ECA	Export Credit Agencies
ECM	Equity capital markets
EPS	Earnings per share
ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
ETFs	Exchange traded funds
FCA	Fellow, Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of Chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRR	Facility risk rating
FSA	Financial Services Authority
FTNL	First Trustees Nigeria Ltd
FX	Foreign exchange
GDP	Gross Domestic Product
GDR	Global depositary receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GPI	Gross premium income
HCMD	Human Capital Management and Development
HNI	High net worth individual
HR	Human Resources
IBAM	Investment Banking and Asset Management
IBNR	Incurred but not reported
ICAFAS	Internal Control & Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRS	Internal Revenue Service
ISO	International Organisation for Standardisation
IT	Information technology
KPI	Key Performance Indicator
KRI	Key risk indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
LGD	Loss given default
M&A	Mergers & Acquisitions
MANCO	Management Committee
MBAM	Merchant Banking and Asset Management
mb/d	Million barrels a day
MDAs	Ministries, departments and agencies
MDSA	My Daily Savings Account

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Abbreviations

MFBs	Microfinance Banks
MIS	Management Information System
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary policy rate
MRPC	Market Risk Policy Committee
₦	Naira
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBS	National Bureau of Statistics
NDIC	Nigeria Deposit Insurance Corporation
NGN	Nigerian naira
NGO	Non-governmental organisation
NIM	Net interest margins
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Order of the Federal Republic
OPEX	Operating expenditure
OPL	Open position limit
ORM	Operational Risk Management
ORR	Obligor risk rating
OTC	Over the counter
P&L	Profit and Loss Account
PAT	Profit after tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit before tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of Default
P/E	Price Earnings
PE	Private equity
PFA	Pension fund administrator
PFR	Pay for Role
P/L	Profit and loss
POS	Point of sale
PSQA	Process and service quality assurance
RCSA	Risk and control self-assessment
RM	Relationship Manager
RMD	Risk Management Directorate
ROE	Return on Equity
ROM	Regional Operations Manager
SAC	Statutory Audit Committee
SAS	Statistical analysis software
SBU	Strategic Business Unit
SEC	Securities and Exchange Commission
SLA	Service level agreement
SME	Small and Medium Enterprise
SMS	Short Message Service
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
TAT	Turnaround time
UAT	User acceptance testing
UPR	Unexpired Premium Reserve
VaR	Value at risk
WACC	Weighted average cost of capital

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COMPLAINTS MANAGEMENT POLICY

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1. Introduction
2. Objective of the Policy
3. Scope of the Policy
4. Complaints Management Principles
5. Board and Management Commitment to the Policy
6. Policy Statement
7. Time Limit for Investigation of Complaints, Reporting Requirements and Complaints Register

1. Introduction

FBN Holdings Plc ('Group') is committed to delivering high standard of service to all stakeholders across the Group. Occasionally, the Group may not live up to stakeholders expectations and promises and without an appropriate feedback mechanism to manage stakeholders complaints and expectations, this commitment could be undermined, resulting in loss of customers, erosion of public confidence, and reputational damage to the Group.

Based on the aforementioned, it becomes necessary to establish a policy for managing stakeholder's complaint. Complaint for the purpose of this policy is defined as 'an expression of dissatisfaction made to an organisation, related to its products and or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected'.

In developing this Policy, we have endeavored to align the policy to relevant regulatory requirements as well as leading practices in complaints management. In particular, this Policy is designed to meet the requirements of the following regulations:

- Securities and Exchange Commission (SEC) – Rules Relating to Complaints Management Framework of the Nigerian Capital Market; and
- the Nigerian Stock Exchange (NSE) – Compliant Management Requirements for all Listed Companies.

Where necessary, the principles contained in this policy shall guide each business Group in developing their respective sector specific Complaints Management Policy and Guidelines.

2. Objective of the Policy

This Policy is aimed at ensuring prompt and efficient management of complaints brought to the attention of the Group. It is also intended to help improve the services offered by enabling the Group detect its weaknesses, remedy problematic or unfair situations, and enhance operating methods, while ensuring efficient, fair and prompt treatment of all complaint received.

Specific objectives of this policy are to ensure:

- Complainant is provided with access to an open and responsive Complaints-Management Policy;
- Complaints are resolved in a consistent, systematic and responsive manner, to the satisfaction of the complainant and the Group;
- Causes of complaints are identified and resolved/eliminated, trends are monitored, ultimately to improve the Group's operations; and
- Comply with sector specific regulations on complaints management, particular as it relates to SEC and NSE regulations on complaints management within the Capital Market and other relevant regulations on complaints management to be issued from time to time.

3. Scope of the Policy

This policy shall apply to:

- FBN Holdings Plc., Subsidiary companies and Staff within the Group;
- All customers/clients both internal and external;
- Third parties working in association, partnership or in contractual arrangements with entities within the Group;
- Third party auditors and service providers;
- External organisations providing customer representation such as advocacy and complaints services; and
- Other stakeholders not listed above.

3.1 COMPLAINTS TO BE HANDLED BY THIS POLICY

- The under listed are the various forms of complaints this policy is designed to manage:
- Customer/clients complaints which may include: complaints which may require formal or informal feedback, concerns, statements of issues/omissions and points of disagreement or dispute;
- Complaints by competitors in any of the business Group;Complaints by or through Regulators, such as Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigeria Stock Exchange (NSE) and or self-regulatory organisations like, Financial Market Dealers Quotation (FMDQ); and
- Other Complaints which could be in form of; Trade manipulations, accounting frauds, Ponzi schemes etc.

All complaints to relevant entities in the Group shall be sent to the address contained on page 225, while complaints relating to the Group office (FBN Holdings Plc.) shall be sent to the address/media contained on page 232.

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All complaints shall contain at the minimum the following:

a. Name of complainant
b. Full address
c. GSM number
d. Email address
e. Signature of the complainants
f. Date
g. Nature/Description of complaints
h. Other supporting documents.

3.2 COMPLAINTS NOT COVERED BY THIS POLICY

The under listed complaints are not covered by this policy:

- Complaints on matters that are sub-judice or in arbitration, including employee related dispute.
- Complaints falling outside the purview of the Group's business.
- Complaints which may not require a resolution or formal follow-up. While this type of feedback is valuable, the Policy does not apply to feedback of this nature.

4. Complaints Management Principles

In line with leading practices, the under listed principles shall guide FBN Holdings complaints management process:

GUIDING PRINCIPLES OF COMPLAINTS HANDLING

PRINCIPLE	APPLICATION
Visibility	The Complaints Management Policy is well publicised to customers, clients, staff and other stakeholders on FBNHoldings website, with extracts of the policy in the Annual Reports and Accounts.
Accessibility	The Complaints Management Policy is available to all customers/clients and other stakeholders, and user-friendly. Complaints are welcome from customers/clients who are dissatisfied with the Group member decisions, actions or services.
Responsiveness	· Complaints will be acknowledged and resolved promptly. · Complaints will be handled in an efficient and effective manner, and accorded the urgency it deserves. · Complainants will be treated courteously and kept informed of the progress of their complaint throughout the complaint-handling process.
Objectivity	Each complaint is addressed in an equitable, objective and unbiased manner through the complaints-management process.
Charges	Access to the Group's complaints management process is free of any charge to the complainant.
Confidentiality	Complaints are handled confidentially to avoid any form of embarrassment to innocent people. Personally identifiable information concerning the complainant is actively protected from disclosure and only made available for the purposes of addressing the complaint.
Customer/Client-focused approach	Group members are committed to efficient, prompt and fair resolution of complaints. The Group is open to feedback and constantly reminds customers/clients of their right to make complaints.
Accountability	The Group accept responsibility for effective complaints handling, and units responsible for complaints management will ensure that, where appropriate, issues raised as a result of failure in the complaints handling process are adequately addressed.
Continual Improvement	The complaints management policy and process will be reviewed as and when required, to enhance its overall efficiency and delivery of effective outcomes.

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5. Board and Management Commitment to the Policy

The Board and Management are highly committed to promoting an effective and efficient complaints handling across the Group, and adequate resources shall be deployed towards ensuring the achievement of this objective.

Regular Complaints Management training across the group to ensure best in class complaints handling technique and strict adherence to the complaints handling policy and guide shall be encouraged.

Finally, all complaints received shall be acknowledged, and analysed towards aiding and ensuring informed continuous quality improvement initiatives, corrective and preventative management strategies.

6. Policy Statement

This policy is designed to provide guidance on how the Group manages complaints. FBNHoldings is committed to achieving service excellence and will strive to deliver services in a professional, consistent, coordinated and timely manner.

The Group encourages all stakeholders (complainant) to lodge their complaints, as these comments would allow the Group improve on its services and products. Also, the Group encourages staff to respect customers/clients and also endeavor to anticipate customer/clients' needs and expectations.

The Group is committed to ensuring the following:

a. Awareness of our stakeholders of the Group's complaint management process;

b. That both customers/clients and staff understand our complaints handling process;

c. Complaints are investigated impartially with a balanced view of available information or evidence;

d. Complaints are considered on their merits taking into account individual circumstances; and

e. Recognition of customer/clients' right to provide feedback and complain about product or services rendered.

Finally, the policy shall be made available to all stakeholders on the website of FBNHoldings and extract of the policy shall also be made available to shareholders in the Annual Report and Accounts of FBN Holdings Plc.

7. Time Limit for Investigation of Complaints, Regulatory Reporting Responsibility and Complaints Register

It shall be the policy of the Group to handle all complaints promptly and as fairly as possible. While it might not be possible to set a specified time limit for the resolution of complaints in view of the diverse nature of complaints, subsidiaries shall endeavor to resolve all complaints within the time limits specified by the respective sector specific regulator.

Where regulators require the Group office (FBN Holdings Plc) or entities within the Group to render regular reports on complaints, entities affected by such regulation shall be responsible for such regulatory returns, while the Compliance function of both the Group Office (FBN Holdings Plc) and affected entities shall monitor compliance with such regulatory reporting requirements, and also ensure implementation of this policy.

In line with SEC and NSE requirements, entities within the Group operating in the Capital Market (Capital Market Operators-CMO) and FBN Holdings Plc.(Compliance Department) shall be required to maintain an electronic complaints register which will be updated monthly with the under listed information:

a. Name of the complainant

b. Date of the complaints

c. Nature of complaints

d. Complaints details in brief

e. Status of resolution

f. Remark/comments

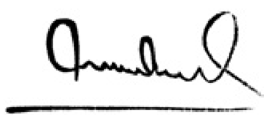
Finally all complaints from shareholders and other stakeholders relating to FBN Holdings Plc shall be directed to;

Company Secretariat or Investors Relations Department
FBN Holdings Plc
Samuel Asabia House
35 Marina, PO Box 5216
Lagos, Nigeria

Emails & Phone numbers:
companysecretariat@fbnholdings.com
Phone: +234 (1)9052222 and +234 (1)9052223

or investor.relations@fbnholdings.com
Phone: +234 (1)9052720, +234 (1)9051146, +234 (1)9051386 and +234 (1)9051086

Dr Oba Otudeko, CFR
Group Chairman
FBN Holdings Plc



Tijjani Borodo
Company Secretary
FBN Holdings Plc

FBNHoldings

Shareholder enquiries

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www.firstregistrarsnigeria.com

Head, Investor Relations

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Customer enquiries

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Tel: +234 1 4485500
Tel: +234 708 0625000

Registered address

Samuel Asabia House
35 Marina, Lagos
PO Box 5216, Nigeria

Registration No. RC916455

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www.fbnholdings.com
www.fbnholdings.com/annualreport/2015