FBN Holdings Plc.
Consolidated Financial Statements
for the year ended 31 December 2019

FBN Holdings Plc.
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for the year ended 31 December 2019

DIRECTORS AND ADVISORS

DIRECTORS

Dr. Oba A. Otudeko, CFR	Non-Executive Director (Group Chairman)
U. K. Eke, MFR	Group Managing Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Chidi Anya	Non-Executive Director
Dr. Sule Hamza Wuro Bokki	Non-Executive Director
Debola Osibogun	Non-Executive Director
Omatseyin Ayida	Non-Executive Director
Dr. Adesola Adeduntan	Non-Executive Director
Oluwande Muoyo	Non-Executive Director
Cecilia Akintomide, OON	Non-Executive Director

COMPANY SECRETARY: Oluseye Kosoko

REGISTERED OFFICE:
Samuel Asabia House
35 Marina
Lagos

AUDITOR:
PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers, Plot 5B, Water Corporation Road
Victoria Island, Lagos

REGISTRAR:
First Registrars & Investor Services Limited
Plot 2 Abebe Village Road
Iganmu
Lagos

BANKERS:
First Bank of Nigeria Limited
35 Marina
Lagos

FBNQuest Merchant Bank Limited
10 Keffi Street, Ikoyi
Lagos

CORPORATE GOVERNANCE REPORT

Introduction

A robust corporate governance structure remains a critical enabler of our ability as an institution to enhance the interests of our stakeholders – shareholders, customers, staff, regulators and the community. Over the years, FBN Holdings Plc ("FBNHoldings" or "FBNH") has maintained an effective governance structure built on accountability, integrity and transparency.

In 2019, the Group remained resolute on the path of good governance, aligning our long-term strategy with our governance framework and complying with the highest international standards to promote sound and efficient financial services and build market confidence.

At FBNHoldings, we recognize that a fully engaged, committed and highly effective Board of Directors is vital to the success of the Group. Consequently, we continue to invest in the knowledge of our directors through bespoke training and other opportunities to deepen their expertise, experience and ability to effectively carry out their role.

The Group's oversight functions are discharged through the respective Boards of each operating entity, which also ensures compliance with industry-specific statutory and regulatory requirements. At the Holding Company and in all operating entities, the Boards operate through various Committees, and FBNHoldings' governance framework ensures that there is a fine blend of Board autonomy and Group coordination at the operating company level.

The governance framework is in alignment with global best practices and in compliance with the requirements of the Central Bank of Nigeria (CBN), National Insurance Commission, Securities and Exchange Commission, Nigerian Stock Exchange, the Financial Reporting Council and the Nigerian Code of Corporate Governance.

Diversity

We are aligned with the broad consensus that diversity leads to the best outcomes and enhances the ability to create superior value. Today, diversity within FBNHoldings is reflected not only in our gender mix, which complies with CBN requirements, but also through the diversity of thoughts, experience and academic background throughout the Group, and through our inclusive policies that tackle all forms of discrimination.

Currently, there are three women on the board, representing 30% of the total membership, which is in line with the CBN recommendation.

Shareholder/Regulatory Engagement

The Board and Management maintain stakeholder focus through continuous engagement with shareholders and shareholder groups. Engagement sessions continue to provide valuable opportunities for Board and Management to listen to external perspectives, as well as gain insights into shareholders' concerns.

Similarly, recognizing the importance of regulatory bodies to the different businesses within the Group, the regulators are constantly engaged in fostering an atmosphere of cordiality and ensuring compliance with extant regulations.

Appointment Philosophy

Relevant regulatory guidelines and laws guide FBNHoldings' appointment philosophy, including a transparent Board appointment process. Our Directors are selected based on their skills, competencies and experience. The Board Governance and Nomination Committee identifies and considers a pool of candidates for appointment. Thereafter, recommendations on candidates' suitability are made to the full Board, which then decides on the appointment of the candidate subject to the approval of the relevant regulatory authorities and ratification of the shareholders at the general meeting.

Changes to Board Composition

The FBNHoldings Board is a considered blend of diversity, 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 processes. However, in 2019 there were no changes to the Board's composition

Board Composition

The Board has 10 Directors, comprising seven Non-Executive Directors, two Independent Non-Executive Directors and one Executive Director, who is also the Group Managing Director. This is in alignment with global best practices, which encourage a higher percentage of Non-Executive Directors to Executives. All members are distinguished by their professional ability, integrity and independence of opinion.

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. Independent Non-Executive Directors are appointed for an initial term of four years and can be re-elected for a subsequent term of four years, subject to satisfactory performance and approval of members. The maximum tenure of Independent Non-Executive Directors is eight years and for other Non-Executive Directors, twelve years.

Executive Directors

Executive Directors are appointed for an initial term of three years and can be renewed subject to satisfactory performance. However, the maximum tenure of an Executive Director is ten years. Executive Directors are discouraged from holding directorships external to the Group.

Board Effectiveness

In today's business environment, an effective Board must be capable of managing a wide range of challenges and risks. With its overarching responsibility for an organization's performance, a Board must set the strategic direction, often across diverse products, markets and geographies, monitor the Company's risk profile, evaluate the performance of the Group Managing Director and other Senior Executives, and be accountable to all stakeholders.

Our approach to ensuring the Board's effectiveness is threefold – composition, training and a rigorous board appraisal process.

Guiding Principles on Composition
Our first approach is to appoint the right people; individuals who have displayed excellent business knowledge and board experience.

Effective observance of codes of corporate governance must be complemented by an ethical Board. It is essential that members of the Board are persons of integrity, willing to comply with the letters and spirit of the Codes, as well as available resources. With this understanding, we have ensured that the current composition of our Board is the best mix of competencies and experiences required for a company to enhance shareholder value.

We have aligned with global best practice on the ratio of Non-Executives to Executives on the Board. The Non-Executive Directors outnumber the Executive Director by nine to one, underscoring the overwhelming independence of the Board from the Management of the Company.

In strategy formation, Non-Executive Directors are also expected to monitor and contribute creative and informed ideas to the effective management of the Company, as well as critically examine the objectives and plans drawn by the Executive team.

Training of Directors
Given the Company's commitment to maintaining a highly effective Board, local and international executive education programmes are organised to improve their decision-making capacity and contribution. An annual Training Plan is agreed by the Board, and the Company Secretariat is tasked with its implementation.

Board Appraisal
In 2019, 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 2019.

The Board appraisal covered the Board's structure and composition, processes, relationships, competencies, roles and responsibilities.

KPMG's appraisal revealed that FBNHoldings' corporate governance practices were largely in compliance with the key provisions of the Codes of Corporate Governance of the Central Bank of Nigeria, the Securities and Exchange Commission and the Financial Reporting Council of Nigeria. Specific recommendations for further improving our governance practices were also articulated and included in a detailed report to the Board.

Access to Independent Professional Advice
The Board has the power to obtain advice and assistance from such independent or external professional advisers/experts as it deems necessary or appropriate to aid its effectiveness, subject to the prior approval of the Chairman and at the Company's expense. This option was exercised at different times within the 2019 financial year.

Board Responsibilities
The Board's principal responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value. The Board leads and provides direction by setting policy directions and strategy as well as 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 of those decisions on the Group's obligations to various stakeholders - shareholders, employees, suppliers and the community in which the Group operates.

The Board is also responsible for ensuring that effective systems of internal controls and risk management are maintained across the Group. In addition, the Board is responsible for determining and promoting the collective vision of the Group's purpose, values, and culture. 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, the Board's responsibilities as enumerated in the Board Charter include:

- ✓ building long-term shareholder value by ensuring that adequate systems, policies and procedures are in place to safeguard the Group's assets;
- ✓ appointing, developing and refreshing the overall competency of the Board as necessary;
- ✓ articulating and approving the Group's strategy and financial objectives as well as monitoring the implementation of those strategies and objectives;
- ✓ approving the appointment, retention and removal of the Group Managing Director (GMD) and any other Executive Director in the Group;
- ✓ reviewing, on a regular and continuing basis, the succession planning for the Board and Senior Management staff, and recommending changes where necessary;
- ✓ 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 regards to its economic, social and environmental obligations.

The role of The Group Chairman
The roles of the Group Chairman and Group Managing Director are distinct and are not performed by one individual. The principal role of the Group Chairman is to manage and provide leadership to the Board of Directors of FBNHoldings. The Group Chairman is accountable to shareholders and responsible for the effective and orderly conduct of Board and general meetings.

More specifically, the duties and responsibilities of the Group Chairman are to:

- ✓ act as a liaison between the Management and the Board;
- ✓ provide independent advice and counsel to the GMD;

- ✓ keep abreast generally of the activities of the Company and its Management;
- ✓ ensure that the Directors are properly informed, and that sufficient information is provided to enable the Directors form appropriate judgments;
- ✓ together with the GMD, develop and set the agenda for Board meetings;
- ✓ assess and make recommendations to the Board annually regarding the effectiveness of the Board, its Committees and individual Directors; and
- ✓ ensure that regularly, upon completion of the ordinary business of a Board meeting, the Directors hold discussions without members of Management present.

The role of The Group Managing Director

The Group Managing Director 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 are to:

- ✓ lead, in conjunction with the Board, the development of the Company's strategy and oversee the implementation of the Company's long and short-term plans in accordance with its strategy;
- ✓ ensure the Company is appropriately organized and staffed, as well as to hire and terminate staff as deemed necessary to enable the Company to achieve the approved strategy;
- ✓ ensure that the Group has appropriate systems to enable it conduct its activities both lawfully and ethically;
- ✓ ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business;
- ✓ act as a liaison between Management and the Board and communicate effectively with shareholders, employees, government authorities, other stakeholders and the public;
- ✓ ensure that the Directors are properly informed, and sufficient information is provided to the Board to enable the Directors form appropriate judgments;
- ✓ 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;
- ✓ manage the Group within established policies, maintain a regular policy review process, and revise or develop policies for presentation to the Board;
- ✓ ensure the Group operates within approved budgets and within all regulatory requirements of a holding company; and
- ✓ develop and recommend to the Board the annual operating and capital budget, and upon approval with fully-delegated authority, to implement the plan in its entirety.

The role of The Company Secretary
The Company Secretary's appointment and duties are regulated by statutes, particularly the Companies and Allied Matters Act (Sections 293–298), regulations and the Articles of Association of the Company. The duties of the Company Secretary include:

- ✓ attending meetings of the Company, Board of Directors, and Board committees, and rendering all necessary secretarial services in respect of such meetings and advising on compliance and regulatory issues;
- ✓ setting the agenda of 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;
- ✓ providing a central source of guidance and advice to the Board and the Company, on matters of ethics, conflict of interest and good corporate governance;
- ✓ 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.

Leadership Appointments Across Operating Companies
In order to reposition the Group to achieve optimal value, the Board initiated changes across the Boards of its operating companies in 2019. On the recommendation of the Board Governance and Nomination Committee, the following leadership changes were made in some of the subsidiaries of FBNHoldings:

- ❖ Tseyi Hammond was appointed as the Managing Director of FBNQuest Capital Limited subject to the approval of the Securities and Exchange Commission;
- ❖ Oyinkan Adewale was appointed as a Non-Executive Director of FBNQuest Merchant Bank Limited;
- ❖ Ado Wanka was appointed as a Non-Executive Director of First Bank of Nigeria Limited.

MAKING BOARD MEETINGS EFFECTIVE
How FBNH Board Meetings Work

- ✓ The Board meets quarterly and as required;
- ✓ The annual calendar of Board meetings is approved in advance at the last Board meeting of the preceding year;
- ✓ The annual calendar of Board activities 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;
- ✓ Notices for meetings are transmitted to Board members at least two weeks before the scheduled meeting;
- ✓ The Company Secretariat circulates memoranda electronically to members of the Board;
- ✓ All Directors are provided with an agenda and meeting papers in advance of each meeting. Board memoranda are dispatched in advance to enable Directors have adequate time to review and prepare for meetings;
- ✓ Meetings last an average of five 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; and
- ✓ Any Director may request that a topic should be considered at meetings. In addition, any Director may bring any issue deemed deserving of discussion, and this is usually considered under Any Other Business during the meeting.

Board Discussion
In 2019, major issues under discussions included:
- ❖ Board appraisal exercise and outcomes;
- ❖ Consideration of the quarterly unaudited accounts and the Audited Financial Statements for the year ended December 31, 2018;
- ❖ Deliberation on the Board composition and restructuring of the FBNQuest Capital Limited and FBNQuest Trustees Limited;
- ❖ Board retreat to discuss 2020–2022 Strategic Planning Programme; and
- ❖ Deliberation on the budget for 2020 financial year.

Attendance at Board Meetings
The Board of FBNHoldings met eight times in 2019.

Name	Jan. 24	Mar. 13	Apr. 25	May 2	Jul. 29	Oct. 18	Oct. 30	Dec. 18
Dr. Oba Otudeko, *CFR*	√	√	√	√	√	√	√	√
UK Eke, *MFR*	√	√	√	√	√	√	√	√
Oye Hassan-Odukale, *MFR*	√	√	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√	√	√
‘Debola Osibogun	√	√	√	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√	√	√
Dr. Adesola Adeduntan	√	√	√	√	√	√	√	√
Oluwande Muoyo	√	√	√	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√	√	√	√

BOARD COMMITTEE REPORTS
Governance Structure
The Board carries out its oversight function through its standing Committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties and tenure. 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.

FBNHoldings has the following constituted Board Committees:

1. Board Governance and Nomination Committee
The Committee comprises the following members:

- ❖ ‘Debola Osibogun - Chairman
- ❖ Dr. Hamza Wuro Bokki - Member
- ❖ Oluwande Muoyo - Member
- ❖ Omatseyin Ayida - Member

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;
- succession plan for the Board of Directors and key Management staff across the Group;
- nominate and endorse Board appointments for subsidiary companies;
- recommend Directors' remuneration for the Group;
- oversee Board performance and evaluation within the Group;
- identify individuals for consideration for Board appointment and recommend to the Board for approval;
- 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;
- make recommendations on the amount and structure of the remuneration of the Chairman and other Non-Executive Directors to the Board for approval;
- review and make recommendations to the Board on all retirement and termination payment plans to the Executive Directors;
- ensure proper disclosure of Directors' remuneration to stakeholders;
- ensure compliance with regulatory requirements and other international best practices in 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 and appraisal of the performance of the Board and make recommendations to the Board in this regard. This review and 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;
- evaluate the performance of the Board Committees and boards of subsidiary companies on an annual basis. The Committee may utilize 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 compliance with the SEC, CBN and FRCN Codes of Corporate Governance and other global best practices on corporate governance.

The Committee met four times in 2019. The record of attendance is presented below:

Name	Jan. 23	Apr. 23	Jul. 25	Oct. 17
‘Debola Osibogun	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√
Oluwande Muoyo	√	√	√	√
Omatseyin Ayida	√	√	√	√

2. Board Finance and Investment Committee

The Committee comprises the following members:

- Oye Hassan-Odukale, *MFR* - Chairman
- Dr. Hamza Wuro Bokki - Member
- Cecilia Akintomide, OON - Member
- UK Eke, *MFR* - Member

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 to provide strategic input and identify any critical strategic relevance of Management’s assumptions for planning purposes;
- critically evaluate and make recommendations to the Board for approval of the Group’s business strategy periodically;
- periodically engage Management 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/portfolio;
- 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.

The Committee met six times in 2019. Detailed below is the record of attendance:

Name	Jan. 23	Apr. 17	Jul. 17	Jul. 25	Oct. 15	Dec. 12
Oye Hassan-Odukale, *MFR*	√	√	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√	√	√
Dr. Hamza Wuro Bokki	√	√	√	√	√	√
UK Eke, *MFR*	√	√	×	√	√	√

3. Board Audit and Risk Assessment Committee

The Committee comprises the following members:

- Oluwande Muoyo - Chairman
- 'Debola Osibogun - Member
- Omatseyin Ayida - Member
- Chidi Anya - Member

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 controls in place to mitigate 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 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.

The Committee met seven times in 2019. Detailed below is the record of attendance:

Name	Jan. 21	Mar. 11	Apr. 16	May 02	Jul. 16	Jul. 25	Oct. 15
Oluwande Muoyo	√	√	√	√	√	√	√
'Debola Osibogun	√	×	√	√	√	√	√
Omatseyin Ayida	√	√	√	√	√	√	√
Chidi Anya	√	√	√	√	√	√	√

GROUP EXECUTIVE COMMITTEE
The role of the Committee is ensuring implementation and alignment of the Group's strategy. The GEC is a management committee and meets quarterly, or as may be required. The Committee met four times in 2019.

Membership
The GMD of FBN Holdings Plc serves as the Chairman, while other members are:

- MD/CEO, First Bank of Nigeria Limited
- MD/CEO, FBNQuest Merchant Bank Limited
- MD/CEO, FBNQuest Capital Limited
- MD/CEO, FBN Insurance Limited
- MD/CEO, FBN Insurance Brokers Limited
- MD/CEO FBN General Insurance Limited
- Chief Financial Officer, FBN Holdings Plc
- Company Secretary, FBN Holdings Plc
- Head, Strategy and Corporate Development, FBN Holdings Plc
- Chief Financial Officer, First Bank of Nigeria Limited
- Chief Risk Officer, First Bank of Nigeria Limited

Key Responsibilities
The responsibilities of the Committee are to:
- Ensure overall alignment of Group strategy and plans;
- Review strategic and business performance against approved plans and budget of the Group, and agree recommendations and corrective action;
- Promote the identification of synergies and ensure the implementation of synergy initiatives;
- Monitor progress of group synergy realization initiatives and make recommendations;
- Discuss and monitor compliance with group policies such as risk management, internal audit etc.; and
- Review and recommend modifications to group policies.

MANAGEMENT COMMITTEE (MANCO)
The role of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Holding Company.

Membership
The GMD of FBN Holdings Plc serves as the Chairman, while other members are:

- Chief Financial Officer
- Company Secretary
- Head, Risk Management and Compliance Department
- Head, Investor Relations Department
- Head, Internal Audit Department
- Head, Strategy and Corporate Development Department
- Head, Human Resources Department
- Head, Marketing and Corporate Communications Department.

Key Responsibilities

The responsibilities of the Committee are to:

- develop, and review on an ongoing basis, the Holding Company's business focus and strategy, subject to the approval of the Board;
- confirm alignment of the Holding Company's plan with the Group's overall strategy;
- recommend proposals to the Board on the strategies to achieve the Group's objectives regarding investment and divestment activities;
- track and manage strategic and business performance against approved plans and the budget of the Holding Company; and
- make proposals to the Board and Board Committees on major policies and decisions relating to staff compensation, major capital spending, organizational structure, etc.

STATUTORY AUDIT COMMITTEE (SAC)

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

The Committee comprises of the following members:

- Kolawole Durojaiye, *FCA* - Chairman
- Nnamdi Okwuadigbo, *FCA* - Member
- Abdulmumini Ado Yola* - Member
- Oye Hassan-Odukale, *MFR* - Member
- Chidi Anya - Member
- Cecilia Akintomide, *OON* - Member

** - Deceased*

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 regarding 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 judgement 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.

Financial Literacy and 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. The Committee has access to the external auditors to seek explanations and additional information.

The Committee is composed of six members as statutorily required, three are shareholder representatives, including the Chairman. The shareholder representatives are independent and answerable to the shareholders.

The other three members are two Non-Executive Directors and an Independent Non-Executive Director. This composition underpins the independence of the SAC from executive influence.

The Statutory Audit Committee met four times in 2019.

Name	Mar. 12	Jun. 26	Sept. 17	Dec. 12
Kolawole Durojaiye, *FCA*	√	√	√	√
Nnamdi Okwuadigbo*, *FCA*	N/A	√	√	√
Abdulmumini Ado Yola*	N/A	√	×**	×
Oye Hassan-Odukale, *MFR*	√	√	√	√
Chidi Anya	√	√	√	√
Cecilia Akintomide, *OON*	√	√	√	√

** - Elected at the Annual General Meeting of May 3, 2019*
*** -Proceeded on Medical Leave from September 1, 2019. Deceased February 07, 2020*

Prohibition of Insider Dealings
In line with Section 17.2 of the Amendment to the Listing Rules of the Nigerian Stock Exchange, structures have been put in place to ensure compliance accordingly and to communicate closed periods to insiders and the Nigerian Stock Exchange. Compliance is ensured through the Registrars 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 and Nomination Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and Executive Management level that are deemed important to the achievement of the Company's business objectives and strategies and have a significant impact on the operations of the Group. 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 requirements provide a blueprint of what is required to succeed at each position and includes the required knowledge, skills and attitudes as well as ethics, values and code of conduct. The competency requirements are identified and defined in line with the future needs and strategic objectives of the Group and provide the basis to assess potential successors for the identified key positions and to identify skills gaps and developmental needs.

On conclusion of this phase, the Committee identifies a talent pool, following which the Committee determines the skills and competency gaps.

For the Chairman's position, the existing Chairman of the Board will articulate the developmental needs of each individual Non-Executive Director on the Board, develop a plan to bridge that gap and thereafter position them as 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 the exit of Directors from the Board and current deficiencies, while noting the Company's long-term business strategy and plans. Based on this assessment, the Governance Committee shall define the skills and competency profile that reflect the needs of the Board.

For 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.

Performance Monitoring

As part of its oversight role, the Board continuously engages Management and contributes ideas to the Group's strategy, from the planning phase to its execution. The Board holds an annual Board retreat, at which 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 ongoing 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 during strategy implementation across the Group, and on the steps taken to alleviate those risks.

On a quarterly basis, Management reviews the Group's financial and performance indicators with the Board, and the Board continuously assesses progress and confirms alignment or otherwise with the Group's strategic goals and objectives.

The Group's actual performance is presented relative to its planned/budgeted performance to provide the Board with ongoing insight into the level of achievement. In addition, peer benchmarking forms a continuous part of Board meetings to put FBNHoldings' performance into perspective against that of our competitors.

Remuneration Structure

Introduction

This section provides stakeholders with an understanding of the remuneration philosophy and policy adopted at FBNHoldings for Non-Executive Directors, Executive Directors and employees.

Remuneration Philosophy

FBNHoldings' compensation and reward philosophy represent the values and beliefs that drive the Company's compensation policy. 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 the competition. In reviewing our compensation package, factors to be considered include organizational policy, market positioning, the Group's financial performance, government policies, regulations, industry trends, inflation and the cost of living index.

Remuneration Strategy

FBNHoldings' compensation and reward strategy are aimed at attracting, rewarding and retaining a motivated talent pool to drive the Company's values, ideology and strategic aspirations. Our compensation strategy supports our corporate strategy and is reviewed as required to reflect changes in internal and external environmental conditions. The compensation and reward strategy seek to position the Group as an employer of choice within its pay market by offering an attractive and sustainable compensation package. Compensation is also differentiated and is used as a tool for retaining high-potential talent and driving desired culture and values.

Compensation Policy

The Group's Compensation Policy provides the guidelines for administration of staff compensation and is aimed at attracting, rewarding and retaining a motivated talent pool. The compensation structure is categorized into Remuneration, Perquisites and Benefits. Remuneration includes base pay and allowances, as well as performance-based bonuses and incentives, as follows:

- ✓ Base pay includes the salary component for the defined job grade and is mainly cash-based. It is guaranteed and payable monthly in arrears, as per the employment contract. It is the basis for the computation of some allowances and most benefits.
- ✓ Allowances are other pay items outside base pay. These are structured to support a standard of living for respective grades. These allowances include housing, furniture, lunch and clothing. They are payable in cash and are paid monthly, quarterly or yearly for tax planning, liquidity planning and staff convenience. Allowances are separated into two: those that form part of staff salary and those categorized purely as allowances.
- ✓ Bonuses/incentives are related to achievement of organizational and individual targets and may be cash or non-cash, such as performance bonuses and commendation letters.
- ✓ Perquisites are usually lifestyle-oriented and designed to ensure comfort, motivation, commitment and retention of staff, particularly those at senior level or with high potential. These may include status cars, generators, gym equipment and other items.
- ✓ Benefits are entitlements, usually attainable subject to organizational conditions. They include leave, medical allowance and club subscriptions. To guarantee staff convenience and in line with the Group's ethical stance of being socially responsible and a good corporate citizen, payments are structured so that, while ensuring adequate cash flow for staff, the Group does not run contrary to tax laws and other statutory regulations.

Executive remuneration

As a Board, we are mindful of the views of our various stakeholders on Executive remuneration. We aim to motivate, incentivise and retain our talents while keeping an eye on prevailing economic outlook. The remuneration for Executive Directors is determined by the Board and usually reflects competitive benchmarking in the industry while ensuring that it adequately attracts and retains the best and most experienced individuals for the role. This also applies to Non-Executive Directors who are entitled to Directors' fees, reimbursable expenses and sitting allowances.

Whistleblowing in FBN Holdings Plc

At FBNHoldings, we promote a culture in which people can speak up. Individuals are encouraged to raise concerns about perceived wrongdoing or unethical conduct. Whistleblowing is a process of raising concerns about wrongdoing, illegal actions or unlawful conduct such as fraud, corruption, bribery or theft. The Group guarantees confidentiality, noting that there are circumstances where people need to raise concerns discreetly without fear of harassment, intimidation, victimization, reprisal or retaliation. The Board of FBN Holdings Plc attaches importance to high ethical standards and integrity and expects its employees and officers to do the same in all their dealings.

The Group's Whistleblowing 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). Reports made through this policy should not be based on mere speculation, rumours or gossip, but on factual knowledge. The full version of the Group's Whistleblowing Policy can be viewed on our website: www.fbnholdings.com/whistle-blowing/.

The whistleblower can report through any of the following, either by declaration or in confidence/anonymously:

- ❒ Formal letter to the Group Managing Director, FBN Holdings Plc and/or Head, Internal Audit FBN Holdings Plc;
- ❒ Dedicated phone number as contained on the website, www.fbnholdings.com; 0817 597 8505;
- ❒ Dedicated email address: FBNHoldingsWhistleBlowing@fbnholdings.com

Any issue raised should include all relevant background information (including dates) as well as the reason(s) why the whistleblower is particularly concerned about the situation.

The Policy was developed by the Group to protect whistleblowers who disclose concerns in good faith and without frivolity, malice or mischief. The concern raised is thoroughly investigated and reported to the appropriate authorities, including the Chairman, Board Audit and Risk Assessment Committee. The whistleblower, whether internal or external, may elect to disclose information directly to any of the listed regulatory bodies; such as the Central Bank of Nigeria (anticorruptionunit@cbn.gov.ng), the Nigeria Deposit Insurance Corporation (info@ndic.org.ng /helpdesk@ndic.org.ng), the Securities and Exchange Commission (sec@sec.gov.ng), the Nigeria Insurance Commission (info@naicom.gov.ng), the National Pension Commission (info@pencom.gov.ng) and the Nigerian Stock Exchange (x-whistle@nse.com.ng).

FBN HOLDINGS PLC

Directors' Report
For the year ended December 31, 2019

The Directors present their report on the affairs of FBN Holdings Plc (“the Company”) together with the financial statements and auditors' report for the year ended December 31, 2019.

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 November 26, 2012 after the shares of the erstwhile First Bank of Nigeria Plc were delisted on November 23, 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 responsible for 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 three groups namely:

- Commercial Banking Group comprising First Bank of Nigeria Limited, FBNBank (UK) Limited, First Pension Custodian Nigeria Limited, FBNBank DR Congo, FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea, FBNBank Gambia and FBNBank Senegal.
- Merchant Banking and Assets Management Group comprising FBNQuest Merchant Bank Limited, FBNQuest Capital Limited, FBNQuest Securities Limited, FBNQuest Funds Limited and FBNQuest Trustees Limited.
- Insurance Group comprising FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.

c. *Operating Results*

The Directors recommend for approval a dividend of 38kobo per share, amounting to ₦13.64billion. Highlights of the operating results for the period under review are as follows:

	Group		Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	N' mm	N' mm	N' mm	N' mm
Gross Earnings	627,008	587,406	18,396	13,649
Profit Before Tax	83,595	63,853	13,874	9,440
Taxation	(9,783)	(5,544)	(12)	(98)
Profit for the year from continuing operations	73,812	58,309	13,862	9,342
Loss for the year from discontinued operations	(147)	(77)	-	-
Profit for the year	73,665	58,232	13,862	9,342
Profit attributable to:				
Equity holders of the parent entity	69,918	57,692	13,862	9,342
Non-controlling interests	3,747	540	-	-
Earnings per share (kobo) - Basic	195	161	39	26
Earnings per share (kobo) - Diluted	195	161	39	26

d. Directors' Shareholding

The 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 purpose of Sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are as follows:

Name	31-Dec-19		31-Dec-18	
	Direct	Indirect	Direct	Indirect
Dr Oba Otudeko, CFR	5,895,264	532,075,839	5,895,264	532,075,839
Mr. Oye Hassan-Odukale, MFR	1,854,003	306,438,196	1,854,003	306,438,196
Mr. Chidi Anya	-	500,000	-	52,168
Dr. Hamza Sule Wuro Bokki	6,680,863	-	5,389,061	-
Otunba (Mrs.) Adebola Osibogun	1,171,612	-	1,171,612	-
Mr. Omatseyin Akene Ayida	1,100,000	134,680,565	1,100,000	93,927,416
Mr. Urum Kalu Eke, MFR	65,196,390	-	22,453,436	-
Dr. Adesola Adeduntan	18,871,689	-	18,871,689	-
Mrs. Oluwande Muoyo	1,971,481	798,596	771,481	798,596
Ms. Cecilia Akintomide, OON	5,500	-	5,500	-

e. ***Shareholding Analysis***
As at 31 December 2019

Range			No. of Holders	% Holders	Units	% Units
1	-	1,000	291,327	24.22	212,523,003	0.59
1,001	-	5,000	492,240	40.93	1,183,777,660	3.30
5,001	-	10,000	170,953	14.22	1,175,333,005	3.27
10,001	-	50,000	205,566	17.09	4,175,780,245	11.63
50,001	-	100,000	20,998	1.75	1,461,803,363	4.07
100,001	-	500,000	17,309	1.44	3,440,943,180	9.59
500,001	-	1,000,000	2,092	0.17	1,468,250,952	4.09
1,000,001	-	5,000,000	1,697	0.14	3,255,520,537	9.07
5,000,001	-	10,000,000	193	0.02	1,375,077,586	3.83
10,000,001	-	50,000,000	179	0.01	3,703,861,628	10.32
50,000,001	-	100,000,000	21	-	1,413,476,922	3.94
100,000,001	-	35,895,292,791	43	-	13,028,944,710	36.30
			1,202,618	**100.00**	**35,895,292,791**	**100.00**

As at 31 December 2018

Range			No. of Holders	% Holders	Units	% Units
1	-	1,000	290,486	24.06	212,330,313	0.59
1,001	-	5,000	493,961	40.91	1,188,571,073	3.31
5,001	-	10,000	171,852	14.23	1,181,566,058	3.29
10,001	-	50,000	208,129	17.24	4,229,261,089	11.78
50,001	-	100,000	21,349	1.77	1,486,200,326	4.14
100,001	-	500,000	17,486	1.45	3,464,795,921	9.65
500,001	-	1,000,000	2,058	0.17	1,444,799,335	4.03
1,000,001	-	5,000,000	1,668	0.14	3,154,847,892	8.79
5,000,001	-	10,000,000	199	0.02	1,392,579,662	3.88
10,000,001	-	50,000,000	168	0.01	3,478,532,596	9.69
50,000,001	-	100,000,000	28	-	1,991,286,018	5.55
100,000,001	-	35,895,292,791	39	-	12,670,522,508	35.30
			1,207,423	**100.00**	**35,895,292,791**	**100.00**

f. ***Substantial interest in shares***
According to the register of members as at December 31, 2019, no shareholder held more than 5% of the shares of FBN Holdings Plc.

g. ***Directors interests in contrac****ts*
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.

h. ***Donation and charitable gifts***
The Company did not make any donation during the year ended December 31, 2019.

i. Property and equipment

Information relating to movements in property and equipment is given in Note 32 to the Accounts. In the Directors' opinion, the market value of the Company's property and equipment is not less than the value shown in the financial statements.

j. Post balance sheet events

1. Towards the end of 2019, there was an outbreak of the novel coronavirus disease codenamed COVID19 which has spread globally. The outbreak has been declared a global Pandemic i.e. Public Health Emergency of International concern by World Health Organization (WHO) in March 2020. As at the date of this report, the Nigerian Centre for Disease Control (NCDC) has confirmed some covid-19 cases in some States in Nigeria. The disease has caused a significant reduction in social interaction, disruption in economic activities while some public facilities have been shut down in a bid to contain the spread of the virus.The Directors have considered the potential implications of this outbreak on the Group's activities and operations and are taking measures to ensure that the Group's ability to continue to operate is not affected significantly. The various measures instituted by the government to contain the pandemic have not curtailed the Group's ability to continue to operate and serve its customers. The Directors are confident that the Group will continue to operate into the foreseeable future.

2. The new Finance Act was signed into law on January 13, 2020 and this was the basis upon which the Company's tax was calculated.

3. In line with the Group's 2020-2022 strategic objective, FBN Holdings Plc has commenced discussions with Sanlam (PTY) Limited (the owners of the 35% equity of FBN Insurance) and engagement with the relevant regulators with a view towards divesting from FBNI and selling its 65% holdings to Sanlam.

k. Human resources policy

Recruitment

The Company conforms with all regulatory requirements in the employment of staff, whilst also ensuring that only fit and proper persons are approved for appointment to board or top management positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointments are duly implemented.

Employment of Physically Challenged 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.

Employee Involvement and Training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various forums including town hall meetings. Towards this end, the Company provides opportunities where employees deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon.

The Company places a high premium on the development of its workforce. Consequently, the Company sponsored its employees for various training courses, both locally and overseas, in the year under review.

Health, Safety and Welfare at Work
The Company maintains business premises designed with a view to guaranteeing the safety and healthy working conditions of its employees. Employees are adequately insured against occupational and other hazards. The Company has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met.

Fire prevention and fire-fighting equipment are installed in strategic locations within the company's premises.

The Company operates a Group Life and Group Personal Accident (formerly known as Workmen's Compensation) Insurance covers and Employee Compensation Act contributions for the benefits of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004 (amended in 2014).

Gender Analysis
The number and percentage of males and females employed as at December 31, 2019 vis-a-vis total workforce is as follows:

	Number		**%**	
	Male	**Female**	**Male**	**Female**
Employees	24	13	65	35

Gender analysis in terms of Board and Top Management as at December 31, 2019 is as follows:

	Number			**%**	
	Male	**Female**	**Total**	**Male**	**Female**
Board	7	3	10	70	30
Management Staff	7	2	9	78	22

I. Auditors
The external auditors, Messrs. PricewaterhouseCoopers (PwC), have acted as auditors of FBN Holdings Plc for eight years and for its largest subsidiary, First Bank of Nigeria Limited, for ten consecutive years. In line with paragraph 5.2.12 of the CBN Code of Corporate Governance, the auditors have indicated that they will not be seeking re-appointment as auditors of both FBN Holdings Plc and First Bank of Nigeria Limited. In accordance with Section 357(1) of CAMA, a resolution will be proposed, and if considered appropriate passed, by shareholders, at the next annual general meeting (AGM) of the Company, to appoint new auditors. Shareholders will also be required to authorise the directors to fix the remuneration of such new auditors.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
FRC/2013/NBA/00000002006
Lagos, Nigeria

FBN Holdings Plc.

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 gives 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 Group 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 judgments 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 judgments 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;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

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 financial control.

Nothing has come to the attention of the directors to indicate that FBN Holdings Plc. will not remain a going concern for at least twelve (12) months from the date of this statement.

U. K. Eke, MFR
Group Managing Director
FRC/2013/ICAN/00000002352

FBN Holdings Plc.

Statement of Compliance with 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 it is in line with the required standard set out in the Rules.

The FBN Holdings Plc.'s 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	Oluseye Kosoko
Group Chairman	Company Secretary
FRC/2013/ICAN/00000002365	FRC/2013/NBA/00000002006

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359 of the Companies and Allied Matters Act 2004, we have reviewed the Audit Report for the year ended December 31, 2019 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 auditor's 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).

Dated March 11, 2020

Mr. Kolawole Durojaiye, FCA
Chairman, Audit Committee
FRC/2019/ICAN/00000019789

Members of the Committee
Mr. Kolawole Durojaiye, FCA
Mr. Okwuadigbo Nnamdi, FCA
Mr. Abdulmumini Yola*
Mr. Oye Hassan-Odukale, MFR
Mr. Chidi Anya
Ms. Cecilia Akintomide, OON

*Deceased

pwc

Independent auditor's report

To the Members of FBN Holdings Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FBN Holdings Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate 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.

What we have audited

FBN Holdings Plc's consolidated and separate financial statements comprise:

- the consolidated and separate income statements for the year ended 31 December 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances to customers (refer to notes 5, 9 and 23) The gross balance of loans and advances to customers as at 31 December 2019 was N1,931 billion for the group. The associated impairment reserve on loans and advances to customers was N78.9 billion. The measurement of impairment losses is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The significant judgments include: • determination of the Group's definition of default; • determination of the criteria for assessing significant increase in credit risk (SICR); • methodology used to determine the 12 month and lifetime probability of default (PD) used in the Expected Credit Loss (ECL) model. • methodology used to determine the Loss Given Default (LGD) used in the Expected Credit Loss (ECL) model; • determination of the credit conversion factor for undrawn loan commitments and the key inputs used in determining the lifetime exposure at default (EAD); • methodology for the determination of the weighting of the multiple economic scenarios used in the ECL model; This is considered a key audit matter in the consolidated financial statements only.	We adopted a substantive approach in assessing the adequacy of the allowance for impairment made by management. We applied target testing in selecting a sample of customers for detailed checking of customer information and account history and assessing whether events or changes have occurred that may affect the performance and the stage allocation of the loans. We obtained the ECL models and tested the appropriateness of the historical data used. We used our credit modelling experts to perform the following procedures on the ECL models. • We checked that the Group's definition of default is consistent with the requirements of the standard. • We assessed the reasonableness of the criteria defined by the Group as indicative of a significant increase in credit risk. We reviewed staging rules to establish that quantitative, qualitative and backstop indicators are considered in classifying loans and advances to customers into different stages as required under IFRS 9 – Financial instruments. We re-performed SICR analysis to check for accuracy. • For a sample of loans, we examined the appropriateness of the probability of default (PD) by checking that the extrapolation of marginal PD is accurate and by performing independent calculations. With the assistance of our credit modelling experts, we: ○ Examined the appropriateness of PD co-efficient for product types by checking the reasonableness of the adjustment factors for

Corporate loans and P-value for Retail loans.

- Checked that individual maturities of selected facilities were considered in the determination of the PD term structure used in the ECL computation.

- Re-performed PD calculation for a sample of loans to test for accuracy.

- For a sample of loans, we tested the collateral values used in the computation of the Loss Given Default, by comparing those values to the results of valuation performed by management's valuation experts. We assessed the competence and independence of the management's experts.
- We evaluated the reasonableness of the Loss Given Default (LGD) assumptions used in the LGD modelling process. We also checked the accuracy of procedures performed in determining the final LGD used in ECL computation.
- We reviewed the appropriateness of the credit conversion factor used in determining the exposure at default for the Group's off-balance sheet exposures. We checked the reasonableness and accuracy of the methodology used in forecasting EAD term structure for a select sample of loans. We re-performed EAD to check for accuracy.
- We checked the appropriateness of the weighting of the multiple economic scenarios used in averaging the ECL estimates by recomputing the weightings calculations. We also reviewed the reasonableness of the methodology used in determining the weightings.
- Reviewed the IFRS 9 disclosures for reasonableness.

Valuation of liability on insurance contracts – (refer to notes 2.22c, 5f and 39)

The balance of Liability on insurance contracts is N63.7 billion.

We focused on this balance because the valuation involves the exercise of significant judgements and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates and future growth rates.

An in-house actuary assesses on a periodic basis, an estimate of the insurance liabilities for the various portfolios. At the end of each financial year, management employs the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation.

This matter is considered a key audit matter in the consolidated financial statements only.

Our procedures included the following:

- We reviewed the methodology and processes adopted by management for making reserves in the books;
- We tested controls around the reserving process and maintenance of data for valuation of insurance contract liabilities;
- We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate;
- We checked the data used in the valuation of the insurance contract liabilities for consistency with internal records;
- With the assistance of the auditor's expert, we reviewed the operating assumptions relating to mortality, morbidity, lapse and surrender and economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates and future growth rates, based on the requirements of IFRS 4 and;
- We checked the figures disclosed in the financial statements to the amounts stated in the actuarial valuation report.
- We reviewed the financial statement disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises Directors and advisors, Corporate governance report, Directors Report, Responsibility for annual financial statements, Statement of compliance with NSE listing rule on Securities Trading Policy, Report of the Audit Committee, Statement of Value Added and Five-Year Financial Summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the FBN Holdings Plc 2019 Annual Report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the FBN Holdings Plc 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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 examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statement of financial position, income statement and statement of 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 47 to the consolidated and separate financial statements; and

v) as disclosed in Note 49 to the consolidated and separate financial statements, the group paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2019.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0647533

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

6 April 2020

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

INCOME STATEMENT

	Note	GROUP 31 December 2019 N 'million	GROUP Restated 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
Continuing operations					
Interest income	7	442,556	435,563	2,173	2,163
Interest expense	8	(152,342)	(150,242)	(14)	-
Net interest income		**290,214**	**285,321**	**2,159**	**2,163**
Impairment charge for losses	9	(51,133)	(87,465)	-	-
Net interest income after impairment charge for losses		**239,081**	**197,856**	**2,159**	**2,163**
Insurance premium revenue	10	17,100	18,035	-	-
Insurance premium revenue ceded to reinsurers		(4,793)	(2,494)	-	-
Net insurance premium revenue		**12,307**	**15,541**	**-**	**-**
Fee and commission income	11	104,330	92,724	-	-
Fee and commission expense	11b	(20,483)	(17,330)	-	-
Foreign exchange income	12	9,540	32,918	6	52
Net gains/(losses) on sale of investment securities	13	17,167	5,733	8	(21)
Net gains/(losses) from financial instruments at fair value through profit or loss	14	28,937	(3,135)	(371)	575
Dividend income	15	4,370	2,312	16,580	10,840
Other operating income	16	2,921	3,233	-	40
Insurance claims		(10,106)	(4,717)	-	-
Personnel expenses	17	(99,380)	(93,395)	(1,201)	(904)
Depreciation of property and equipment	32	(16,828)	(12,282)	(319)	(397)
Amortisation of intangible assets	33	(6,197)	(5,336)	-	-
Other operating expenses	18	(182,151)	(150,292)	(2,988)	(2,908)
Operating profit		**83,508**	**63,830**	**13,874**	**9,440**
Share of profit of associates		87	23	-	-
Profit before tax		**83,595**	**63,853**	**13,874**	**9,440**
Income tax expense	19a	(9,783)	(5,544)	(12)	(98)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**73,812**	**58,309**	**13,862**	**9,342**
Discontinued operations					
Loss for the year from discontinued operations	31	(147)	(77)	-	-
PROFIT FOR THE YEAR		**73,665**	**58,232**	**13,862**	**9,342**
Profit attributable to:					
Owners of the parent		69,918	57,692	13,862	9,342
Non-controlling interests		3,747	540	-	-
		73,665	**58,232**	**13,862**	**9,342**
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/ loss per share (in Naira):	52				
From continuing operations		1.95	1.61	0.39	0.26
From discontinued operations		(0.00)	(0.00)	-	-
From profit for the year		1.95	1.61	0.39	0.26

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 31 December 2019 N 'million	GROUP Restated 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
PROFIT FOR THE YEAR		**73,665**	**58,232**	**13,862**	**9,342**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Changes in fair value of debt instruments at fair value through other comprehensive income:					
-Net changes in fair value of debt instruments		22,032	(13,753)	127	(144)
Share of other comprehensive income of associates		-	(5)	-	-
Exchange difference on translation of foreign operations		(990)	612	-	-
Items that will not be reclassified to profit or loss					
Net fair value gains on equity instruments		48,643	12,694	-	-
Remeasurement of defined benefit pension scheme	41	(429)	597	-	-
Income tax relating to components of other comprehensive income	34	-	(1,934)	-	-
Total Other comprehensive income/(loss) for the year		**69,256**	**(1,789)**	**127**	**(144)**
COMPREHENSIVE INCOME FOR THE YEAR		**142,921**	**56,443**	**13,989**	**9,198**
Comprehensive income attributable to:					
Owners of the parent		138,294	56,080	13,989	9,198
Non-controlling interests		4,627	363	-	-
		142,921	**56,443**	**13,989**	**9,198**
Total comprehensive income/(loss) attributable to owners of the parent arises from :					
Continuing operations		138,375	56,122	13,989	9,198
Discontinued operations		(81)	(42)	-	-
		138,294	**56,080**	**13,989**	**9,198**

STATEMENT OF FINANCIAL POSITION		GROUP		COMPANY	
			Restated		
		31 December	31 December	31 December	31 December
	Note	2019	2018	2019	2018
		N 'million	N 'million	N 'million	N 'million
ASSETS					
Cash and balances with central banks	20	1,025,325	653,335	-	-
Loans and advances to banks	22	754,910	863,435	5,706	16,639
Loans and advances to customers	23	1,852,411	1,670,476	94	110
Financial assets at fair value through profit or loss	24	282,660	109,162	3,057	3,427
Investment securities	25	1,414,530	1,663,821	11,393	7,079
Asset pledged as collateral	26	464,922	309,051	-	-
Other assets	27	212,092	126,292	15,922	292
Investment properties	28	100	515	-	-
Investments in associates accounted for using the equity method	29	711	625	-	-
Investment in subsidiaries	30	-	-	239,514	242,395
Property and equipment	32	112,939	91,515	490	382
Intangible assets	33	18,961	16,134	-	-
Deferred tax assets	34	25,009	25,558	-	-
		6,164,570	5,529,919	276,176	270,324
Assets held for sale	31	38,956	38,990	-	-
Total assets		**6,203,526**	**5,568,909**	**276,176**	**270,324**
LIABILITIES					
Deposits from banks	35	860,486	749,315	-	-
Deposits from customers	36	4,019,836	3,486,691	-	-
Derivative liabilities	24a	6,046	15,791	-	-
Current income tax liability	19b	13,778	15,656	12	102
Other liabilities	37	297,140	375,642	9,321	8,034
Liability on investment contracts	38	24,676	19,766	-	-
Liability on insurance contracts	39	63,748	34,192	-	-
Borrowings	40	250,596	338,214	-	-
Retirement benefit obligations	41	3,352	1,940	-	-
Deferred tax liabilities	34	250	266	-	-
		5,539,908	5,037,473	9,333	8,136
Liabilities held for sale	31	2,493	2,493	-	-
Total liabilities		**5,542,401**	**5,039,966**	**9,333**	**8,136**
EQUITY					
Share capital	42	17,948	17,948	17,948	17,948
Share premium	43	233,392	233,392	233,392	233,392
Retained earnings	43	73,197	3,066	15,379	10,850
Statutory reserve	43	101,378	93,325	-	-
Capital reserve	43	1,223	1,223	10	10
Small scale investment reserve	43	6,076	6,076	-	-
Fair value reserve	43	147,070	77,276	114	(12)
Contingency reserve	43	3,013	2,022	-	-
Statutory credit reserve	43	14,576	33,599	-	-
Foreign currency translation reserve	43	47,736	48,727	-	-
		645,609	516,654	266,843	262,188
Non-controlling interests		15,516	12,289	-	-
Total equity		**661,125**	**528,943**	**266,843**	**262,188**
Total equity and liabilities		**6,203,526**	**5,568,909**	**276,176**	**270,324**

The financial statements were approved and authorised for issue by the Board of Directors on 11 March 2020 and signed on its behalf by:

Dr. Oba Otudeko, CFR
Group Chairman
FRC/2013/ICAN/00000002365

U. K. Eke, MFR
Group Managing Director
FRC/2013/ICAN/00000002352

Oyewale Ariyibi
Chief Financial Officer
FRC/2013/ICAN/00000001251

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Share capital	**Share premium**	**Retained earnings**	**Capital reserve**	**Statutory reserve**	**Small scale investments reserve**	**Available for sale fair value reserve**	**Contingency reserve**	**Statutory credit reserve**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Balance at 1 January 2018	17,948	233,392	166,303	1,223	84,103	6,076	77,981	1,257	42,816	48,115	679,214	(5,494)	673,720
Initial application of IFRS 9			(169,700)				204		(42,838)		(212,334)		(212,334)
Impact of IFRS 9 on deferred Tax - Note 34			2,743								2,743		2,743
Restated opening balance	17,948	233,392	(654)	1,223	84,103	6,076	78,185	1,257	(22)	48,115	469,623	(5,494)	464,129
Profit for the year	-	-	57,692	-	-	-	-	-	-	-	57,692	540	58,232
Other comprehensive income													-
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	612	612	-	612
Fair value movements on financial assets	-	-	-	-	-	-	(884)	-	-	-	(884)	(176)	(1,060)
Income tax relating to components of other comprehensive income			(1,934)								(1,934)		(1,934)
Remeasurement of defined benefit pension scheme, net of tax	-	-	597	-	-	-	-	-	-	-	597	-	597
Share of OCI of associates, net of tax	-	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	56,355	-	-	-	(889)	-	-	612	56,078	364	56,443
Transactions with owners													
Dividends	-	-	(8,974)	-	-	-	-	-	-	-	(8,974)	(1,027)	(10,001)
Investment by Non controlling interest	-	-	-	-	-	-	-	-	-	-	0	18,371	18,371
Transfer between reserves	-	-	(43,662)	-	9,222	-	(20)	764	33,621	-	(75)	75	-
Total transactions with Owners	-	-	(52,636)	-	9,222	-	(20)	764	33,621	-	(9,049)	17,419	8,370
At 31 December 2018	17,948	233,392	3,066	1,223	93,325	6,076	77,276	2,022	33,599	48,727	516,654	12,289	528,943
Balance at 1 January 2019	17,948	233,392	3,066	1,223	93,325	6,076	77,276	2,022	33,599	48,727	516,654	12,289	528,943
Profit for the year	-	-	69,918	-	-	-	-	-	-	-	69,918	3,747	73,666
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	(990)	(990)	-	(990)
Fair value movements on financial assets	-	-	-	-	-	-	69,794	-	-	-	69,794	881	70,675
Remeasurement of defined benefit pension scheme	-	-	(429)	-	-	-	-	-	-	-	(429)	-	(429)
Total comprehensive income	-	-	69,489		-	-	69,794	-	-	(990)	138,293	4,627	142,920
Transactions with owners													
Dividends	-	-	(9,333)		-	-	-	-	-	-	(9,333)	(1,401)	(10,734)
Transfer between reserves	-	-	9,978	-	8,053	(0)	-	991	(19,023)	-	-	-	-
Total transactions with Owners	-	-	646	-	8,053	(0)	-	991	(19,023)	-	(9,333)	(1,401)	(10,734)
At 31 December 2019	17,948	233,392	73,197	1,223	101,378	6,076	147,070	3,013	14,576	47,736	645,609	15,516	661,125

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital	Share premium	Retained earnings	Capital reserve	Available for sale fair value reserve	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balance at 1 January 2018	17,948	233,392	10,104	10	510	261,964
Initial application of IFRS 9	-	-	378	-	(378)	-
Restated opening balance	17,948	233,392	10,482	10	132	261,964
Profit for the year	-	-	9,342	-	-	9,342
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	(144)	(144)
Total comprehensive income	-	-	9,342	-	(144)	9,198
Transactions with owners						
Dividends	-	-	(8,974)	-	-	(8,974)
Total transactions with Owners	-	-	(8,974)	-	-	(8,974)
At 31 December 2018	17,948	233,392	10,850	10	(12)	262,188
Balance at 1 January 2019	17,948	233,392	10,850	10	(12)	262,188
Profit for the year	-	-	13,862	-	-	13,862
Other comprehensive income						
Fair value movements on financial assets	-	-	-	-	127	127
Total comprehensive income	-	-	13,862	-	127	13,989
Transactions with owners						
Dividends	-	-	(9,333)	-	-	(9,333)
Total transactions with Owners	0	0	(9,333)	-	-	(9,333)
At 31 December 2019	17,948	233,392	15,379	10	114	266,843

STATEMENT OF CASH FLOWS

	Note	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
Operating activities					
Cash flow (used in)/generated from operations	44	(661,715)	233,563	(3,330)	(3,590)
Income taxes paid	19	(10,443)	(6,026)	(35)	(63)
Interest received		519,376	437,392	1,806	2,410
Interest paid		(146,145)	(126,472)	-	-
Net cash flow generated from/(used in) operating activities		(298,927)	538,458	(1,559)	(1,243)
Investing activities					
Disposal of subsidiaries, net of cash disposed		-	500	-	-
Purchase of investment securities		(1,897,585)	(1,295,228)	(21,885)	(10,691)
Proceeds from the sale of investment securities		2,191,817	1,114,808	18,058	10,181
Dividends received		4,370	2,312	4,001	19,825
Purchase of property and equipment	32	(20,006)	(15,615)	(221)	(105)
Purchase of intangible assets	33	(8,300)	(5,542)	-	-
Proceeds on disposal of property and equipment		445	388	-	9
Net cash flow (used in)/generated from investing activities		270,741	(198,377)	(47)	19,219
Financing activities					
Dividend paid		(10,734)	(10,001)	(9,333)	(8,974)
Proceeds from new borrowings	40	129,653	41,709	-	-
Repayment of borrowings	40	(220,514)	(148,749)	-	-
Interest paid on borrowings	40	(14,917)	(31,926)	-	-
Additional capital from NCI		-	18,373		
Principal element of lease payments		(3,096)	-	-	-
Net cash flow (used in)/generated from financing activities		(119,608)	(130,594)	(9,333)	(8,974)
Increase/(decrease) in cash and cash equivalents		(147,794)	209,487	(10,939)	9,002
Cash and cash equivalents at start of year		1,419,889	1,166,447	16,639	7,585
Effect of exchange rate fluctuations on cash held		32,903	43,955	6	52
Cash and cash equivalents at end of year	21	1,304,998	1,419,889	5,706	16,639

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 services and provision of other financial servises and corporate banking.

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 11 March 2020.

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 ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with the applicable interpretations – International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) as issued by IFRS Interpretation Committee. Additional information required by national regulations is included where appropriate.

The consolidated financial statements comprise the income statement, statement of comprehensive income, statement of financial position, the statement of changes in equity, statement of cash flows and the related notes for the Group and the Company.

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, modified to include fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The preparation of the consolidated 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 consolidated financial statements in the period the assumptions changed.

The Directors believe that the underlying assumptions are appropriate and that the Group's consolidated 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 consolidated financial statements, are disclosed in Note 5.

2.1.1 Basis of measurement

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

- Derivative financial instruments which are measured at fair value.
- Non-derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Fair value through other comprehensive income financial assets are measured at fair value through equity.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.
- The plan assets for defined benefit obligations are measured at fair value.
- Loans and receivables are measured at amortised cost.

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 amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Annual Improvements to IFRS standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

(i) **IFRS 16 - Leases**

The Group had to change its accounting policies as a result of adopting IFRS 16. This is disclosed in note 2.14 and 32(b). The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or 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.

(i) **Definition of material - Amendment to IAS 1 and IAS 8 (effective 1 January 2020)**
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

● that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

● the meaning of primary users of general purpose financial statements to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

(ii) **Revised Conceptual Framework for Financial Reporting (effective 1 January 2020)**
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

● increasing the prominence of stewardship in the objective of financial reporting
● reinstating prudence as a component of neutrality
● defining a reporting entity, which may be a legal entity, or a portion of an entity
● revising the definitions of an asset and a liability
● removing the probability threshold for recognition and adding guidance on derecognition
● adding guidance on different measurement basis, and
● stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards.However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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 less accumulated impairments 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.

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 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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement 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 IFRS 9 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, 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 re-measured 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.

e. Investment entities
Some of the entities within the Group are investment entities. Equity investments held by these entities in the investee companies are carried in the balance sheet at fair value through profit or loss even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28, `Investment in associates', which allows investments that are held by Investment Entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IFRS 9 and IFRS 13, with changes in fair value recognised in the income statement in the period of the change.

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 Executive Committee.
All transactions between business segments are conducted at arm's length, with inter-segment revenue and expenditure eliminated at the Group. Income and expenses directly associated with each segment is included in determining the segment's performance.

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 judgment in developing and applying an accounting policy that is relevant and reliable. In making this judgment, 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 re- measured. 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 fair value through other comprehensive income (FVOCI) 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

c. Group companies

The results and financial position of all the group entities which 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.

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 tax

Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is

Deferred 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 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 taxes 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.

c. Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of tax exposure, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expenses in the period in which such a determination is made.

2.8 Inventories

Inventories include stock of consumables and repossessed assets held for resale. Stock of consumables comprise of materials to be consumed in the process of rendering of services as well as accessories held for subsequent issuance to customers. They are measured at lower of cost and net realisable value. Cost comprises cost of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net reliasble value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recgnised as an expense in the period in which the relevant revenue is recognised.

Repossessed assets held for resale include assets held as collaterals recovered from defaulting loan customers. These assets includes Land, Buildings, Tank farm, Rigs and Vessel, They are valued at the lower of cost and net realisable value. Cost is the carrying amount of the related loan at the date of exchange. 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 IFRS 9, 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.

Initial Recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. 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.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3.2.11, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

2.9.1 ***Financial assets***

Classification and measurement

The group classifies its debt financial assets in the following measurement categories:

● Fair Value through Other Comprehensive Income (FVOCI)
● Fair Value through Profit or Loss (FVPL)
● Amortised Cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Business Model Assessment

Business Model assessment involves determining whether financial assets are held to collect the contractual cashflows (rather than sell the instrument prior to its contractual maturity to realise its fair value changes).
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
• Investment strategy for holding or selling the assets
• Past experience on how cash flows for these assets were collected.
• How the asset's performance is evaluated and reported to key management personnel
•The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
• The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model for each portfolio of financial assets are to be categorized into one of the following models:

• Hold-to-collect contractual cash flows: Financial assets held with the sole objective to collect contractual cashflows;

• Hold-to-collect contractual cash flows and sell: Financial assets held with the objective to both collect contractual cashflows and sell;

• Fair value through profit or loss (FVTPL) business model: Financial assets held with neither of the objectives mentioned in the two categories above. They are basically financial assets held with the sole objective to trade and realize fair value changes.

Cash flow characteristics assessment

The assessment aims to identify whether the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.
The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.
The SPPI test is based on the premise that it is only when the variability in the contractual cash flows arises to maintain the holder's return in line with a 'basic lending arrangement' that the application of the effective interest method provides useful information.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments. Thus the principal is not the legal amount due under the contractual terms of an instrument. This definition allows assets acquired at a discount or premium pass the SPPI test.
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.
In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

a. *Financial assets measured at amortised cost*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions and is not designated as at FVTPL:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

b. *Financial assets measured at FVOCI*

A debt instrument shall be measured at FVOCI if both of the following conditions are met and is not designated as at FVTPL:

• The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in OCI within a separate component of equity, except for the following items, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

• interest revenue using the effective interest method;

• expected credit losses and reversals; and

• foreign exchange gains and losses.

When the debt instrument is disposed or derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains or (losses)".

c. Financial assets measured at FVTPL

A debt instrument that is not measured at amortised cost or at FVOCI must be measured at FVTPL. These would include debt instruments that are held for trading and those that have been designated as fair value through profit or loss at initial recognition. Gains and losses both on subsequent measurement and derecognition are recognised in profit or loss and reported as "Net gains or (losses)" in the period in which it arose.

The Group may irrevocably designate a debt instrument as measured at FVTPL on initial recognition only if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch'). Such mismatches would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. Equity Instruments

Equity investments are measured at FVTPL. However on initial recognition, the Group can make an irrevocable election to measure an equity investment at FVOCI. This option only applies to instruments that are neither held for trading nor contingent consideration, recognised by an acquirer in a business combination to which IFRS 3 applies.

For equities measured at FVOCI, fair value gains and losses on the equity remeasurements are recognised in OCI. However, dividends are recognised in profit or loss unless they clearly represent a repayment of part of the cost of the investment.

The amounts recognised in OCI are never reclassified from equity to profit or loss.

e. Impairment of Financial Assets

The Group recognizes expected credit losses ("ECL") on forward-looking basis for its financial assets measured at amortized cost, lease receivables, debt instrument at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss.

No impairment is recognised on equity investments. This is because the fair value changes would incorporate impairment gains or losses if any.

The measurement of ECL reflects:

• An unbiased and probability-weighted amount that is determined by a range of possible outcomes;

• The time value of money; and

• Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

f. Modification and renegotiation of financial assets

Where the terms of a financial asset are modified, the Group assesses whether the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognizes the original financial assets and recognizes a new asset at fair value and recalculates the effective interest rate.

Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortized cost'.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

g. Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

h. Reclassifications

Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Group changes its business model for managing a financial assets, the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest should not be restated.

i. 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

j. 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

2.9.2 Financial liabilities

Financial liabilities are classified into one of the following measurement categories:
• Fair value through profit or loss (FVTPL)
• Amortised cost

a. *Financial liabilities at fair value through profit or loss (FVTPL)*
Financial liabilities are measured at FVTPL when they are designated as such on initial recognition using the fair value option or when they meet the definition of held for trading i.e.
• it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
• on initial recognition 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;
• or it is a derivative [except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
For financial liabilities designated as at FVTPL using the fair value option, the element of gains or losses attributable to changes in the Group's own credit risk are recognised in OCI, with the remainder recognised in profit or loss. The movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spread above observable market interest rates. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.
However, if presentation of the fair value change in respect of the liability's credit risk in OCI creates or enlarges an accounting mismatch in profit or loss, gains and losses must be entirely presented in profit or loss. To determine whether the treatment would create or enlarge an accounting mismatch, the Group assesses whether it expects the effect of the change in the liability's credit risk to be offset in profit or loss by a change in fair value of another financial instrument, such as when the fair value of an asset is linked to the fair value of the liability. If such a mismatch does arise, the Group will be required to present all fair value changes of the liability in profit or loss.

b. *Financial liabilities at amortised cost*
Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.
Financial liabilities measured at amortised costs are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

c. Derecognition of financial liabilities
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.9.3 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 Nigerian Stock Exchange (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, FX rates, volatilities and counterparty spreads) existing at the date of the statement of financial position.

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.

The Group makes transfers between levels of fair value hierarchy when reliable market information becomes available (such as an active market or observable market input) to the Group. This transfer is done on the date in which the market information

2.9.4 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.

2.10 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 rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial assetinstead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

b. Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. For other fees and commission income, it is the Group’s policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

Credit related fees: This includes advisory and commitment fees. These are fees charged for administration and advisory services to the customer up to the customer's acceptance of the offer letter. The advisory and commitment fees are earned at the point in time where the customer accepts the offer letter which is when the Group recognises its income. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate.

Letter of credit and commission fees: This represents commission earned on Letter of credit contracts initiated at the request of customers. The nature of this income is such that the performance obligation is the execution of customer’s instruction: a direct payment is made on behalf of our customers to the beneficiary (as stated by our customer) when goods/services are received; OR, a payment is made to the stated beneficiary only when our customer cannot fulfill its obligation. Income earned on letter of credit contracts is satisfied at a point in time. This is because revenue is recognised only when payments have been received by the intended beneficiary.

Electronic banking fees: Electronic banking fees relate to fees & commission charged by the banking subsidiaries on electronic transactions carried out by its customers e.g. USSD income, Agency banking commission. The nature of this income is such that the performance obligation of the group is the provision of the platform for the execution of the transactions. Income is earned when these transactions have been successfully executed on these platforms. Income from electronic banking is satisfied at a 'point in time.

Money transfer commission: This represents commission earned on local & foreign money transfers initiated by the Group's customers. The nature of this income is such that the performance obligation of the group is the delivery of transferred monies to the intended beneficiaries. Income on money transfers is satisfied at a "point in time". This is because commission is recognized only when the transferred sums have been delivered to their intended recipients.

Commission on Bonds and Guarantees: This represents commission earned on bond and guarantees contracts. It includes commissions earned on advanced payment guarantees, performance bonds, bid bonds etc. This fee is earned over the tenor of the bond and guarantee.

Funds transfer and intermediation fees: This is principally made of commission on collections. The group acts as a collecting agent for corporate bodies or government organisations; thus, earns commissions on these collection services. The Group's performance obligation is the collection of funds on behalf of the customer. Income from funds transfer and intermediation is satisfied at a point in time as the commissioned earned is deducted & recognized when remitting these funds to the respective customer.

Account maintenance fees: This represents the fee charged by banking subsidiaries within the Group on current accounts maintained by customers. This fee is charged with respect to customer induced debit transactions to third parties as well as debit transfers/lodgements to customer's account in another bank. This was introduced by the CBN to replace COT which was abolished by the regulator in 2016. The performance obligation required from the Group in the maintenance/safe keeping of the customers’ fund. Income earned from account maintenance is satisfied at a 'point in time.

Brokerage and intermediation fees: This represents fees charged by the group in order to execute transactions or provide specialized services as requested by customers. Such transaction/services include execution of primary & secondary market transaction on behalf of customers. Income from brokerage and intermediation services are satisfied at a point in time as they are earned and recognized when such services have been executed on behalf of customers.

Custodian fees: This represents commission earned by the group while rendering custodian services to its customers. This custodian services are to a large extent the safe keeping of financial assets. Income earned on custodian services are earned at a point in time.

c. **Dividend income:** Dividend income is recognised when the right to receive income is established. This income is earned at a point in time.

d. **Other operating income:** This largely comprises of income made from private banking services, profit on sale of plant and equipment and gain on sale of properties . These income are earned at a point in time

2.11 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). The impairment test also can 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.

2.12 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 co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

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.

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the period in which it arises.

2.13 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 customer 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.

2.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:
– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
– the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.
This policy is applied to contracts entered into, or changed, on or after 1 January 2019

The Group primarily leases buildings for use as office spaces for branch operations, quick service points (QSPs) and residential use, land for use as car parks and off-site ATM locations, printers for office equipment.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated and the lease terms range from 1 year to 25 years. The lease agreements do not impose any covenants - however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components and treat them accordingly.

Until the 2018 financial year, leases of property (land, buildings) were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease Liabilities

At the commencement date of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Right of use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1 million when new,e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has applied the low value lease exemption for leases of printers as they are less than N1 million when new.

Extension and termination options

Extension and termination options are included in all of the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the Group and the lessors and some of the termination options held are exercisable only by the Group.

Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 January 2019. The new accounting policies are disclosed in note 2.2.1

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Impact on the financial statements

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.57%.

	As at 31 December 2018	*Impact of IFRS 16*		*As at 1 Jan 2019*
		Reclassificati	*Remeasure ment*	
	N'million	N'million	N'million	N'million
Assets				
Right-of-use assets	-	4,608	13,894	18,502
Prepayment	4,608	(4,608)	-	(0)
	4,608	**-**	**13,894**	**18,502**
Liabilities				
Non-current				
Lease liabilities	-	-	7,481	7,481
Current				
Lease liabilities	-	-	6,414	6,414
	-	**-**	**13,894**	**13,894**

Reconciliation of lease liabilities as at 1 January 2019	N'million
Operating lease commitments disclosed as at 31 December	-
Add: adjustments as a result of a different treatment of extension and termination options	13,894
Lease liabilities recognised as at 1 January 2019	**13,894**
Current lease liabilities	6,414
Non-current lease liabilities	7,481
	13,894

Right of use assets as at 1 January 2019

	31 Dec 2019 N'million	1 Jan 2019 N'million
Buildings - Residential & Office	15,839	18,250
Land - Car Park spaces	201	252
Total Right-of-use assets	**16,040**	**18,502**

Impact on segment disclosures and earnings per share

		Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
		N'million	N'million	N'million
Segment assets:		4,608	13,894	18,502
Segment liabilities:		-	13,894	13,894

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 over the lease term.

(ii) *Finance lease*

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

2.15 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.

Transfer to, or from, investment property is recognized only when there is a change in use, evidenced by one or more of the following:
i. commencement of owner-occupation (transfer from investment property to owner-occupied property)
ii. commencement of development with the view to sale (transfer from investment property to inventories)
iii. end of owner-occupation (transfer from owner-occupied property to investment property)
iv. commencement of an operating lease to another party (transfer from inventories to investment property)
v. end of construction or development (transfer from property in the course of construction/ development to investment prope

Investment properties are derecognized on disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in the income statement.

2.16 Property and Equipment

All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation less accumulated impairment losses. 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 other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate
Improvement and buildings	2%
Motor vehicles	25%
Office equipment	20%
Computer equipment	33⅓%
Furniture and fittings	20%
Machinery	20%

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property 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.

Work in Progress represents costs incured on the assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

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

2.17 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 which 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 cash-generating unit that is expected to derive benefit from the synergies of the combination. Cash-generating units 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 cash generating unit 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

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;
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 3 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 straightline method over 3 years, 5 years and 2 years respectively.

2.18 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.

2.19 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.

2.20 Employee benefits

(i) Post-employment benefits

The Group has both defined benefit and defined contribution plans

a. *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 insurance 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 entities within the Group make contributions in line with relevant pension laws in their jurisdiction. In Nigeria, the Company contributes 16.5% of each employee's monthly emoluments (as defined by the Pension Act 2014) to the employee's Retirement Savings Account. The Act stipulates a minimum contribution of 10%.

b. 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.

(ii) 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.

2.21 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.

2.22 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. 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 contract is made up of an unexpired premium reserve (UPR) and reserve for 'Incurred but not reported' claims (IBNR). The UPR represent 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.

(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 claims incurred but not reported (IBNR) 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.

2.23 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.

2.24 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.

2.25 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.

c. *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.

d. *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 IFRS 9 are compared. The IFRS 9 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 IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in income statement.

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.

2.26 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 guaranteee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guaranteee has become probable).

3. Financial risk management

3.1 Introduction and overview

Effective risk management is fundamental to the business activities of the Group. At FBN Holdings, we promote a culture where risk management is everyone's business from board level down to risk owners and units across the Group.
Our approach to risk is supported by a robust Enterprise Risk Management framework (ERM) and a strong risk culture to identify, measure, monitor and control risks thereby promoting accountability at all levels across the group. Objectives of the ERM framework are communicated through risk policies and standards which are intended to provide consistent design and execution of strategies across the organization.
The risks arising from financial instruments to which the Group is exposed are financial risks, which includes Credit risk, Liquidity risk and Market risk. Other material risks impacting activities of the group include, Operational, Legal, Compliance, Strategic, Reputational, Information security, Environmental and Social risk.

3.1.1 Risk Management Philosophy

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.
• 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; and
• Risks are reported openly and fully to the appropriate levels once they are identified.
• 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.
• All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.1.2 Risk Appetite

Risk appetite is the level and type of risk the Group is willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through quantitative and qualitative means and considers extreme conditions, events and outcomes. In addition, risk appetite reflects potential impact on earnings, capital and funding / liquidity.
The Group's risk appetite is the amount of risk its willing to accept to align with and support our financial and strategic objectives, relative to our risk capacity to assume losses.

Risk Appetite Statement (RAS)

Our RAS is the expression of the maximum level of risk we would take across the major risks facing our business and accept in the pursuit of our strategic objectives. The Group would accept moderate risk in every activity it undertakes to achieve these strategic objectives by declaring its willingness to accept moderate risks related to each key value driver.

Risk Tolerance

This refers to the quantitative thresholds that allocate the Group's risk appetite to specific risk types, business units, products, customer segments, and other levels. Certain risk tolerances are policy limits that shall not be exceeded except under extraordinary circumstances (hard limits), while other risk tolerances are guideposts or trigger points for risk reviews and mitigation (soft limits).
Whereas risk appetite is a strategic determination based on long-term objectives, risk tolerance is a tactical readiness to bear a specific risk within established parameters. Enterprise-wide strategic risk appetite is thus translated into specific tactical risk tolerances that constrain risk-acceptance activities at the business level. Risk tolerances are the parameters within which a Group (or business unit or function) must operate to achieve its risk appetite.
Once established, these parameters are communicated downward throughout the Group to give clear guidelines to every stakeholder and to provide feedback when they are exceeded.

3.1.3 Risk Management Framework

The risk management framework of the Group 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.
With an increasing focus on consistency and transparency, the Group regularly assesses and enhances its risk management framework to ensure it is fit-for purpose.
The Group's framework for management of enterprise risk specifically covers:
 Governance and oversight of the overall risk management framework.
 Risk appetite statement and risk appetite measurements.
 Policies, procedures, controls and systems through which risk is identified and managed.
 Oversight, control, assurance and delegation of authorities for each type of risk.
 Monitoring and reporting of the risk profile against risk appetite.
 Control and correction of the risk profile should it deviate from risk appetite.
 Reassessment of risk appetite and/or the Group's strategy in the light of changes in the business.

The Board of Directors has overall responsibility for the establishment of the Group's Risk Management framework and exercises its oversight function through its various committees. These committees are responsible for developing and monitoring risk policies in their specific areas and report regularly to the Board of Directors. The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Group. These committees include Group executive committee.

3.1.4 Risk Governance Structure, Roles and Responsibilities

The Group addresses the challenge of risks by applying leading practices that are supported by a robust governance structure consisting of board level and executive management committees.
The Group adopts the 'three-pronged line of defense' model to underpin its approach to strong risk management principles. Through this model, the Group monitors, manages and mitigates its material risks on a Group-wide basis. Risk governance is maintained through delegation of authority from the board, down to management hierarchy, supported by committee structure both at the board level and at management level. 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.

RISK GOVERNANCE FRAMEWORK

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Daily risk management, monitoring and high level oversight	Risk oversight and challenges, policies and methodologies.	Independent assurance of risk management
Business units and risk-takers	Risk Committees Chief Risk Officers, Heads of Risk across the Group Risk Management function	Audit Committee Internal Audit External Audit Regulators External Assessors

a. First Line of Defence - Risk Management and Ownership

The primary responsibilities and objectives of the first line of defence include:
- Managing risks/implementing actions to manage and treat risks at transaction level;
- Implementing risk management processes on an ongoing basis as changes occur with business mix, systems, or regulatory and other requirements;
- Executing risk assessments and identifying emerging risks at the transaction/business case level.

b. Second Line of Defence - Risk Oversight

The main objective of the second line of defence is to provide oversight of the execution of the frontline controls. The second line of defence is responsible for monitoring the internal controls that have been designed with the following main responsibilities:

- Establishing risk management policies and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (risk management, compliance and legal divisions);
- Identifying enterprise trends, synergies and opportunities for change;
- Initiating change, integrating and making new monitoring processes operational; and
- Oversight over key risks.

c. Third Line of Defence - Risk Assurance

The third line of defence is responsible for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Group's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defense include:
- Performing periodic reviews based on a rationalized and systematized approach that allows for risk assessment and governance reporting;
- Providing oversight on the risk management process;
- Reporting to the executive management committee, the audit committee and the board of directors on the state of the control environment and gaps in the controls or monitoring environment;

Board Audit & Risk Assessment Committee evaluates the processes for identifying, assessing, monitoring and managing key risk areas; it also evaluates the adequacy of the group's risk management systems and control environment.

Management Committee is responsible for formulating policies; monitoring implementation of risk policies; reviewing risk reports for presentation to the Board/Board committees; and Implementing Board decisions across the Group.

3.2 Credit risk

Credit risk is the single largest risk for the Group’s business therefore, prominence is placed on effective management of credit risk.
Credit risk is defined as the potential that a borrower or counter party will fail to meet obligations in accordance with agreed terms. It is also defined as the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties.

Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities. It can also arise from credit enhancement provided such as financial guarantees, letters of credit, endorsements and acceptances.
The Risk Management function of each subsidiary has specific and overall responsibility for facilitating risk asset creation and exposure management processes across the Group.

3.2.1 Management of Credit Risk

The Credit Risk Policy Manual is the primary reference document for creating and managing credit risk exposures. The manual outlines the general policies and procedures, framework for credit risk management across the subsidiaries and incorporates provisions for marketing, risk analysis, approval, administration, monitoring and reporting of risk exposures.
The Credit Risk Management Policy Manual is designed to:
- Standardize credit policies, give employees clear and consistent direction for the creation of risk exposures across all asset creating business units;
- Provide a comprehensive guide and framework in creating and managing risk assets;
- Ensure prompt identification of problem credits and prudent management of decline in credit quality;
- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio; and
- Provide a framework for the on-going maintenance of the risk management policies and processes.

Credit risk management policies and procedures are articulated by the Risk Management function of each subsidiary.

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 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 macro-economic, 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 shareholders’ funds.
• Maintain minimum weighted average obligor risk rating (obligor-WARR) of ‘Ba2’
• Maintain minimum weighted average facility risk rating (facility-WARR) of ‘Ba2’

• The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
– 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 ‘Baa3’ or better.
– No more than 15% of the Group’s portfolio would be in any industry rated ‘Ba3’ or worse.
– No more than 10% of the Group's portfolio in any single industry rated ‘B3’ 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. In addition, 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.

For all retail borrowers, limits are kept low and graduated with credit scoring, forecast cash flow and realizable 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.

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.

3.2.3 Collateral held as security to mitigate credit risk

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

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 principal collateral types for loans and advances are:

• Cash/Treasury bill/Government securities
• Legal Mortgage over residential properties, business real estates in prime locations
• Charge over business fixed and floating assets as well as inventory
• Guarantee from acceptable corporates
• Equitable Mortgage on real estates in prime locations
• Negative Pledge
• Domiciliation of receivables from acceptable corporates.

Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. 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.

No loan allowance is recognized for the portion of the Group's financial assets which are fully collateralized by cash in the same currency in accordance with the Group’s expected credit loss model. The carrying amount of such financial assets is N48.3 billion as at 31 December, 2019 (2018: N8.08 bn).

The Group’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

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.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group
December 2019

Credit-Impaired assets	**Gross Exposure** N'million	**Impairment Allowance** N'million	**Carrying Amount** N'million	**Fair value of Collateral held** N'million
Retail portfolio				
- Overdrafts	3,967	3,588	380	14,724
- Credit cards	212	43	170	30
- Term loans	6,521	1,794	4,727	5,006
- Mortgages	675	241	434	1,061
Corporate portfolio				
- Overdrafts	38,462	16,480	21,982	19,792
- Term loans	117,107	35,734	81,373	80,938
- Project Finance	29,919	5,517	24,402	17,334
- Advances under Finance Lease	-	-	-	-
Total Credit Impaired Assets	196,863	63,396	133,467	138,885

Group
December 2018

Credit-Impaired assets	**Gross Exposure** N'million	**Impairment Allowance** N'million	**Carrying Amount** N'million	**Fair value of Collateral held** N'million
Retail portfolio				
- Overdrafts	10,690	7,837	2,860	26,336
- Credit cards	272	82	191	-
- Term loans	42,555	23,833	18,716	6,515
- Mortgages	1,840	902	937	80
Corporate portfolio				
- Overdrafts	120,932	74,966	45,967	20,245
- Term loans	342,392	264,081	78,311	50,551
- Project Finance	15,766	2,659	13,106	26,974
- Advances under Finance Lease	559	320	239	-
Total Credit Impaired Assets	535,007	374,680	160,328	130,702

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 on-going management of the risk asset portfolio and individual risk exposures are defined. On-going 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 includes restructuring and loan work-out 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 Write Off

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was N268.4bn (2018: N97.97bn). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.2.8 Governance structure around the ECL model

The governance around ECL model centers on oversight functions of primary stakeholders. Oversight function is provided over the following:

i. Obligor ratings
ii. Loss Given Default
iii. Governance also covers derivation of Credit Conversion Factor (CCF), Exposure at Default (EAD), scenarios and the use of forward looking estimates. Data utilized in deriving these estimates are sourced from credible sources. However, a team of IT experts still carry out periodic checks for system vulnerability, performance and deficiency.
Overall, review of completeness and accuracy is jointly carried out by credit risk team, internal control on regular basis and by internal audit periodically.

3.2.9 Grouping of instruments for losses measured on collective basis

To estimate credit losses for retail portfolio, the Group adopts a model which groups loans with similar or homogeneous characteristics together and this mainly based on the product types. Products are segmented in to four broad categories namely Credit Cards, Mortgages, Term loans and Overdrafts.

Models for Probability of default and loss given default are built in line with the segmentation and the output provide PD and LGD for each of the product category while EAD is applied at individual level.

PD for each product category is calculated as the ratio of the loans which have defaulted to the total count of the loans in the product group while LGD is estimated based on account balances, recoveries and collateral cover.
The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

3.2.10 Credit risk measurement

In measuring credit risk of financial assets (loans and advances to customers and to banks, Investment securities and loan commitments) at a counterparty level, the Group reflects the following components:
- The character and capacity to pay of the client or counterparty to meet 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.

Obligor Risk Rating

The Group has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default.
The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.
The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating tools and their predictive powers regarding default events.

Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Scale Rating			Grade
Highest quality, with minimal credit risk	Aaa	Aaa	1	Investment Grade
High quality, subject to very low credit risk	Aa1	Aa	2	
	Aa2		3	
	Aa3		4	
Considered upper-medium and may possess certain speculative characteristics	A1	A	5	
	A2		6	
	A3		7	
Considered medium-grade and may possess certain speculative characteristics	Baa1	Baa	8	
	Baa2		9	
	Baa3		10	
Considered to have speculative elements and are subject to substantial credit risk	Ba1	Ba	11	Non Investment Grade
	Ba2		12	
	Ba3		13	
Considered speculative and are subject to high credit risk	B1	B	14	
	B2		15	
	B3		16	
Considered to be of poor standing and are subject to very high credit risk	Caa1	Caa	17	
	Caa2		18	
	Caa3		19	
In or near default, with possibility of recovery	Ca	Ca	20	
In default with little chance of recovery	C	C	21	

3.2.11 Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on intial recognition is classified in 'Stage 1' and has the credit risk continously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.2.11(a) for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to note 3.2.11(b) for a description of credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within th next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer to note 3.2.11(c) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.2.11(d) includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on inital recognition. Their ECL is always measured on a lifetime basis (Stage 3)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:
However, the simplified approach has been adopted for trade receivables and other assets.

a **Assessment of significant increase in credit risk**

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Corporate portfolio, Investment Securities and Placements with financial institutions

Quantitative Criteria:

This is based on the backstop policy disclosed in the next section. Downward rating migration as at reporting date compared to initial rating at origination that exceeds specified threshold as specified per table below:

Criteria	Number of notches/rating scale considered significant
Rating Notches Downgrade	>= 4
Poor Credit Rating Threshold	>=17
Default	>=20

Migrations to rating scale 17 and above is considered stage 2 while rating scale 20 and above is considered stage 3. Please refer to Note 3.2.10 on 21 rating scale adopted by the Group.

Qualitative Criteria:

If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

i Significant increase in credit spread
ii Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
iii Actual or expected forberance or restructuring
iv Actual or expected significant adverse change in operating results of the borrower
v Significant change in collateral value (secured facilities only) which is expected to increase risk of dafault.
vi Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

Retail Portfolio

Quantitative Criteria:

This is based on the backstop policy disclosed in the next section

Qualitative Criteria:

If the borrower meets one or more of the following criteria:

i In short-term forbearance
ii Significant modification to contractual terms
iii Previous arrears within the last 3 months
iv Negative credit bureau reports

The assessment of SICR incorporates forward-looking information (refer to note 3.2.11(d) for further information) and is performed on a periodic basis at a counterparty level for all financial instruments held by the Group.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments, however specialized facilities are considered to have experienced significant increase in credit risk if the borrower is more than 90 days past due on its contractual repayment. Specialized facilities include lending for Project/ Object finance and Commercial Real Estate.

Backstop criteria for non-specialized facilities

Stage	Days in Delinquency
Stage 1	< 30days
Stage 2	>= 30 and <90 days
Stage 3	>= 90 days

Backstop criteria for specialized facilities

Stage	Days in Delinquency
Stage 1	< 90days
Stage 2	>= 90 and <180days
Stage 3	>= 180days

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2019.

b Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the sole exception of specialized lending for project, object and commercial real estate where a borrower is required to be more than 180 days past due to be considered in default).

Qualitative criteria

The following qualitative criteria indicates that a borrower is in significant financial difficulty:

• long-term forbearance
• Deceased borrower
• Insolvency or Bankruptcy
• Breach of financial covenant(s)
• Disappearance of an active market for a financial asset due to financial difficulties
• Concessions made by the lender in relation to the borrower’s financial difficulty

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

The 180 days past due default definition used for specialized facilities has been aligned with the definition used for regulatory capital purposes. Therefore the Group considers 180 days past due to be a more appropriate default definition and has rebutted the 90 days past due presumption under IFRS 9 for the specialized facilities. This rebuttal will be monitored and reviewed by the Credit Risk department on an annual basis to ensure it remains appropriate

Cure Criteria

- An exposure will move from stage 2 to 1 where probationary period of 90 days is met subject to all payments being up to date with the customer demonstrating ability to maintain future repayments.
- An Exposure will move from Stage 3 to 2 where probationary period of 180 days is met and there is consistency in repayment of obligations as and when due.

c Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:
• The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
• EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
• Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12M PD associated with a given rating is calibrated to a 12M Point in Time PD (PiT PD) using regression analysis while the lifetime PD is developed by applying a cross section regression model which extends the 12-month PiT PD over a long-time horizon. The cross-sectional analysis incorporates time-variant factors, time-invariant factors and idiosyncratic factors.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by facility type.

• For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
• For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group’s recent default data.
The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
• For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales which has embedded cost of recovery, recovery period and haircuts.
• For unsecured products, the group leverages on a statistical model which estimates recovery rate based on analysis of default data. The model takes in to consideration the credit worthiness and borrowers industry in arriving at the recovery rate.
• LGD’s are typically set at product level for retail portfolio and counterparty level for the corporate portfolio, investment securities and placements with financial institutions.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by portfolio/product type. Refer to note 3.2.11(d) for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation such as rating migration for determination of PDs and change in collateral values etc. are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key macro-economic variables impacting credit risk and expected credit losses for its portfolio.

These variables and their associated impact on the PD, EAD and LGD vary by portfolio type; in addition, expert judgment has also been applied in this process.
Forecasts of these macro-economic variables for each of the possible scenarios (upturn, baseline and downturn) are provided by Moody’s Analytics economic’s team (Groups Vendor) via its platform known as Data Buffet on a quarterly basis. The platform can provide an economic forecast up to 30 years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical cross sectional regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Weights are assigned to the possible outcome of each scenario based on statistical regression analysis and expert judgement taking account of the range of possible outcomes each chosen scenario is representative of.

The assessment of SICR is determined using rating migration which are linked to the PDs of each scenarios multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 3.2.11a). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Generally, in economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, hence the actual outcomes may be significantly different to those projected. Therefore, the Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

e Simplified Approach

In determining the ECL for other assets, the Group applies the simplified approach to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns, to determine the lifetime ECLs. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for forward looking estimates e.g. inflation, exchange rates etc.

3.2.12 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below.

Corporate Portfolio, Investment Securities and Placements with financial institutions

		2020	2021	2022	2023	2024
Gross Domestic Product (NGN' billions)	Base	74,248	76,716	79,194	81,490	84,010
	Upturn	75,608	80,028	83,338	86,146	88,991
	Downturn	70,294	71,067	73,737	76,647	79,730
Stock Index Price (NGN per share)	Base	28,277	31,094	32,891	34,548	36,596
	Upturn	32,248	34,916	36,478	37,884	39,794
	Downturn	21,769	24,886	27,793	30,719	33,248
Oil price (USD per barrel)	Base	64	66	66	67	69
	Upturn	80	81	81	80	81
	Downturn	39	45	49	54	58

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below.

		2019	2020	2021	2022	2023
Gross Domestic Product (NGN' billions)	Base	73,928	77,023	80,096	83,076	86,073
	Upturn	74,759	80,026	84,150	87,743	91,149
	Downturn	70,782	71,436	74,380	77,942	81,548
Stock Index Price (NGN per share)	Base	160	175	183	189	197
	Upside	183	199	205	210	216
	Downside 3	128	139	154	168	179
Oil price (USD per barrel)	Base	73	68	67	68	69
	Upside	92	88	86	85	85
	Downturn	51	47	51	56	58

In current year, First Bank adopted the Gaussian distribution method of probability distribution to determine the weights of each of its selected scenarios. Expert judgement was applied for other entities. The weightings assigned to each economic scenario are as follows:

DECEMBER 2019	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	44%	28%	28%

DECEMBER 2018	Base	Upturn	Downturn
Corporate portfolio, Investment Securities and Placement with financial institutions	40%	30%	30%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

3.2.13 Sensitivity analysis on ECL Model

The most significant assumptions affecting the ECL allowance are as follows:

Corporate Portfolios

(i) GDP, given the significant impact on companies' performance and collateral valuations
(ii) Oil price, given its significant impact on Nigerian economy and industry players
(iii) Stock Price Index, given its relevance for evaluating market performance of firms.

The sensitivity analysis has been determined by changing one variable or holding it constant on the x -axis, while changing another variable or holding it constant on the y-axis. Set out below are the changes to the ECL that would result if the economic variable assumptions used to measure ECL remain as expected, as well as if each of the key asumptions used change by plus or minus 10%.

'Corporate Portfolios		**Oil Price**		
		N'm	N'm	N'm
		(-10%)	No change	+10%
GDP	+10%	52,428	52,428	52,638
	No Change	52,706	52,706	52,706
	(-10%)	52,706	52,706	52,706

Corporate Portfolios		**Oil Price**		
		N'm	N'm	N'm
		(-10%)	No change	+10%
GDP	+10%	252,721	252,721	252,721
	No Change	252,721	252,176	252,721
	(-10%)	252,721	252,721	252,721

3.2.14 Measurement basis of financial assets and liabilities

GROUP

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	*N'million*	*N'million*	*N'million*
31 December 2019				
Financial assets				
Cash and balances with central banks	-	-	1,025,325	1,025,325
Loans and advances to banks	-	-	754,910	754,910
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	198,082	198,082
- Term loans	-	-	903,920	903,920
- Project finance	-	-	607,438	607,438
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	11,872	11,872
- Term loans	-	-	94,758	94,758
- Credit cards	-	-	1,730	1,730
- Mortgage	-	-	34,611	34,611
Financial assets at fair value through profit or loss	282,660	-	-	282,660
Investment securities:				
- Investments at FVOCI	-	554,666	-	554,666
- Investments at amortised cost	-	-	859,864	859,864
Asset pledged as collateral	-	444,393	20,529	464,923
Other assets	-	-	121,593	121,593
Total Financial Assets	282,660	999,059	4,634,631	5,916,349

	Fair Value through P/L	Amortised cost	Total
	N'million	*N'million*	*N'million*
Financial liabilities			
Deposits from banks	-	860,486	860,486
Deposits from customers	-	4,019,836	4,019,836
Financial liabilities at fair value through profit or loss	6,046	-	6,046
Other liabilities	-	266,328	266,328
Liability on investment contracts	-	24,676	24,676
Borrowings	-	250,596	250,596
Total Financial Liabilities	6,046	5,421,922	5,427,968

GROUP

	Fair Value through P/L	Fair Value through OCI	Amortised cost	Total
	N'million	N'million	N'million	N'million
31 December 2018				
Financial assets				
Cash and balances with central banks	-	-	653,335	653,335
Loans and advances to banks	-	-	863,435	863,435
Loans and advances to customers - Corporate Portfolio:				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	853,946	853,946
- Project finance	-	-	471,078	471,078
- Advances under finance lease	-	-	417	417
Loans and advances to customers - Retail Portfolio:				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Financial assets at fair value through profit or loss	109,162	-	-	109,162
Investment securities:				
- Investments at FVOCI	-	874,119	-	874,119
- Investments at amortised cost	-	-	789,702	789,702
Asset pledged as collateral	-	215,753	93,298	309,051
Other assets	-	-	50,200	50,200
Total Financial Assets	109,162	1,089,871	4,120,447	5,319,480

3.2.14 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L N'million	Amortised cost N'million	Total N'million
Financial liabilities			
Deposits from banks	-	749,315	749,315
Deposits from customers	-	3,486,691	3,486,691
Financial liabilities at fair value through profit or loss	15,791	-	15,791
Other liabilities	-	346,627	346,627
Liability on investment contracts	-	19,766	19,766
Borrowings	-	338,214	338,214
Total Financial Liabilities	15,791	4,940,613	4,956,404

	Fair Value through P/L *N'million*	Fair Value through OCI *N'million*	Amortised cost *N'million*	Total *N'million*
COMPANY				
31 December 2019				
Financial assets				
Loans and advances to banks	-	-	5,706	5,706
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	94	94
Financial assets at FVTPL		3,057		3,057
Investment securities:				-
- Investment securities at FVOCI	-	11,393	-	11,393
Other assets	-	-	15,729	15,729
Total Financial Assets	-	14,450	21,529	35,979

	Fair Value through P/L *N'million*	Amortised cost *N'million*	Total *N'million*
Financial liabilities			
Other liabilities	-	9,321	9,321
Total Financial Liabilities	-	9,321	9,321

	Fair Value through P/L *N'million*	Fair Value through OCI *N'million*	Amortised cost *N'million*	Total *N'million*
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	-	-	16,639	16,639
Loans and advances to customers - Retail portfolio				
- Staff loans	-	-	110	110
Financial assets at FVTPL	3,427			3,427
Investment securities:				-
- Investment securities at FVOCI	-	7,079	-	7,079
Other assets	-	-	87	87
Total Financial Assets	3,427	7,079	16,836	27,342

	Fair Value through P/L *N'million*	Amortised cost *N'million*	Total *N'million*
Financial liabilities			
Other liabilities	-	8,034	8,034
Total Financial Liabilities	-	8,034	8,034

3.2.15 Maximum exposure to credit risk before collateral held or credit enhancements

(a) Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

GROUP

	Balances with Central Banks 31 Dec 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	899,396	-	-	-	899,396
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	899,396	-	-	-	899,396
Loss allowance	-	-	-	-	-
Carrying Amount	899,396	-	-	-	899,396

	Loans and Advances to Banks 31 Dec 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	160,751	-	-	-	160,751
Non Investment Grade	594,888	-	-	-	594,888
Gross Carrying Amount	755,639	-	-	-	755,639
Loss allowance	(729)	-	-	-	(729)
Carrying Amount	754,910	-	-	-	754,910

	Loans and Advances to Customers - Retail Portfolio 31 Dec 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	28,063	2,037	-	-	30,100
Non Investment Grade	109,964	2,639	9	-	112,612
Default	-	-	11,367	-	11,367
Gross Carrying Amount	138,027	4,676	11,376	-	154,079
Loss allowance	(5,393)	(51)	(5,665)	-	(11,109)
Carrying Amount	132,634	4,625	5,710	-	142,970

	Loans and Advances to Customers - Corporate Portfolio 31 Dec 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit-Impaired	Total
	N'millions	N'millions	N'millions	N'millions	N'millions
Credit Grade					
Investment grade	461,135	19,660	-	-	480,795
Non Investment Grade	454,508	656,313	205	-	1,111,026
Default	-	-	185,421	-	185,421
Gross Carrying Amount	915,643	675,972	185,626	-	1,777,242
Loss allowance	(3,933)	(6,138)	(57,731)	-	(67,802)
Carrying Amount	911,710	669,834	127,896	-	1,709,440

Debt Investment Securities - at FVOCI
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	383,397	-	-	-	383,397
Non Investment Grade	12,228	-	-	-	12,228
Carrying Amount	395,625	-	-	-	395,625

Investment Securities - at Amortised Cost
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	819,526	-	-	-	819,526
Non Investment Grade	40,948	-	-	-	40,948
Default	-	-	-	-	-
Gross Carrying Amount	860,474	-	-	-	860,474
Loss allowance	(610)	-	-	-	(610)
Carrying Amount	859,864	-	-	-	859,864

Assets Pledged as Collateral
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	464,922	-	-	-	464,922
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	464,922	-	-	-	464,922
Loss allowance	-	-	-	-	-
Carrying Amount	464,922	-	-	-	464,922

	31 Dec 2019 N'millions
Other assets	141,533
ECL	(19,940)
Carrying amount	121,593

The expected loss rate per age bracket in table below is for First Bank of Nigeria Limited (FBN) as at 31 December 2019. FBN contributes 90% of the total Other assets of the Group, therefore the table is a representative for the Group

	0-30 days	31-60 days	61-180 days	181 -365 days	> 365 days
Expected Loss rate	0.6%	1.1%	3.4%	6.8%	

GROUP

Balances with Central Banks
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	542,098	-	-	-	542,098
Non Investment Grade	531	-	-	-	531
Gross Carrying Amount	542,629	-	-	-	542,629
Loss allowance	-	-	-	-	-
Carrying Amount	542,629	-	-	-	542,629

Loans and Advances to Banks
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	463,241	-	-	-	463,241
Non Investment Grade	366,181	34,998	-	-	401,180
Gross Carrying Amount	829,422	34,998	-	-	864,420
Loss allowance	(985)	-	-	-	(985)
Carrying Amount	828,437	34,998	-	-	863,435

Loans and Advances to Customers - Retail Portfolio
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	345	-	-	-	345
Non Investment Grade	143,352	3,433	19	-	146,804
Default	-	-	55,339	-	55,339
Gross Carrying Amount	143,697	3,433	55,358	-	202,488
Loss allowance	(1,451)	(33)	(32,654)	-	(34,138)
Carrying Amount	142,246	3,401	22,704	-	168,350

Loans and Advances to Customers - Corporate Portfolio
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	407,977	30,329	-	-	438,307
Non Investment Grade	450,199	498,642	20,262	-	969,103
Default	-	-	446,053	-	446,053
Gross Carrying Amount	858,176	528,972	466,315	-	1,853,462
Loss allowance	(4,157)	(5,151)	(342,028)	-	(351,336)
Carrying Amount	854,019	523,820	124,287	-	1,502,126

Debt Investment Securities - at FVOCI
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	719,347	-	-	-	719,347
Non Investment Grade	46,423	-	-	-	46,423
Carrying Amount	765,770	-	-	-	765,770

Investment Securities - at Amortised Cost
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	738,120	-	-	-	738,120
Non Investment Grade	52,410	-	-	-	52,410
Default	7	-	-	-	7
Gross Carrying Amount	790,537	-	-	-	790,537
Loss allowance	(835)	-	-	-	(835)
Carrying Amount	789,702	-	-	-	789,702

Assets Pledged as Collateral
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	309,051	-	-	-	309,051
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	309,051	-	-	-	309,051
Loss allowance	-	-	-	-	-
Carrying Amount	309,051	-	-	-	309,051

	'31 Dec 2018 Total N'millions
Other assets	50,200

Company

Loans and Advances to Banks
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	5,706	-	-	-	5,706
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	5,706	-	-	-	5,706
Loss allowance	-	-	-	-	-
Carrying Amount	5,706	-	-	-	5,706

Loans and Advances to Customers - Retail Portfolio
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	-	-	-	-	-
Non Investment Grade	94	-	-	-	94
Gross Carrying Amount	94	-	-	-	94
Loss allowance	-	-	-	-	-
Carrying Amount	94	-	-	-	94

Debt Investment Securities - at FVOCI
31 Dec 2019

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	11,393	-	-	-	11,393
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	11,393	-	-	-	11,393
Loss allowance	-	-	-	-	-
Carrying Amount	11,393	-	-	-	11,393

	31 Dec 2019 N'millions
Other assets	15,729
ECL	-
Carrying amount	15,729

Loans and Advances to Banks
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	16,639	-	-	-	16,639
Non Investment Grade	-	-	-	-	-
Gross Carrying Amount	16,639	-	-	-	16,639
Loss allowance	-	-	-	-	-
Carrying Amount	16,639	-	-	-	16,639

Loans and Advances to Customers - Retail Portfolio
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	-	-	-	-	-
Non Investment Grade	110	-	-	-	110
Gross Carrying Amount	110	-	-	-	110
Loss allowance	-	-	-	-	-
Carrying Amount	110	-	-	-	110

Debt Investment Securities - at FVOCI
31 Dec 2018

	Stage 1 12-month ECL N'millions	Stage 2 Lifetime ECL N'millions	Stage 3 Lifetime ECL N'millions	Purchased Credit-Impaired N'millions	Total N'millions
Credit Grade					
Investment grade	7,079	-	-	-	7,079
Non Investment Grade	-	-	-	-	-
Default	-	-	-	-	-
Gross Carrying Amount	7,079	-	-	-	7,079
Loss allowance	-	-	-	-	-
Carrying Amount	7,079	-	-	-	7,079

	31 Dec 2018 N'millions
Other assets	87

(b) **Financial instruments not subject to impairment**

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment

	GROUP Maximum exposure to credit risk		COMPANY Maximum exposure to credit risk	
	31 Dec 2019 N'millions	31 Dec 2018 N'millions	31 Dec 2019 N'millions	31 Dec 2018 N'millions
Financial Assets at FVPTL				
- Debt Securities	208,907	55,042	-	-
- Derivatives	38,372	17,786	-	-

3.2.16 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 2019 and 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assetsat fair value through profit or loss analysed below excludes investments in equity instruments.

GROUP

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	866,904	-	-	32,492	-	-	899,396
Loans and advances to banks	464,349	-	-	48,610	40,456	201,495	754,910
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,619	2,595	610	4,048	0	-	11,872
- Term loans	23,299	34,081	22,603	14,752	23	-	94,758
- Credit cards	766	594	369	-	-	-	1,730
- Mortgage	3,668	612	221	15	30,029	65	34,611
Corporate portfolio:							
- Overdrafts	103,919	24,114	3,400	27,587	38,543	519	198,082
- Term loans	627,831	109,100	19,843	76,878	60,722	9,545	903,920
- Project finance	560,775	19,214	27,448	-	-	-	607,438
- Advances under finance lease	-	-	-	-	-	-	-
Financial assets at FVTPL	236,492	-	-	1,329	9,458	-	247,279
Investment securities							
- FVOCI Investments	391,962	1,512	1,416	736	-	-	395,626
- Amortised cost investments	135,918	149	-	65,130	31,464	627,204	859,864
Asset pledged as collateral	444,393	-	-	20,529	-	-	464,922
Other assets	100,156	8,097	988	12,117	235	-	121,593
31 December 2019	3,965,051	200,069	76,897	304,223	210,930	838,829	5,596,000
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	52,147	23,728	927	4,329	-	-	81,131
Letters of credit and other credit related obligations	748,706	57,278	35,247	18,630	1,243	-	861,103
31 December 2019	800,852	81,006	36,174	22,959	1,243	-	942,234

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Balances with central bank	526,268	-	-	16,158	203	-	542,629
Loans and advances to banks	393,238	-	-	63,687	281,443	125,068	863,435
Loans and advances to customers:							
Retail portfolio:							
- Overdrafts	4,254	2,335	556	6,630	0	-	13,775
- Term loans	19,549	42,501	18,256	18,069	36	-	98,410
- Credit cards	770	774	372	-	-	-	1,916
- Mortgage	33,948	1,578	593	2,885	9,216	6,030	54,249
Corporate portfolio:							
- Overdrafts	111,902	20,976	6,576	16,202	21,016	13	176,685
- Term loans	637,295	124,312	15,089	52,578	24,117	554	853,946
- Project finance	425,725	7,159	38,194	-	-	-	471,078
- Advances under finance lease	69	348	-	-	-	-	417
Financial assets at FVTPL	60,996	-	-	11,778	54	-	72,828
Investment securities							
- FVOCI Investments	761,943	2,176	1,651	-	-	-	765,770
- Amortised cost investments	39,299	654	-	173,136	70,965	505,648	789,702
Asset pledged as collateral	294,908	-	-	14,143	-	-	309,051
Other assets	20,029	8,995	1,291	5,265	14,579	41	50,200
31 December 2018	3,330,192	211,808	82,579	380,531	421,628	637,354	5,064,093
Credit risk exposure relating to off balance sheet items are as follows							
Loan commitments	21,341	19,044	1,289	1,228	-	-	42,902
Letters of credit and other credit related obligations	705,983	52,613	40,271	14,461	26,677	2,184.34	842,189
31 December 2018	727,323	71,657	41,560	15,690	26,677	2,184	885,091

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

COMPANY

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	Total N 'million
Loans and advances to banks	5,706	-	-	-	-	-	5,706
Loans and advances to customers							
- Term loans	94	-	-	-	-	-	94
Financial assets at FVTPL	-	-	-	-	-	-	-
Investment securities							
- FVOCI Investments	11,393	-	-	-	-	-	11,393
Other assets	15,729	-	-	-	-	-	15,729
31 December 2019	32,922	-	-	-	-	-	32,922

	Lagos N 'million	Southern Nigeria N 'million	Northern Nigeria N 'million	Africa N 'million	Europe N 'million	America N 'million	Total N 'million
Loans and advances to banks	16,639	-	-	-	-	-	16,639
Loans and advances to customers							
- Term loans	110	-	-	-	-	-	110
Investment securities							
- FVOCI Investments	7,079	-	-	-	-	-	7,079
Other assets	87	-	-	-	-	-	87
31 December 2018	23,915	-	-	-	-	-	23,915

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 N 'million	Loans and advances to banks N 'million	Financial assets at fair value through profit or loss N 'million	Investment Securities - FVOCI N 'million	Investment Securities - Amortised cost N 'million	Asset pledged as collateral N 'million	Other assets N 'million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	627	5,999	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	135	2,945	2,143	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	1	-	-	-
Finance and insurance	899,396	754,910	88,579	39,213	729,916	20,529	36,266
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	1,516	-	-	-
General commerce	-	-	-	-	-	-	20,300
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	157,938	345,952	127,805	444,393	65,027
Total at 31 December 2019	899,396	754,910	247,279	395,626	859,864	464,922	121,593

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

	Loans and advances to customers - Retail Portfolio				
	Overdraft	Term loans	Credit Cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	106	246	-	-	352
Oil and gas	195	569	-	-	764
Consumer credit	3,500	83,757	1,723	18	88,998
Manufacturing	197	418	-	-	615
Real estate	14	578	-	34,597	35,190
Construction	78	-	-	-	78
Finance and insurance	61	91	-	-	152
Transportation	3	154	-	-	157
Communication	7	100	-	-	107
General commerce	1,767	3,161	0	-	4,928
Utilities	3	-	-	-	3
Retail services	5,810	5,625	7	-	11,442
Public sector	128	59	0	-	186
Total at 31 December 2019	11,872	94,758	1,730	34,611	142,972

	Loans and advances to customers - Corporate Portfolio			
	Overdraft	Term loans	Project finance	Total
	N 'million	N 'million	N 'million	N 'million
Agriculture	9,915	40,806	4,000	54,720
Oil and gas	32,270	176,549	384,496	593,315
Consumer credit	1,201	2,453	-	3,654
Manufacturing	43,200	183,555	63,026	289,781
Real estate	370	28,831	25,128	54,329
Construction	19,461	54,822	22,017	96,299
Finance and insurance	4,085	7,796	-	11,881
Transportation	473	13,055	4,573	18,102
Communication	1,127	109,526	139	110,792
General commerce	71,062	87,529	1,443	160,034
Utilities	3,206	43,803	81,558	128,567
Retail services	11,714	17,495	6,684	35,893
Public sector	0	137,699	14,376	152,075
Total at 31 December 2019	198,082	903,920	607,438	1,709,441

GROUP

	Balances with central bank	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Asset pledged as collateral	Other assets
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
Oil and gas	-	-	2,957	9,092	13,447	-	-
Manufacturing	-	-	121	3,064	-	-	2,017
Finance and insurance	542,629	863,435	61,818	50,429	206,675	14,143	41,779
General commerce	-	-	-	-	-	-	5,500
Utilities	-	-	-	-	-	-	63
Public sector	-	-	7,933	703,185	569,580	294,908	841
Total at 31 December 2018	542,629	863,435	72,829	765,770	789,702	309,051	50,200

3.2.16 Concentration of risks of financial assets with credit risk exposure continued

	Loans and advances to customers - Retail Portfolio				
	Overdraft	Term loans	Credit Cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	93	299	-	-	392
Oil and gas	250	782	-	205	1,237
Consumer credit	3,351	83,623	1,914	364	89,252
Manufacturing	783	584	-	267	1,634
Real estate	24	41	0	25,767	25,832
Construction	371	87	-	-	458
Finance and insurance	250	1,623	-	184	2,057
Transportation	35	206	-	175	416
Communication	92	105	-	452	648
General commerce	3,559	6,770	-	651	10,980
Utilities	343	82	-	-	425
Retail services	4,532	2,710	2	26,185	33,428
Public sector	93	1,499	-	-	1,592
Total at 31 December 2018	13,776	98,410	1,916	54,249	168,350

	Loans and advances to customers - Corporate Portfolio				
	Overdraft	Term loans	Project finance	Advances under finance lease	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Agriculture	8,117	37,361	-	-	45,478
Oil and gas	58,815	202,664	313,870	361	575,710
Consumer credit	-	305	-	-	305
Manufacturing	36,309	226,567	-	-	262,876
Real estate	13,168	13,319	35,612	-	62,099
Construction	18,293	54,966	17,930	5	91,194
Finance and insurance	1,202	15,745	-	-	16,947
Transportation	524	7,795	4,273	-	12,592
Communication	13,108	22,955	-	-	36,063
General commerce	20,108	45,020	-	-	65,128
Utilities	3,404	13,492	99,392	-	116,288
Retail services	3,637	32,615	-	51	36,303
Public sector	-	181,143	-	-	181,143
Total at 31 December 2018	176,685	853,946	471,078	417	1,502,126

b) Industry sectors

	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Other assets	Loans to customers Retail portfolio
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
COMPANY						
Finance and insurance	5,706	-	-	-	15,729	-
Retail services	-	-	-	-	-	94
Public sector	-	-	11,393	-	-	-
Total at 31 December 2019	5,706	-	11,393	-	15,729	94

	Loans and advances to banks	Financial assets at fair value through profit or loss	Investment Securities - FVOCI	Investment Securities - Amortised cost	Other assets	Loans to customers Retail portfolio
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
COMPANY						
Finance and insurance	16,639	-	-	-	87	-
Retail services	-	-	-	-	-	110
Public sector	-	-	7,079	-	-	-
Total at 31 December 2018	16,639	-	7,079	-	87	110

Credit risk exposure relating to off balance sheet items are as follows

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018
	N 'million	**N 'million**	**N 'million**	**N 'million**
		GROUP		
Agriculture	835	32,109	758	17,318
Oil and gas	40,267	95,291	29,520	75,301
Consumer credit	550	9,342	2,768	-
Manufacturing	15,651	245,844	3,396	175,158
Real estate	7	167	17	-
Construction	45	54,036	186	58,193
Finance and insurance	505	351,331	250	359,394
Transportation	32	255	-	1,500
Communication	2,217	3,098	1,672	3,862
General commerce	15,836	42,102	2,646	92,014
Utilities	69	16,301	0	17,750
Retail services	4,204	10,231	1,689	26,081
Public sector	912	994	-	15,619
TOTAL	81,131	861,103	42,902	842,189

3.2.17 Loans and advances to customers

Credit quality of Loans and advances to customers is summarised as follows:

December 2019			**Loans and advances to customers**		
	Overdraft	Term loans	Credit Cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Retail					
Stage 1 loans	10,448	93,897	1,553	32,130	138,028
Stage 2 loans	1,486	1,083	14	2,094	4,676
Stage 3 loans	3,967	6,521	212	675	11,376
Gross	15,901	101,501	1,779	34,899	154,080
Less: allowance for impairment (note 23)	(4,029)	(6,743)	(49)	(288)	(11,109)
Net	11,872	94,758	1,730	34,611	142,971
Lifetime ECL (see note 23)	3,615	1,816	43	244	5,718
12-months' ECL (see note 23)	414	4,927	6	44	5,391
Total	4,029	6,743	49	288	11,109

December 2019			**Loans and advances to customers**		
	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Corporate					
Stage 1 loans	154,344	573,417	187,879	-	915,640
Stage 2 loans	22,504	255,429	398,179	-	676,113
Stage 3 loans	38,462	117,107	29,919	-	185,488
Gross	215,310	945,954	615,977	-	1,777,241
Less: allowance for impairment (note 23)	(17,228)	(42,034)	(8,540)	0	(67,802)
Net	198,082	903,920	607,437	0	1,709,439
Lifetime ECL (see note 23)	16,603	39,673	7,593	-	63,870
12-months' ECL (see note 23)	625	2,361	947	-	3,933
Total	17,228	42,034	8,540	-	67,803

December 2018	Loans and advances to customers				
	Overdraft	Term loans	Credit Cards	Mortgage	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Retail					
Stage 1 loans	9,479	79,510	1,723	53,267	143,979
Stage 2 loans	1,685	1,341	7	118	3,151
Stage 3 loans	10,690	42,555	272	1,840	55,357
Gross	21,855	123,406	2,003	55,224	202,488
Less: allowance for impairment (note 23)	(8,080)	(24,996)	(87)	(975)	(34,138)
Net	13,775	98,410	1,916	54,249	168,350
Lifetime ECL (see note 23)	7,842	23,859	82	905	32,688
12-months' ECL (see note 23)	238	1,137	5	70	1,450
Total	8,080	24,996	87	975	34,138

December 2018	Loans and advances to customers				
	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
GROUP					
Corporate					
Stage 1 loans	113,386	591,491	153,130	178	858,185
Stage 2 loans	17,651	203,682	307,629	-	528,962
Stage 3 loans	120,932	329,058	15,766	559	466,315
Gross	251,969	1,124,231	476,524	737	1,853,462
Less: allowance for impairment (note 23)	(75,284)	(270,284)	(5,447)	(320)	(351,335)
Net	176,685	853,947	471,078	417	1,502,127
Lifetime ECL (see note 23)	75,048	266,861	4,949	320	347,178
12-months' ECL (see note 23)	236	3,423	498	-	4,157
Total	75,284	270,284	5,447	320	351,335

	Term loans	**Total**
	N 'million	**N 'million**
COMPANY		
Retail		
December 2019		
Stage 1 loans	94	94
Gross	94	94
Less: allowance for impairment	-	-
Net	94	94
Retail		
December 2018		
Stage 1 loans	110	110
Gross	110	110
Less: allowance for impairment	-	-
Net	110	110

GROUP
December 2019
Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.2 for an explanation of the internal rating system).

	Overdraft N 'million	Term loans N 'million	Credit cards N 'million	Mortgage N 'million	Total N 'million
Grades:					
A	53	52	-	-	105
Baa	30	426	-	27,877	28,332
Ba	5,243	59,573	1,462	4,075	70,353
B	5,124	33,846	91	178	39,239
	10,448	93,897	1,553	32,130	138,028

	Overdraft N 'million	Term loans N 'million	Credit cards N 'million	Mortgage N 'million	Total N 'million
(b) Loans and advances - Stage 2					
Past due up to 30 days	35	116	0	29	180
Past due by 30 - 60 days	1,435	708	12	503	2,657
Past due 60-90 days	15	259	2	1,405	1,681
Above 90 days	1	-	0	157	158
Gross amount	1,486	1,083	14	2,094	4,676
(c) Loans and advances - Stage 3					
Gross amount	3,967	6,521	212	675	11,376
Life time ECL- credit impaired	(3,587)	(1,794)	(43)	(241)	(5,665)
Net amount	380	4,727	170	434	5,711

December 2019
Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.2 for an explanation of the internal rating system).

	Overdraft N 'million	Term loans N 'million	Project finance N 'million	Total N 'million
Grades:				
Aaa	6,062	32,328	-	38,390
Aa	7,871	207,935	70,780	286,586
A	466	18,504	-	18,970
Baa	13,034	92,226	14,432	119,692
Ba	95,438	121,663	23,874	240,975
B	31,403	100,755	78,793	210,952
Caa	75	-	-	75
	154,344	573,417	187,879	915,640

	Overdraft	Term loans	Project finance	Total
	N 'million	N 'million	N 'million	N 'million
(b) Loans and advances - Stage 2				
Past due up to 30 days	22,384	225,982	336,985	585,350
Past due by 30 - 60 days	25	21,263	10,815	32,103
Past due 60-90 days	-	5,599	-	5,599
Above 90 days	95	2,585	50,380	53,060
Gross amount	22,504	255,429	398,179	676,113
(c) Loans and advances - Stage 3				
Gross amount	38,462	117,107	29,919	185,488
Life time ECL- credit impaired	(16,480)	(35,734)	(5,517)	(57,732)
Net amount	21,982	81,373	24,402	127,756

GROUP

December 2018

Retail

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.2 for an explanation of the internal rating system).

	Overdraft	Term loans	Credit cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
Grades:					
Ba	4,686	63,547	1,723	7,150	77,106
B	3,469	5,212	-	46,108	54,789
Caa	1,063	8,627	-	9	9,699
Ca	262	2,124	- -	0	2,385
	9,479	79,510	1,723	53,267	143,979

	Overdraft	Term loans	Credit cards	Mortgage	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
(b) Loans and advances - Stage 2					
Past due up to 30 days	1,425	247	-	2	1,674
Past due by 30 - 60 days	170	749	4	91	1,014
Past due 60-90 days	90	346	3	24	463
Gross amount	1,685	1,341	7	118	3,151
(c) Loans and advances - Stage 3					
Gross amount	10,690	42,555	272	1,840	55,357
Life time ECL- credit impaired	(7,837)	(23,833)	(82)	(902)	(32,654)
Net amount	2,854	18,722	191	937	22,703

3.2.17 Loans and advances to customers continued

December 2018

Corporate

(a) Loans and advances to customers - Stage 1

The credit quality of the portfolio of loans and advances to customers that are categorised in Stage 1 can be assessed by reference to the internal rating system adopted by the Group (See section 3.2.2 for an explanation of the internal rating system).

	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
Grades:					
Aaa	5	11,606	-	-	11,611
Aa	10,988	254,371	5,050	-	270,409
A	2,110	62,196	-	-	64,306
Baa	8,108	53,829	-	-	61,937
Ba	57,468	41,378	131,880	178	230,904
B	34,707	168,112	16,200	0	219,019
	113,386	591,491	153,130	178	858,185

	Overdraft	Term loans	Project finance	Advances under finance lease	**Total**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
(b) Loans and advances - Stage 2					
Past due up to 30 days	5,727	99,831	99,374	-	204,931
Past due by 30 - 60 days	11,907	25,990	9,095	-	46,992
Past due 60-90 days	14	3,470	905	-	4,390
Above 90 days	3	74,392	198,255	-	272,649
Gross amount	17,651	203,682	307,629	-	528,962
(c) Loans and advances - Stage 3					
Gross amount	120,932	329,057	15,766	559	466,314
Life time ECL- credit impaired	(74,966)	(264,081)	(2,659)	(320)	(342,026)
Net amount	45,967	64,976	13,106	239	124,288

3.2.18 Collaterized 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 2019 and 31 December 2018 are as shown below

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2019	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	754,910	481,411
Financial assets at fair value through profit or loss	-	-	247,279	0
Total Financial Assets	-	-	1,002,189	481,411

GROUP	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2018	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	863,435	316,931
Financial assets at fair value through profit or loss	-	-	72,828	11,492
Total Financial Assets	-	-	936,263	328,423

COMPANY	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2019	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	5,706	-
Financial assets at fair value through profit or loss	-	-	3,057	-
Total Financial Assets	-	-	8,763	-

COMPANY	**Over-collateralised assets**		**Under-collateralised assets**	
31 December 2018	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
Financial assets				
Loans and advances to banks	-	-	16,639	-
Financial assets at fair value through profit or loss	-	-	3,427	-
Total Financial Assets	-	-	20,066	-

The underlisted financial assets are not collaterised:
Cash and balances with Central Banks
Investment securities:
- Available for sale investments/ FVOCI Investments
- Amortised cost 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 obligation 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 cashflows 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

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. See note 32b for maturity analysis of leases.

GROUP

(a) TABLE A - LIQUIDITY ANALYSIS ON A CONTRACTUAL BASIS

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	3,016,554	442,908	217,822	191,402	164,839	19	4,033,544
Financial liabilities at fair value through profit or loss	6,046	-	-	-	-	-	6,046
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,653
Other liabilities	186,553	32,427	12,318	6,011	24,851	5,712	267,872
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	3,855,353	669,044	293,445	300,043	355,369	13,567	5,486,821
Loan commitments	37,164	35,959	2,545	4,547	915	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	505,350	96,892	4,400	942,234
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	2,487,177	426,509	273,375	191,148	113,499	8,400	3,500,108
Financial liabilities at fair value through profit or loss	902	1,497	401	10,916	2,075	-	15,791
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	3,366,143	538,851	309,332	299,606	491,905	20,347	5,026,185
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	6,461	29,324	264,866	135,886	168,231	237,423	842,190
Total commitments	24,809	30,297	267,564	154,087	170,817	237,518	885,092
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877

3.3 Liquidity risk continued

COMPANY

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2019							
Financial liabilities							
Other liabilities	8,479	841	-	-	-	-	9,321
Total financial liabilities	8,479	841	-	-	-	-	9,321
Assets held for managing liquidity risk	6,038	3,122	3,064	4,433	765	1,063	18,485
31 December 2018							
Financial liabilities							
Other liabilities	7,055	980	-	-	-	-	8,035
Total financial liabilities	7,055	980	-	-	-	-	8,035
Assets held for managing liquidity risk	17,515	1,136	932	3,902	868	673	25,025

(b) Table B below presents the undiscounted cashflows payable by the Group based on their behavioral patterns. In managing its liquidity risk, the Group profiles its cashflows statistically using historical observations, to ensure that projections are in tune with demonstrated behavioral trends. The Group adopts a Behavioral run-off model in estimating Core and Volatile components of its non-maturing liabilities, complemented by qualitative factors e.g. changes in collection sweep cycles, effect of new fiscal or monetary policies etc. The objective is to determine the proportion of the non-contractual balances to be spread across the Group's maturity bands.

TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS
GROUP

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2019							
Financial liabilities							
Deposits from banks	623,124	146,960	45,917	46,030	-	-	862,031
Deposits from customers	326,749	507,489	337,255	348,004	424,910	2,088,791	4,033,197
Borrowings	23,076	39,420	15,779	53,906	153,750	6,722	292,652
Other liabilities	187,064	32,427	12,318	6,011	24,851	5,712	268,383
Investment contracts	-	7,329	1,609	2,694	11,930	1,114	24,676
Total financial liabilities	1,160,012	733,624	412,878	456,645	615,441	2,102,339	5,480,939
Loan commitments	37,164	35,959	2,545	5,459	3	-	81,131
Letters of credit and other credit related obligations	66,228	106,405	87,289	500,803	95,977	4,400	861,103
Total commitments	103,392	142,365	89,835	506,262	95,980	4,400	942,233
Assets held for managing liquidity risk	828,586	493,909	152,018	537,395	421,092	164,001	2,597,001

	0 - 30 days N 'million	31 - 90 days N 'million	91 - 180 days N 'million	181 - 365 days N 'million	Over 1 year but less than 5 yrs N 'million	Over 5 years N 'million	Total N 'million
31 December 2018							
Financial liabilities							
Deposits from banks	580,209	70,291	8,016	61,989	37,156	-	757,661
Deposits from customers	180,159	480,115	402,203	346,875	465,479	1,625,144	3,499,975
Borrowings	20,475	10,210	9,313	28,607	306,793	10,833	386,231
Other liabilities	277,380	27,924	16,618	4,252	20,453	-	346,627
Investment contracts	-	2,420	1,609	2,694	11,929	1,114	19,766
Total financial liabilities	1,058,224	590,960	437,759	444,417	841,810	1,637,091	5,010,261
Loan commitments	18,348	973	2,699	18,201	2,586	95	42,902
Letters of credit and other credit related obligations	17,222	29,324	264,866	134,479	168,231	234,834	848,956
Total commitments	35,570	30,297	267,564	152,680	170,817	234,929	891,857
Assets held for managing liquidity risk	1,065,208	510,818	120,200	800,269	313,749	212,633	3,022,877

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 T-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.
- The ability to access incremental short term funding by interbank borrowing from the interbank market

First Bank of Nigeria Limited, the commercial banking segment of the group, is most exposed to liquidity risk. The bank is largely deposit funded and thus, as is typical amongst Nigerian banks, has significant funding mismatches on a contractual basis, given that the deposits are largely demand and short tenured, whilst lending is longer term. On an actuarial basis, the bank's demand deposits exhibit much longer duration, with 80.83% of the bank's current account balances and 88.57% 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, the bank has 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. Whilst on the foreign currency side, the bank has built up placement balances with our offshore correspondents.

3.3.5 Derivative liabilities

(a) Derivatives settled on a net basis

The put options and the accumulator forex 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	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2019							
Derivative liabilities							
FX Futures	30	483	180	56	-	-	749
Cross-Currency Swap	-	-	6	-	-	-	6
Put Options	966	534	-	-	-	-	1,501
	996	1,018	186	56	0	-	2,256
Derivative assets							
FX Futures	167	834	259	90	-	-	1,350
Put Options	1,098	627	-	240	-	-	1,965
Forward Contract	1,302	2,458	1,522	-	-	-	5,282
	2,567	3,919	1,781	330	-	-	8,597
	3,563	4,937	1,967	386	-	-	10,853
At 31 December 2018							
Derivative liabilities							
FX Futures	10	12	7	24	-	-	53
Put Options	1,167	905	3,614	6,733	3,213	-	15,632
	1,177	917	3,621	6,757	3,213	-	15,685
Derivative assets							
FX Futures	10	12	6.00	23.00	-	-	51
Put Options	1,254	1,132	3,980	7,331	3,434	-	17,131
	1,264	1,144	3,986	7,354	3,434	-	17,182
	2,441	2,061	7,607	14,111	6,647	-	32,867

(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 cashflows on all derivatives including derivatives classified as 'liabilities held for trading'. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2019 (N' million)							
Assets held for trading							
FX Swap - Payable	(530)	(18)	-	(99,600)	-	-	(100,148)
FX Swap - Receivable	533	6,372	-	121,535	-	-	128,439
Forward Contract - Payment	(49,600)	(33,134)	(28,554)	(3,584)	-	-	(114,871)
Forward Contract - Receipt	52,302	36,616	32,544	4,162	-	-	125,624
	2,705	9,836	3,990	22,513	-	-	39,043

3.3.5 Derivative liabilities continued

Liabilities held for trading							
FX Swap - Payable	(110)	(406)	-	-	-	-	(516)
FX Swap - Receivable	110	403	-	-	-	-	513
Forward Contract - Payment	(31,996)	(13,546)	(15,065)	(1,172)	-	-	(61,780)
Forward Contract - Receipt	31,110	12,464	13,301	1,011	-	-	57,885
Put option	-	-	-	-	-	-	-
	(887)	(1,086)	(1,764)	(161)	-	-	(3,899)
At 31 December 2018 (N' million)							
Assets held for trading							
FX Swap - Payable	-	(11,281)	(7,836)	-	-	-	(19,117)
FX Swap - Receivable	-	11,525	7,900	-	-	-	19,425
Forward Contract - Payment	(118,478)	(63,387)	(8,727)	-	-	-	(190,592)
Forward Contract - Receipt	51,436	38,127	3,912	213	-	-	93,688
	(67,042)	(25,016)	(4,751)	213	-	-	(96,596)
Liabilities held for trading							
Forward Contract - Payment	(31,035)	(28,830)	(3,664)	(213)	-	-	(63,742)
Forward Contract - Receipt	5,113	-	-	-	-	-	5,113
	(25,922)	(28,830)	(3,664)	(213)	-	-	(58,629)

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 Group 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 Central Banks in each juridisdiction, fiscal policies 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 Stock Exchange.

3.4.1 Management of market risk

The Group'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, the 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;
• 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 methodology (VaR), 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;
• 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 Group measures interest rate risk and foreign exchange risk using sensitivity analysis, see note 3.4.6 and 3.4.3 respectively.

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 analaysis are the held for trading assets.

The Fixed Income portfolio (Interest Rate Risk) trading VaR is NGN1.1 billion as at 31st December 2019 and reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was N3.2 million as at 31st December 2019, reflecting the regulatory Trading Open Position of 0.5% of Shareholder's Fund stipulated by the CBN.

VAR summary

	12 months to 31 December 2019		
	Average	**High**	**Low**
Foreign exchange risk	4	87	0
Interest rate risk	117	1,211	17
Total VAR	**121**	**1,298**	**17**

VAR summary

	12 months to 31 December 2018		
	Average	**High**	**Low**
Foreign exchange risk	40	132	0
Interest rate risk	1,133	4,948	401
Total VAR	**1,173**	**5,080**	**401**

3.4.2 Market risk measurement techniques continued

(b) Stress tests

Based on the reality of unpredictable market environment and the frequency of regulations that have had significant effect on market rates and prices, the Group 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 Asset and Liability Committee (ALCO) of each subsidiary 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 Group's holdings in rate-sensitive assets and liabilities the Group is exposed to interest rate risk.

Non-trading interest rate risk results mainly from differences in the mismatches or re-pricing dates of assets and liabilities, both on- and off-balance sheet as interest rate changes.

The Group uses a variety of tools to measure non-tradable interest rate risk such as:
• interest rate gap analysis (which allows the Group 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 (EaR) using various interest rate forecasts; and
• re-pricing risk in various portfolios and yield curve analysis.
See note 3.4.5 for interest rate sensitivity disclosures.

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.

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 2019 and 31 December 2018. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2019						
Financial assets						
Cash and balances with Central Banks	927,665	47,678	4,438	15,362	30,182	1,025,325
Loans and advances to banks	419,582	163,531	144,667	18,990	8,140	754,910
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,748	4,708	61	55	1,301	11,872
- Term loans	79,950	8,687	23	-	6,097	94,758
- Credit cards	1,446	283	-	-	-	1,730
- Mortgage	4,501	65	30,029	-	15	34,611
Loans and advances to customers: Corporate portfolio						
- Overdrafts	110,103	81,698	2	-	6,279	198,082
- Term loans	502,828	353,660	19,152	10,668	17,611	903,920
- Project finance	105,762	501,675	-	-	-	607,438
- Advances under finance lease	-	-	-	-	-	-
Investment securities						
- FVOCI Investments	475,197	79,469	-	-	-	554,666
- Amortised cost investments	114,669	683,650	-	7	61,538	859,864
Asset pledged as collateral	444,393	-	-	-	20,529	464,922
Financial assets at fair value through profit or loss	236,692	45,730	124	40	73	282,659
Other assets	103,524	17,041	241	55	732	121,593
	3,532,060	1,987,876	198,738	45,177	152,498	5,916,349
Financial liabilities						
Customer deposits	2,771,289	839,074	294,984	29,434	85,054	4,019,836
Deposits from banks	199,631	622,915	18,252	5,887	13,801	860,486
Financial liabilities at FVTPL	-	6,039	7	-	-	6,046
Borrowings	83,001	166,716	81	798	-	250,596
Other liabilities	108,440	134,317	4,373	14,345	4,853	266,328
Investment contracts	24,676	-	-	-	-	24,676
	3,187,038	1,769,060	317,698	50,464	103,708	5,427,968

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2018						
Financial assets						
Cash and balances with Central Banks	588,135	26,934	2,633	14,377	21,256	653,335
Loans and advances to banks	306,586	313,197	206,384	25,743	11,525	863,435
Loans and advances to customers: Retail portfolio						
- Overdrafts	5,394	4,407	0	1,588	2,387	13,775
- Term loans	79,751	11,833	35	12	6,779	98,410
- Credit cards	1,455	461	-	-	-	1,916
- Mortgage	8,046	45,840	-	-	363	54,249
Loans and advances to customers: Corporate portfolio						
- Overdrafts	96,111	57,516	-	21,043	2,015	176,685
- Term loans	419,281	392,144	15,566	22,173	4,781	853,946
- Project finance	86,040	385,038	-	-	-	471,078
- Advances under finance lease	417	-	-	-	-	417
Investment securities						
- FVOCI Investments	792,452	81,667	-	-	-	874,119
- Amortised cost investments	33,335	687,566	-	7	68,795	789,702
Asset pledged as collateral	294,120	788	-	-	14,143	309,051
Financial assets at fair value through profit or loss	86,930	22,232	-	-	-	109,162
Other assets	26,449	7,623	14,592	54	1,482	50,200
	2,824,501	2,037,246	239,211	84,997	133,525	5,319,480
Financial liabilities						
Customer deposits	2,437,277	633,675	318,406	33,361	63,973	3,486,691
Deposits from banks	36,855	673,438	22,930	8,000	8,092	749,315
Financial liabilities at FVTPL		15,510	-	281	-	15,791
Borrowings	61,992	272,110	517	108	3,487	338,214
Other liabilities	119,624	194,807	3,107	18,847	10,242	346,627
Investment contracts	19,766	-	-	-	-	19,766
	2,675,514	1,789,540	344,960	60,597	85,794	4,956,405

COMPANY

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2019						
Financial assets						
Loans and advances to banks	5,607	99	-	-	-	5,706
Loans and advances to customers: Retail portfolio						
- Term loans	94	-	-	-	-	94
Investment securities						
- FVOCI Investments	11,393	-	-	-	-	11,393
Financial assets at fair value through profit or loss	3,057	-	-	-	-	3,057
Other assets	15,729	-	-	-	-	15,729
	35,879	99	-	-	-	35,978
Financial liabilities						
Other liabilities	9,321					9,321
	9,321	-	-	-	-	9,321

COMPANY

	Naira N 'million	USD N 'million	GBP N 'million	Euro N 'million	Others N 'million	Total N 'million
31 December 2018						
Financial assets						
Loans and advances to banks	16,312	327	-	-	-	16,639
Loans and advances to customers:						
Retail portfolio						
- Term loans	110	-	-	-	-	110
Investment securities						
- FVOCI Investments	7,079	-	-	-	-	7,079
Financial assets at fair value through profit or loss	3,427	-	-	-	-	3,427
Other assets	87	-	-	-	-	87
	27,016	327	-	-	-	27,343
Financial liabilities						
Other liabilities	8,034					8,034
	8,034	-	-	-	-	8,034

The Company and Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalue amounts of assets of assets and liabilities denominated in US Dollars.

The Group is exposed to the US dollar, EURO and GBP currencies. The Group's exposure to other foreign exchange movements is not material.

The following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar, EURO and GBP. Management believe that a 10% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar, EURO and GBP denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 10% against the US dollar, EURO and GBP. For a 10% strengthening of Naira against the US dollar, EURO and GBP, there would be an equal and opposite impact on profit.

	GROUP	
	31 Dec 2019	31 Dec 2018
Naira strengthens by 10% against the US dollar (2018:10%)	(21,882)	(24,771)
Profit/(loss)		
Naira weakens by 10% against the US dollar (2018:10%)	21,882	24,771
Profit/(loss)		
Naira strengthens by 10% against the EURO (2018:10%)	529	(2,440)
Profit/(loss)		
Naira weakens by 10% against the EURO (2018:10%)	(529)	2,440
Profit/(loss)		
Naira strengthens by 10% against the GBP (2018:10%)	11,896	10,575
Profit/(loss)		
Naira weakens by 10% against the GBP (2018:10%)	(11,896)	(10,575)
Profit/(loss)		

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 value at risk that may be undertaken, which is monitored daily by the Asset and Liability Committee.

The table below summarises the Group's interest rate gap position showing its exposure to interest rate risks. Value at risk exposure is disclosed in Note 3.4.2.

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2019				
Financial assets				
Cash and balances with central banks	1,025,325	-	-	1,025,325
Loans and advances to banks	754,910	484,295	121,406	149,208
Loans and advances to customers:				
Retail portfolio				
- Overdrafts	11,872	11,871	-	-
- Term loans	94,758	84,267	10,541	-
- Credit cards	1,730	1,731	-	-
- Mortgage	34,611	34,612	-	-
Loans and advances to customers:				
Corporate portfolio				
- Overdrafts	198,082	198,088	-	-
- Term loans	903,920	857,977	39,764	6,172
- Project finance	607,438	607,440	-	-
- Advances under finance lease	-	-	-	-
Financial assets at fair value through profit or loss	282,659	-	208,591	74,068
Investment securities:				
- FVOCI Investments	554,666	-	395,626	159,041
- Amortised cost investments	859,864	-	859,864	-
Assets pledged as collateral	464,922	-	464,923	-
Other assets	121,593	-	1	121,593
	5,916,348	**2,280,282**	**2,100,715**	**1,535,407**
Financial liabilities				
Deposits from customers	4,019,836	1,775,779	1,391,530	852,526
Deposits from banks	860,486	542,766	316,514	1,207
Financial liabilities at fair value through profit or loss	6,046	-	-	6,046
Other liabilities	266,328	-	-	266,328
Liability on investment contracts	24,676	-	-	24,676
Borrowings	250,596	72,258	178,338	(0)
	5,427,969	**2,390,803**	**1,886,381**	**1,150,783**
Interest rate mismatch		**(110,522)**	**214,334**	**384,626**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
GROUP				
31 December 2018				
Financial assets				
Cash and balances with central banks	653,335	-	-	653,335
Loans and advances to banks	863,435	450,355	231,827	181,253
Loans and advances to customers:				
Retail portfolio				
- Overdrafts	13,775	13,775	-	-
- Term loans	98,410	90,670	7,740	-
- Credit cards	1,916	1,916	-	-
- Mortgage	54,249	54,228	21	-
Loans and advances to customers:				
Corporate portfolio				
- Overdrafts	176,685	176,685	-	-
- Term loans	853,946	847,847	4,836	1,263
- Project finance	471,078	471,078	-	-
- Advances under finance lease	417	417	-	-
Financial assets at fair value through profit or loss	109,162	-	55,041	54,123
Investment securities:				
- FVOCI Investments	874,119	18,836	747,333	107,950
- Amortised cost investments	789,702	1,870	787,832	-
Assets pledged as collateral	309,051	-	309,051	-
Other assets	50,200	-	-	50,200
	5,319,480	**2,127,676**	**2,143,681**	**1,048,125**
Financial liabilities				
Deposits from customers	3,486,691	1,566,210	1,124,949	795,532
Deposits from banks	749,315	634,602	114,128	586
Financial liabilities at fair value through profit or loss	15,791	-	-	15,791
Other liabilities	346,627	-	-	346,627
Liability on investment contracts	19,766	-	-	19,766
Borrowings	338,214	72,948	265,266	-
	4,956,405	**2,273,760**	**1,504,342**	**1,178,302**
Interest rate mismatch		**(146,084)**	**639,339**	**(130,176)**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2019				
Financial assets				
Loans and advances to banks	5,706		5,706	
Loans and advances to customers:				
Retail portfolio				
- Term loans	94		94	
Financial assets at fair value through profit or loss	3,057			3,057
Investment securities:				
- FVOCI Investments	11,393		11,393	
Other assets	87			87
	20,336	**-**	**17,193**	**3,144**
Financial liabilities				
Other liabilities	9,321			9,321
	9,320	**-**	**-**	**9,321**
Interest rate mismatch		**-**	**17,193**	**(6,176)**

	Carrying amount N' million	Variable interest N' million	Fixed interest N' million	Non interest-bearing N' million
COMPANY				
31 December 2018				
Financial assets				
Loans and advances to banks	16,639		16,639	
Loans and advances to customers:				
Retail portfolio				
- Term loans	110		110	
Financial assets at fair value through profit or loss	3,427			3,427
Investment securities:				
- FVOCI Investments	7,079		7,079	
Other assets	87			87
	27,343	**-**	**23,829**	**3,514**
Financial liabilities				
Other liabilities	8,034			8,034
	8,034	**-**	**-**	**8,034**
Interest rate mismatch		**-**	**23,829**	**(4,520)**

3.4.6 Interest rate sensitivity showing fair value interest rate risk

The aggregate figures presented above are further segregated into their various components as shown below:

	GROUP		COMPANY	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss				
Treasury bills	131,426	22,424	-	-
Bonds	77,482	32,618	-	-
Total	208,907	55,042	-	-
Impact on income statement:				
Unfavourable change @ 2% reduction in interest rates	(4,178)	(1,101)	-	-
Favourable change @ 2% increase in interest rates	4,178	1,101	-	-
Investment securities - FVOCI				
Treasury bills	280,778	604,247	10,336	6,080
Bonds	114,847	161,523	810	999
Total	395,626	765,770	11,146	7,078
Impact on other comprehensive income statement:				
Unfavourable change @ 2% reduction in interest rates	(7,913)	(15,315)	(223)	(142)
Favourable change @ 2% increase in interest rates	7,913	15,315	223	142

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.

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. Whilst 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 staffs 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 are 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 N20 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:

3.5 Management of insurance risk continued

	31 December 2019			31 December 2018		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Individual traditional	28,803	0	28,803	13,799	-	13,799
Investment linked contracts	24,676	0	24,676	19,766	-	19,766
Group credit life	1,185	0	1,185	585	-	585
Group Life – UPR incl AURR	611	(7)	605	455	(63)	392
General business – UPR incl AURR	1,647	0	1,647	1,153	0	1,153
Group Life - IBNR	2,857	(696)	2,161	1,138	(150)	989
Annuity	25,227	0	25,227	14,194		14,194
Additional reserves	174	0	174	212	-	212
Claims reserve - Life business	554	(29)	525	318	- 29.69	289
Non-life business - IBNR	808	(406)	402	591	(256)	335
Claims reserve - Non-life business	1,881	(980)	902	1,745	(1,283)	462
Total	**88,424**	**(2,118)**	**86,306**	**53,958**	**(1,782)**	**52,176**

Claims incurred by class of business during the period under review are shown below

	31 December 2019			31 December 2018		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'million
Group Life	3,345	(887)	2,457	952	(243)	709
Group Credit Life	264	0	264	180	-	180
Annuity	2,968	0	2,968	1,691		1,691
Individual Life	3,325	0	3,325	2,019	-	2,019
Term life	22	0	22	0		0
Non-life business	2,301	(1,230)	1,070	1,734	(1,539)	195
Total	**12,224**	**(2,117)**	**10,106**	**6,576**	**(1,782)**	**4,795**

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 incurred but not reported claims (IBNR).

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 behavior.

The insurance liabilities have been made on the following principles:

Type of Business	Valuation Method
Individual Risk Business	Gross premium valuation approach
Individual deposit based business (Flexi save)	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Life and Group School Fees	UPR + IBNR
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Fergusion method

Individual business

A gross premium method was used for individual risk business. This is a monthly cashflow projection approach taking into account the incidence of all expected future cashflows 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 Flexi save Plan offers an accidental death and funeral benefit, which are payable in addition to the sum insured on the occurrence of an accidental death. Flexi save is an embedded product having components of insurance and financial risk. The product has not be unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cashflows 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 was 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.

Group business

Reserves for Group Life business comprise an unexpired premium reserve (UPR) and where necessary, a reserve for Incurred But Not Reported Claims (IBNR) 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 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 cashflow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR 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 (BCL), 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 11.9% & 11.42% pa were adopted for annuity and other long term businesses, which has been applied as a single long term rate of return. As at 31 December 2019, FGN bond yields of duration between 5 and 20 years were round 15%. The 20 year FGN bond yield was 15.1%. By comparison long term bonds were yielding 14% at December 2018.

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 12.15% and 11.9%. This makes some allowance for the volatility and liquidity of the "risk free" yields.

	Rate	
	Risk	**Annuity**
Average yield on a long-term FGN bond	12.40%	12.40%
Less Prudent Margin	-0.25%	-0.25%
Less Reinvestment Risk Margin	0.00%	-0.25%
Gross Valuation Interest Rate	12.15%	11.90%
Less 6% tax	-0.73%	0.00%
Net Valuation Interest Rate	11.42%	11.90%
Rates Adopted	11.42%	11.90%

The valuation interest rates for the individual risk products are as follows:

Type of Business	Current Valuation	Previous valuation
Risk products	11.42%	14.21%
Risk reserves for deposit-based policies	11.42%	14.21%
Pension Annuity	11.90%	14.87%

Expenses

The Group makes provisions for expenses in its mathematical reserves of an amount which 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 Group performed an expense analysis in during the year, which suggests actual expense experience over the year of:
(1) Individual life: N4,700 per
(2) Credit life: N1,050 per policy
(3) Family shield: N1,570 per policy
(4) Group life: 45% of premium

The Group adopted a valuation expense assumption of N4,700 per policy on risk policies excluding family shield and N1,050 per policy for credit life while expense per policy for family shield is set at N1,570. 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 N'per policy	Previous valuation N'per policy
Individual Life	N4,700	N5,000
Credit Life	N1,050	N1,540
Family Shield	N1,570	N620

Expense Inflation

The above expenses are subject to inflation at 11% pa. Consumer Price Inflation at 31 December 2019 was 11.98%. 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 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 A67/70 (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 A67/70 table.

Annuity valuation and Future mortality improvements

For annuity, we have adopted the UK Pensioner table PA (90) with age rating of -1.

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.

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 p.a	Surrender Rate p.a
Year 1	25.0%	0.0%
Year 2	0.0%	10.0%
Year 3	0.0%	2.5%
Year 4	0.0%	2.5%
Year 5+	0.0%	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.

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 have made full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% pa for the Cashflow plan.

Group and Credit life businesses

Unexpired premium reserves (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. Commission is currently payable at 15% of premium.
(iv) The IBNR was estimated based on an average claims notification delay period of 3 months, which was derived from the claims experience data.

No additional contingency reserves was made in addition to those provided for long term business to be held. Other liabilities such as expense and data contingencies reserves has 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 Group	**2019**	**2018**
Expense overrun	0%	0%
Worsening of mortality experience	0%	0%

Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. All reserves has 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%
d) Mortality +/-5% (including Group Life)

3.5.5 Insurance and Market risk sensitivities continued

2019	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	28,803	24,658	33,564	29,460	28,158	29,322	28,374
PRA Regulated Annuities	25,227	23,834	26,789	25,272	25,183	25,343	25,144
Investment linked contracts	24,676	24,676	24,676	24,676	24,676	24,676	24,676
General business – UPR incl AURR	2,455	2,455	2,455	2,455	2,455	2,455	2,455
Group Credit Life	1,185	1,185	1,185	1,185	1,185	1,185	1,185
Group life – UPR incl AURR	2,515	2,515	2,515	2,515	2,515	2,515	2,515
Group Life - IBNR	3,643	3,643	3,643	3,643	3,643	3,643	3,643
Additional reserves	174	174	174	174	174	174	174
Reinsurance	(703)	(703)	(703)	(703)	(703)	(703)	(703)
Net Liability	87,975	82,437	94,297	88,677	87,285	88,609	87,462
% change in Net Liability		-6.3%	7.2%	0.8%	-0.8%	0.7%	-0.6%
Assets	110,047	110,047	110,047	110,047	110,047	110,047	110,047
Surplus	22,073	27,610	15,750	21,371	22,762	21,438	22,586

2019	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	28,803	28,952	28,655
PRA Regulated Annuities	25,227	25,367	25,092
Investment linked contracts	24,676	24,676	24,676
General business – UPR incl AURR	2,455	2,455	2,455
Group Credit Life	1,185	1,185	1,185
Group life – UPR incl AURR	2,515	2,515	2,515
Group Life - IBNR	3,643	3,643	3,643
Additional reserves	174	174	174
Reinsurance	(703)	(703)	(703)
Net Liability	87,975	88,264	87,692
% change in Net Liability		0.3%	-0.3%
Assets	110,047	110,047	110,047
Surplus	22,073	21,783	22,356

2018	Base	VIR		Expenses		Expense inflation	
N'million		1%	-1%	10%	-10%	2%	-2%
Individual Risk Reserves	13,799	11,417	16,699	14,194	13,420	14,074	13,578
PRA Regulated Annuities	14,194	13,558	14,896	14,212	14,176	14,232	14,165
Investment linked contracts	19,766	19,766	19,766	19,766	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744	1,744	1,744	1,744	1,744
Group life – UPR incl AURR	585	585	585	585	585	585	585
Group Life - IBNR	455	455	455	455	455	455	455
Additional reserves	1,138	1,138	1,138	1,138	1,138	1,138	1,138
Reinsurance	212	212	212	212	212	212	212
	(213)	(213)	(213)	(213)	(213)	(213)	(213)
Net Liability	51,682	48,664	55,284	52,095	51,285	51,994	51,432
% change in Net Liability		-5.8%	7.0%	0.8%	-0.8%	0.6%	-0.5%
Assets	66,635	66,635	66,635	66,635	66,635	66,635	66,635
Surplus	14,953	17,971	11,351	14,540	15,350	14,640	15,203

2018	Base	Mortality	
N'million		5%	-5%
Individual Risk Reserves	13,799	13,903	13,695
PRA Regulated Annuities	14,194	14,248	14,141
Investment linked contracts	19,766	19,766	19,766
General business – UPR incl AURR	1,744	1,744	1,744
Group life – UPR incl AURR	585	585	585
Group Life - IBNR	455	455	455
Additional reserves	1,138	1,138	1,138
Reinsurance	212	212	212
	(213)	(213)	(213)
Net Liability	51,681	51,840	51,526
% change in Net Liability		0.3%	-0.3%
Assets	66,635	66,635	66,635
Surplus	14,952	14,794	15,109

The expense sensitivity result shows the impact of reducing and increasing maintenance & acquisition expenses rates to 90% and 110% respectively of the base rates. Valuation interest rate sensitivity result shows the impact of reducing and increasing valuation interest rate to 99% and 101% respectively of the base rates.

3.5.6 Asset cover

The asset cover level at the valuation date was 315% (2018: 252%). That is, assets representing life and non-life fund on the Group's balance sheet (N105b) were 138% of the valuation of the actuarially calculated net liabilities (N76.04b).

The assets backing the life and non-life fund are as follows:

	2019	**2018**
	N'million	**N'million**
Government Bonds	84,193	43,096
Treasury Bills	17,954	19,798
Cash and bank balances	3,495	798
Reinsurance assets	3,081	2,703
Trade receivables	61	18.82
Due from policyholders	12	16.27
Investment in quoted equity	-	-
Total	**108,796**	**66,430**

The assets adequately match the liabilities. In particular asset admissibility requirements and localization rules in section 25 of 2003 Insurance Act were met. The life fund shows a surplus of N14.3billion (2018: N10.06billion), while life and non-life shows a surplus of N1.66billion (2018: N2.75billion).

3.6 Equity risk (Market risk)

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is 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 2019, the market value of quoted securities held by the Group is N1.06 billion (2018: N1.22 billion). If the all share index of the NSE moves by 4,827 basis points from the 26,603 position at 31 December 2019, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been N509 million.

The Group holds a number of investments in unquoted securities with a market value of N193.37 billion (2018: N143.19 billion) of which investments in Airtel Nigeria Ltd and African Finance Corporation (AFC) are the significant holdings. AFC is a private sector led investment bank and development finance institution which has the Central Bank of Nigeria 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.

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 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial assets				
Financial assets at fair value through profit or loss				
Debt Securities	98,415	110,177	-	208,592
Equity	234	315	35,146	35,696
Derivatives	240	38,132	-	38,372
FVOCI Investments				
Investment securities - debt	164,561	227,540	-	392,101
Investment securities - unlisted debt	488	-	3,037	3,525
Investment securities - unlisted equity	-	63,206	95,013	158,220
Investment securities - listed equity	821	-	-	821
Assets pledged as collateral	269,542	174,851	-	444,393
Financial liabilities at fair value through profit or loss				
Derivatives	-	5,805	-	5,805

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial assets at fair value through profit or loss				
Debt Securities	55,042	-	-	55,042
Equity	270	304	35,759	36,333
Derivatives	-	17,786	-	17,786
FVOCI Investments				
Investment securities - debt	719,934	16,658	28,848	765,440
Investment securities - unlisted debt	-	-	329	329
Investment securities - unlisted equity	-	579	106,552	107,131
Investment securities - listed equity	1,218	-	-	1,218
Assets pledged as collateral	215,914	-	-	215,914
Financial liabilities at fair value through profit or loss				
Derivatives	-	15,791	-	15,791

COMPANY

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,057	3,057
FVOCI Investments				
Investment securities - debt	11,146	-	-	11,146
31 December 2018				
Financial assets				
Financial assets at FVTPL				
Investment securities - unlisted equity	-	-	3,427	3,427
FVOCI Investments				
Investment securities - debt	7,078	-	-	7,078

(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.

3.7.1 Financial instruments measured at fair value continued

(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:
a) Quoted market prices or dealer quotes for similar instruments;
b) 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;
c) Other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity , are used to determine fair value for the remaining financial instruments.
Note that all of the resulting fair value estimates are included in Level 2 except for certain unquoted equities and equity derivatives 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 debt and 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.

The following table presents changes in level 3 instruments

GROUP	
At 1 January 2018	97,302
Acquisitions	58,648
Matured/redeemed	(879)
Total Gains/(losses) recognised through profit/loss	988
Total Gains/(losses) recognised through OCI	12,577
Transfer into Level 3 due to change in observability of market data	2,852
At 31 December 2018	171,488
Acquisitions	6,417
Matured/redeemed	(29,108)
Total Gains/(losses) recognised through profit/loss	(348)
Total Gains/(losses) recognised through OCI	38,718
Transfer into Level 2 due to change in observability of market data	(53,970)
At 31 December 2019	133,196

During the year ended 31 December 2019, there was transfer between level 3 and 2 fair value measurements based on availability of observable inputs.

COMPANY	
At 1 January 2018	2,852
Total gains recognised through profit/loss	575
At 31 December 2018	3,427
Total losses recognised through profit/loss	(370)
At 31 December 2019	**3,057**

Total gains or losses for the period included in profit or loss are presented in 'Net gains/(losses) from investment securities.

Information about the fair value measurements using significant unobservable Inputs (Level 3)

The equity sensitivity measures the impact of a +/- 250bps movements in the comparative companies. The sensitivity of the fair values of investment in unlisted equites to changes in the P/E multiples, EBITDA, cost of capital, illiquidity discount and transaction price as at 31st December, 2019 is as shown in the below table:

Description	Valuation technique	Assumption	Fair Values
AIRTEL NIGERIA	EV/EBITDA	Base	79,328
		Sensitivity of +2.5%	81,733
		Sensitivity of -2.5%	76,924
NIBSS PLC	P/E multiples	Base	3,512
		Sensitivity of +2.5%	3,600
		Sensitivity of -2.5%	3,425
AFREXIM BANK LTD	P/B multiples	Base	736
		Sensitivity of +2.5%	755
		Sensitivity of -2.5%	718
CAPITAL ALLIANCE PROPERTY INVESTMENT COMPANY (CAPIC)	NET ASSET VALUATION	Base	3,057
		Sensitivity of +2.5%	3,133
		Sensitivity of -2.5%	2,979
TIDE AFRICAN FUND	TRANSACTION PRICE	Base	657
		Sensitivity of +2.5%	673
		Sensitivity of -2.5%	640
ANCHORAGE LEISURES (RADISSON BLU)	LATEST TRANSACTION PRICE	Base	312
		Sensitivity of +2.5%	320
		Sensitivity of -2.5%	304
RESOURCERY PLC (Ordinary shares)	MARKET APPROACH	Base	189
		Sensitivity of +2.5%	194
		Sensitivity of -2.5%	184
VT LEASING LIMITED (Ordinary shares & Convertible notes)	EV/EBITDA, DCF	Base	330
		Sensitivity of +2.5%	338
		Sensitivity of -2.5%	322
AVERY ROW CAPITAL GP	NET ASSET VALUATION	Base	1,805
		Sensitivity of +2.5%	1,850
		Sensitivity of -2.5%	1,759
ECHO VC PAN AFRICA	NET ASSET VALUATION	Base	1,247
		Sensitivity of +2.5%	1,278
		Sensitivity of -2.5%	1,215
LEKKY BUDGET HOTEL	MARKET APPROACH	Base	249
		Sensitivity of +2.5%	255
		Sensitivity of -2.5%	243
JDI INVESTMENTS LIMITED	NET ASSET VALUATION	Base	209
		Sensitivity of +2.5%	214
		Sensitivity of -2.5%	204

EV/EBITDA, P/B valuation or P/E valuation multiple - the group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The group 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 group's investee company and the comparable public companies based on company-specific facts and circumstances.

Income approach (discounted cashflow) - the group determines the free cash flow of the investee company, and discounts these cashflows using the relevant cost of equity. The cost of equity is derived by adjusting the yield on the risk free securites (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 sensitivity of +/-2.5% results in a fair value of gain/(loss) of N3.9bn and N3.9bn respectively which will impact on other comprehensive income.

3.7.2 Group's valuation process

The Group's asset 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.

3.7.3 Financial instruments not measured at fair value

(a) **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
Liability on investment contracts
Other liabilities (excluding provisions and accruals)

(b) Table below shows the carrying value of other financial assets not measured at fair value.

GROUP

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	11,871	11,871
- Term loans	-	-	94,757	94,757
- Credit cards	-	-	1,731	1,731
- Mortgage	-	-	34,612	34,612
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	198,088	198,088
- Term loans	-	-	903,914	903,914
- Project finance	-	-	607,439	607,439
Amortised cost investments	823,311	3,269	33,284	859,864
Asset pledged as collateral	20,529	-	-	20,529

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2019				
Financial liabilities				
Borrowing	-	-	250,596	250,596

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Overdrafts	-	-	13,775	13,775
- Term loans	-	-	98,410	98,410
- Credit cards	-	-	1,916	1,916
- Mortgage	-	-	54,249	54,249
Loans and advances to Customers: Corporate Portfolio				
- Overdrafts	-	-	176,685	176,685
- Term loans	-	-	853,946	853,946
- Project finance	-	-	471,077	471,077
- Advances under finance lease	-	-	417	417
Amortised cost investments	779,638	654	6,108	786,400
Asset pledged as collateral	67,790	-	-	67,790

	Level 1 N 'million	Level 2 N 'million	Level 3 N 'million	Total N 'million
31 December 2018				
Financial liabilities				
Borrowing	165,906	-	172,308	338,214
COMPANY				
31 December 2019				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	-	-	110	110
31 December 2018				
Financial assets				
Loans and advances to Customers: Retail Portfolio				
- Term loans	-	-	110	110

(c) The fair value of loans and advances to customers (including loan commitments) and investment securities are as follows:

	At 31st December 2019		At 31st December 2018	
	Carrying value N 'million	**Fair value N 'million**	**Carrying value N 'million**	**Fair value N 'million**
GROUP				
Financial assets				
Loans and advances to customers				
Fixed rate loans	50,486	50,486	42,530	42,530
Variable rate loans	1,801,925	1,801,925	1,701,644	1,701,644
Investment securities (Amortised cost)	859,863	846,654	789,750	786,399
Asset pledged as collateral	20,529	20,529	114,399	88,890
Loan commitments	81,131	81,131	42,902	42,902
Financial liability				
Borrowings	250,596	250,596	338,214	332,698

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy.
Loans and advances to customers have been fair valued using average benchmarked lending rates which are adjusted to specific entity risks based on history of losses.
Borrowings which are listed on stock exchange are fair valued using market prices and are within level 1 of the fair value heirarchy while other borrowings are fair valued using valuation techniques and are within level 3 of the fair value heirarchy.

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 regulatory capital requirement of FBN Holdings Plc. and its subsidiaries. The regulatory capital requirement for entities within the Group, as well as the internal target for capital management are as follows:

Name of Entity	Primary Regulator	Regulatory Requirement
FBN Holdings Plc.	Central Bank of Nigeria	Paid-up Capital in excess of aggregated capital of
First Bank of Nigeria Limited	Central Bank of Nigeria	N100billion Capital; and 15% Capital Adequacy Ratio
FBNQuest Merchant Bank Limited	Central Bank of Nigeria	N15billion Capital; and 10% Capital Adequacy Ratio
FBNQuest Capital Limited	Securities and Exchange Commission	Issuing House: N150million; Broker-Dealer: N300million; Underwriter: N200million; and Fund Manager: N150million
FBNQuest Trustees Limited	Securities and Exchange Commission	Trustee: N300million
FBN Insurance Limited	National Insurance Commission	Life Business: N2billion; General Business: N3billion
FBN Insurance Brokers Limited	National Insurance Commission	N5million Capital

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-a-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 considers both equity and debt, subject to regulatory limits as capital.

The test of capital adequacy for FBN Holdings Plc. and its subsidiaries, in accordance with the requirements of paragraphs 7.1 and 7.3 of the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, as at 31 December 2019 and 2018 are as follows:

i. FBN Holdings Plc.

Subsidiary	**Paid up Capital**	**Proportion of shares held**	**FBN Holdings Plc.'s share of paid up capital**	
			31 December 2019	**31 December 2018**
	N 'million	**(%)**	**N 'million**	**N 'million**
First Bank of Nigeria Limited	205,557	100	205,557	205,557
FBNQuest Merchant Bank Limited	8,206	100	8,206	8,206
FBNQuest Capital Limited	4,300	100	4,300	4,300
FBNQuest Trustees Limited	3,152	100	3,152	-
FBN Insurance Limited	7,267	65	4,724	4,724
FBN Insurance Brokers Limited	25	100	25	25
Rainbow Town Development Limited	9,091	55	5,000	5,000
Aggregated Capital of Subcos	**237,598**		**230,964**	**227,812**
FBN Holdings Plc.'s Paid-up Capital			251,340	251,340
Excess of FBN Holdings' capital over aggregated capital of subcos			**20,376**	**23,528**

ii. First Bank of Nigeria Limited & FBNQuest Merchant Bank Limited
The Banks' capital is divided into two tiers:

• Tier 1 capital: core equity tier one 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 33 1/3% of Tier 1 capital.

The Central Bank of Nigeria 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.

The table below summarises the Basel II capital adequacy ratio for 2019 and 2018. It shows the composition of regulatory capital and ratios for the years. During those years, the Banks complied with all the regulatory capital requirements to which it was subjected.

	FBNQUEST MERCHANT BANK LIMITED		FIRST BANK OF NIGERIA LIMITED		
			Adjusted Impact	Full Impact	Adjusted Impact
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Tier 1 capital					
Share capital	4,302	4,302	16,316	16,316	16,316
Share premium	3,905	3,905	189,241	189,241	189,241
Statutory reserve	7,879	7,483	92,915	92,915	86,327
Non-controlling interest			-	-	-
SMEEIS reserves	-	-	6,076	6,076	6,076
Retained earnings	11,261	9,516	78,679	78,679	33,986
IFRS 9 Transitional Adjustment	-	-	59,733	-	89,599
RRR applied for IFRS 9 Impact			-	(40,830)	-
Less: Goodwill/Deferred Tax	(10,439)	(10,797)	(13,222)	(13,222)	(9,270)
Less: Investment in subsidiaries	(1,313)	(1,382)	(53,319)	(53,319)	(53,227)
Total qualifying for tier 1 capital	15,594	13,027	376,419	275,857	359,048
Tier 2 capital					
Fair value reserve	(316)	(2,086)	143,768	143,768	77,978
Other borrowings	-	-	70,934	70,934	64,582
Total tier 2 capital	(316)	(2,086)	214,702	214,702	142,560
Tier 2 Capital Restriction	(316)	(2,086)	143,246	109,725	137,425
Less: Investment in subsidiaries	-	-	(53,319)	(53,319)	(53,227)
Total qualifying for tier 2 capital	(316)	(2,086)	89,927	56,407	84,198
Total regulatory capital	15,278	10,940	466,346	332,263	443,246
Risk-weighted assets					
Credit Risk	68,329	69,603	2,237,521	2,196,691	1,868,330
Operational Risk	19,959	17,563	620,501	620,501	655,770
Market Risk	1,111	2,648	160,929	160,929	43,938
Total risk-weighted assets	89,400	89,814	3,018,951	2,978,121	2,568,038
Risk-weighted Capital Adequacy Ratio (CAR)	17.09%	12.18%	15.45%	11.16%	17.26%
Tier 1 CAR	17.44%	14.50%	12.47%	9.26%	13.98%

The Central Bank of Nigeria, in its circular on transitional arrangements on treatment of IFRS 9 expected credit loss for regulatory purposes by banks in Nigeria dated 18 October 2018, has recommended transitional arrangements to cushion the impact of IFRS 9 implementation on tier 1 regulatory capital. The regulator advised that the balance in regulatory risk reserve should be applied to retained earnings to reduce the additional ECL provisions on opening retained earnings. Where the additional ECL provision is higher than the regulatory risk reserve transfer, the excess shall be amortised in line with the transitional arrangements. The regulatory arrangement for amortization of the impact is as shown below:

Period	**Provisions to be written back**
Year 0 (January 1, 2018)	4/5 of Adjusted Day One Impact
Year 1 (December 31, 2018)	3/5 of Adjusted Day One Impact
Year 2 (December 31, 2019)	2/5 of Adjusted Day One Impact
Year 3 (December 31, 2020)	1/5 of Adjusted Day One Impact
Year 4 (December 31, 2021)	NIL

iii. Other Regulated Subsidiaries

		31 December 2019		**31 December 2018**	
	Regulatory Capital	**Shareholders fund**	**Excess/ (Shortfall)**	**Shareholders fund**	**Excess/ (Shortfall)**
	N 'million	**N 'million**	**N 'million**	**N 'million**	**N 'million**
FBNQuest Capital Limited	800	14,264	13,464	16,216	15,116
FBNQuest Trustees Limited	300	3,669	3,369	-	-
FBN Insurance Limited:					
Life Business	2,000	17,838	15,838	11,957	9,957
General Business	3,000	5,306	2,306	5,163	2,163
FBN Insurance Brokers Limited	5	213	208	247	242

All the regulated entities within the Group complied with all the regulatory capital requirements to which they were subjected.

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 of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Determination of definition of default
- Estimation of loss given default.

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 note 3.2.11

b Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly arm'slength transaction between market participants in the principal market under current market conditions (i.e., the exit price). Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3). Fair value is based on unadjusted quoted prices in an active market for the same instrument, where available (Level 1). If active market prices or quotes are not available for an instrument, fair value is then based on valuation models in which the significant inputs are observable (Level 2) or in which one or more of the significant inputs are non-observable (Level 3). Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available. For instruments valued using internally developed models that use significant non-observable market inputs and are therefore classified within Level 3 of the hierarchy, the judgment used to estimate fair value is more significant than when estimating the fair value of instruments classified within Levels 1 and 2. To ensure that valuations are appropriate, a number of policies and controls are in place. Valuation inputs are verified to external sources such as exchange quotes, broker quotes or other management-approved independent pricing sources.

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 Retirement benefit obligation

The Group recognises its obligations to its employees on the gratuity scheme at the period end, less the fair value of the plan assets after performing actuarial valuation of the obligation. The scheme's obligations are calculated using the projected unit credit method. Plan assets are stated at fair value as at the period end. Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

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 41, "Retirement benefits obligation," for a description of the defined benefit pension plans. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the group.

5 Significant accounting judgements, estimates and assumptions continued

d 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 significant amount of judgement and estimates of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition See note 33 for detailed information on impairment assessment performed on the CGU. There was no impairment charge during the year (2018: Nil)

e Determining the lease term : Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Group.

f Valuation of Insurance Contract Liabilities

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk.

The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate allowance is made for expected mortality improvements.
The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group and Company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by N289.3 million or decrease by N282.5 million (2018: N50.8 million and N49.2 million respectively). For contracts without fixed terms, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 12.4%. If the average future investment returns differed by -/+ 1% from management's estimates, the contract liability would increase by N6.3 million or decrease by N5.5 million (2018: N53.5 million and N46.9 million respectively).

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 Executive 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.

Others
Others comprises of FBN Holdings Plc., the parent company, and Rainbow Town Development Limited.

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 events.

As the Group Executive Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The transactions between segments are carried out at arm's length, which is consistent with the basis of transacting with external parties.

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 Executive Committee.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position.

Segment result of operations
Total revenue in the segment represents: Interest income, insurance premium revenue, fee and commission income, foreign exchange income, net gains/losses on sale of investment securities, net gains/losses from financial instruments at fair value through profit/loss, dividend income, other operating income and share of profit/loss of associates.

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2019 is as follows:

	Commercial Banking Group	MBAM Group	Insurance Group	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2019					
Total segment revenue	553,554	35,907	37,775	18,396	**645,632**
Inter-segment revenue	(263)	(464)	(833)	(17,064)	**(18,624)**
Revenue from external customers	553,291	35,443	36,942	1,332	**627,008**
Interest income	408,527	21,680	10,661	1,689	**442,556**
Interest expense	(136,838)	(15,489)	-	(14)	**(152,342)**
Profit/(loss) before tax	71,188	7,487	8,227	(3,307)	**83,595**
Income tax expense	(8,088)	(1,080)	(604)	(12)	**(9,783)**
Profit/(loss) for the year from continuing operations	63,100	6,406	7,624	(3,319)	**73,812**
Impairment charge for losses	(50,821)	(272)	(40)	-	**(51,133)**
Loss for the year from discontinued operations	-			(147)	**(147)**
Depreciation	(15,365)	(743)	(401)	(319)	**(16,828)**

6 Segment information continued

	Commercial Banking Group	MBAM Group	Insurance Group	Others	Total
	N 'million	N 'million	N 'million	N 'million	N 'million
At 31 December 2019					
Total assets	5,807,301	227,577	114,083	54,565	**6,203,526**
Other measures of assets:					
Loans and advances to customers	1,805,404	46,479	434	94	**1,852,411**
Expenditure on non-current assets	107,854	1,751	2,494	840	**112,939**
Investment securities	1,323,045	52,631	27,462	11,393	**1,414,530**
Total liabilities	5,241,950	191,809	97,037	11,605	**5,542,401**
At 31 December 2018					
Total segment revenue	516,228	45,259	25,157	13,651	**600,295**
Inter-segment revenue	(258)	(109)	(765)	(11,757)	**(12,889)**
Revenue from external customers	515,971	45,150	24,392	1,894	**587,406**
Interest income	403,532	22,436	8,312	1,283	**435,563**
Interest expense	(134,488)	(15,754)	0	0	**(150,242)**
Profit/(loss) before tax	43,040	17,197	6,140	(2,524)	**63,853**
Income tax expense	201	(4,819)	(828)	(98)	**(5,544)**
Profit/(loss) for the year from continuing operations	43,242	12,378	5,312	(2,622)	**58,309**
Impairment charge for losses	(88,425)	1,099	(138)	-	**(87,465)**
Loss for the year from discontinued operations	-			(77)	**(77)**
Depreciation	(10,880)	(674)	(332)	(397)	**(12,282)**
At 31 December 2018					
Total assets	5,242,964	198,145	76,425	51,375	**5,568,909**
Other measures of assets:					
Loans and advances to customers	1,634,521	35,557	287	110	**1,670,476**
Expenditure on non-current assets	86,311	1,951	2,520	733	**91,515**
Investment securities	1,571,723	63,591	21,428	7,078	**1,663,821**
Total liabilities	4,807,361	159,035	63,160	10,411	**5,039,966**

Geographical information

Revenues

	31 Dec 2019	31 Dec 2018
	N 'million	N 'million
Nigeria	542,919	499,152
Outside Nigeria	84,089	88,254
Total	**627,008**	**587,406**

Non current asset

	31 Dec 2019	31 Dec 2018
	N 'million	N 'million
Nigeria	93,261	82,627
Outside Nigeria	19,678	8,888
Total	**112,939**	**91,515**

7 Interest income

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Investment securities at FVOCI	129,635	121,948	1,496	909
Investment securities at amortized cost	44,104	28,884	-	-
Loans and advances to banks	23,121	21,153	669	1,236
Loans and advances to customers	245,696	263,578	8	18
	442,556	435,563	2,173	2,163

Interest income on loans and advances to customers includes interest income of N11.9 billion on stage 3 loans, for which effective interest rate is applied to the net carrying amount of the asset after deduction of the loss allowance.

8 Interest expense

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Deposit from customers	111,217	109,112	-	-
Deposit from banks	24,855	12,631	-	-
Borrowings	15,552	28,499	-	-
Lease liability	718	-	14	-
	152,342	150,242	14	-

9 Impairment charge for losses

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Loans and advances to banks (refer note 22)		
12- month ECL	(256)	425
	(256)	425
Investment securities (refer to note 25)		
Stage 1 - 12- month ECL	(1,046)	(16)
	(1,046)	(16)
Loans and advances to customers (refer to note 23)		
Stage 1 - 12- month ECL	3,729	828
Stage 2 - Lifetime ECL	884	(10,901)
Stage 3 - Lifetime ECL	54,169	96,497
	58,782	86,424
Net recoveries on loans previously written off	(7,493)	(9,137)
Write-off of loans	(1,851)	
Other assets (refer to note 27)		
Other Assets ECL	1,261	7,524
	1,261	7,524
Off balance sheet		
Increase in impairment	1,736	2,245
Net impairment charge	51,133	87,465

10 Insurance premium revenue

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
Gross premium written	44,403	29,957
Unearned premium	(843)	(228)
	43,560	29,729
Change in insurance contract liabilities	(26,460)	(11,694)
	17,100	18,035

11 Fee and commission income

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
Credit related fees	4,898	2,393
Letters of credit commissions and fees	6,382	4,284
Electronic banking fees	48,033	34,029
Money transfer commission	1,951	2,370
Commission on bonds and guarantees	620	880
Funds transfer and intermediation fees	7,799	6,974
Account maintenance	13,268	12,329
Brokerage and intermediations	3,190	11,901
Custodian fees	5,980	6,410
Financial advisory fees	2,571	3,210
Fund management fees	3,423	2,955
Trust fee income	1,180	1,119
Other fees and commissions	5,035	3,870
	104,330	92,724
Timing of revenue recognition		
At a point in time	80,589	79,513
Over time	23,741	13,211

11b Fees and commission expense

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
	20,483	17,330

Fee and commission expense primarily relates to charges raised by switching platforms on holders of First Bank Limited ATM cards, who make use of the other banks machines while transacting business,and SMS alert related expenses.

12 Foreign exchange income

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
Revaluation (loss)/gain on foreign currency balances (unrealised)	(1,186)	19,397	6	52
Foreign exchange trading income (realised)	10,726	13,521	-	-
	9,540	32,918	6	52

13 Net gains/(losses) on sale of investment securities

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
Gain/(loss) on sale of investment securities	17,167	5,733	8	(21)
	17,167	5,733	8	(21)

This relates to gain/loss on sale of financial assets at fair value through other comprehensive income.

14 Net gains/(losses) from financial instruments at fair value through profit or loss

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Fair value gain/(loss) on derivatives	10,475	(6,482)	-	-
Trading income on debt securities	7,532	3,432	-	-
Fair value gain/(loss) on equities	110	1,400	(371)	575
Fair value gain/(loss) on debt securities	10,820	(1,485)	-	-
	28,937	(3,135)	(371)	575

15 Dividend income

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
First Bank of Nigeria Limited	-	-	12,500	-
FBNQuest Capital Limited	-	-	1,200	8,380
FBNQuest Merchant Bank Limited	-	-	-	707
FBNQuest Trustees Limited	-	-	288	-
FBN Insurance Limited	-	-	2,602	1,908
FBN Insurance Brokers Limited	-	-	160	100
Entities outside the group*	4,370	2,312	-	-
Withholding tax on dividend	-	-	(170)	(255)
	4,370	2,312	16,580	10,840

*This represents dividend income earned from equity investments held by subsidiaries of FBN Holdings Plc.

16 Other operating income

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
WHT Recovered	-	619	-	-
Gain on sale of properties	273	-	-	-
Net gain from fair value adjustment on investment properties (refer note 28)	-	20	-	-
Profit on sale of property and equipment	75	23	-	1
Other income	2,573	2,571	-	39
	2,921	3,233	-	40

Other income for the Group largely comprises of income made from private banking services and VAT recovered.

17 Personnel expenses

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Wages and salaries	84,035	81,875	1,171	888
Pension costs:				
- Defined contribution plans	3,344	4,545	30	16
- Defined benefit cost (refer note 41)	66	155	-	-
Other staff benefits	11,935	6,820	-	-
	99,380	93,395	1,201	904

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 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.

The average number of persons employed by the Group during the period was as follows:

	GROUP		COMPANY	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Executive directors	1	1	1	1
Management	488	484	6	6
Non-management	8,527	8,674	30	29
	9,016	9,159	37	36

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 N2,000,000	454	379	3	2
N2,000,001 - N2,800,000	1,631	1,072	-	-
N2,800,001 - N3,500,000	367	609	1	2
N3,500,001 - N4,000,000	155	60	1	-
N4,000,001 - N5,500,000	826	895	5	3
N5,500,001 - N6,500,000	1,846	2,033	2	4
N6,500,001 - N7,800,000	1,427	930	1	3
N7,800,001 - N9,000,000	800	828	2	-
N9,000,001 and above	1,509	2,352	21	21
	9,015	9,158	36	35

18 Other operating expenses

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Auditors' remuneration*	1,009	910	25	25
Directors' emoluments	3,769	4,077	977	1,017
Regulatory cost	38,532	35,103	-	-
Maintenance	28,155	23,134	140	143
Insurance premium	1,293	1,688	62	59
Rent and rates	1,840	5,260	-	81
Advert and corporate promotions	18,300	7,770	234	181
Legal and other professional fees	9,525	8,921	528	541
Donations & subscriptions	786	831	9	12
Stationery & printing	1,509	1,590	41	40
Communication, light and power	6,806	7,576	11	12
Cash handling charges	3,516	2,247	-	-
Operational and other losses	20,378	6,910	-	-
Passages and travels	6,900	7,559	377	463
Outsourced cost	19,535	18,871	22	25
Statutory fees	1,027	510	36	39
Underwriting expenses	6,667	4,433	-	-
WHT on retained dividend	170	255	-	-
Fines and penalties	64	33	-	4
Other operating expenses	12,370	12,614	526	266
	182,151	150,292	2,988	2,908

*Auditors' remuneration for the group represents the fees paid by the various entities in the group to their respective auditors.

19 Taxation - Income tax expense and liability

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
a Income tax expense				
Corporate tax	8,903	10,644	12	101
Education tax	150	442	-	-
Technology tax	795	774	-	-
Police trust fund levy	2	-	-	-
(Over)/under provision in prior years	(599)	(79)	-	(3)
Current income tax - current period	9,251	11,781	12	98
Origination and reversal of temporary deferred tax differences	532	(6,237)	-	-
Income tax expense	**9,783**	**5,544**	**12**	**98**

GROUP	2019		2018	
Profit before income tax	83,595		63,853	
Tax calculated using the domestic corporation tax rate of 30% (2018: 30%)	25,078	30%	19,587	30%
Effect of tax rates in foreign jurisdictions	(302)	0%	(3,251)	-5%
Non-deductible expenses	31,065	37%	21,789	33%
Effect of education tax levy	147	0%	367	1%
Effect of Information technology	823	1%	864	1%
Effect of capital gains tax	(18)	0%	0	0%
Effect of minimum tax	2,406	3%	3,315	5%
Effect of excess dividend tax	28	0%	1,266	2%
Effect of change in tax rate	(157)	0%	-	0%
Effect of exchange rate	(341)	0%	-	0%
Tax exempt income	(53,162)	-64%	(44,756)	-69%
Origination and reversal of temporary deferred tax differences	(2)	0%	(6,237)	-10%
Tax incentives	(134)	0%	2,527	4%
Tax loss effect	4,823	6%	10,152	16%
Under provision in prior years	(474)	-1%	(79)	0%
Police Trust Fund Levy	2	0%	-	0%
Total income tax expense in income statement	9,783	12%	5,544	8%
Income tax expense	9,783	12%	5,544	8%

COMPANY	2019		2018	
Profit before income tax	13,874		9,440	
Tax calculated using the domestic corporation tax rate of 30% (2018: 30%)	4,162	30%	2,832	30%
Non-deductible expenses	412	3%	152	2%
Effect of Information technology	-	0%	-	0%
Effect of minimum tax	12	0%	102	1%
Tax exempt income	(5,427)	-39%	(3,532)	-37%
(Over)/Under provided in prior years	-	0%	(3)	0%
Tax loss effect	853	6%	547	6%
Total income tax expense in income statement	12	0%	98	1%
Income tax expense	12	0%	98	1%

b Current income tax liability

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

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million	COMPANY 31 December 2019 N 'million	COMPANY 31 December 2018 N 'million
At start of the period	15,656	10,194	102	104
Tax paid	(10,443)	(6,026)	(36)	(63)
Withholding tax credit utilised	(893)	(303)	(66)	(37)
Prior period under provision	(18)	-	-	-
Income tax charge	9,251	11,781	12	98
Effect of Changes in Exchange Rate	225	10	-	-
At 31 December	13,778	15,656	12	102
Current	13,778	15,656	12	102

20 Cash and balances with central banks

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
Cash	125,929	110,706
Balances with central banks excluding mandatory reserve deposits	55,960	17,738
	181,889	128,444
Mandatory reserve deposits with Central Banks	843,436	524,891
	1,025,325	653,335

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited and FBNQuest Merchant Bank Limited had restricted balances of N828.69 billion and N8.00 billion respectively with Central Bank of Nigeria (CBN) as at 31st December 2019 (December 2018: N515.49 billion and N3.88 billion). This balance includes CBN cash reserve requirement and Special Intervention Reserve. FBN Bank Ghana and FBN Bank Guinea also have restricted balances of N2.84 billion and N2.64 billion (December 2018: N2.45 billion and N1.75 billion) respectively with their respective central banks.

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 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Cash (Note 20)	125,929	110,706	-	-
Balances with central banks other than mandatory reserve deposits (Note 20)	55,960	17,738	-	-
Loans and advances to banks excluding long term placements (Note 22)	625,680	753,471	5,706	16,639
Treasury bills included in financial assets at FVTPL (Note 24)	8,641	13,025	-	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 25.1&25.2)	488,788	524,950	-	-
	1,304,998	1,419,889	5,706	16,639

22 Loans and advances to banks

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Current balances with banks within Nigeria	356,031	357,628	3,794	82
Current balances with banks outside Nigeria	242,382	266,920	-	-
Placements with banks and discount houses (short term)	27,267	128,922	1,912	16,557
	625,680	753,470	5,706	16,639
Long term placement/Cash collateral balance	129,959	110,950	-	-
Stage 1 : 12 month ECL on placements	(729)	(985)		
Carrying amount	754,910	863,435	5,706	16,639

Included in loans and advances to banks are long term placement/cash collateral balance of N129.95 billion balance for Group (31 December 2018: N110.95 billion) which does not qualify as cash and cash equivalent. Also included in the Group's Loans and advances to banks is the sum of N67.33bn (2018: 58.25bn) in respect of trade finance and other short term financing advanced to banks on the back of their letters of credit/trade related transactions. All other loans to banks are due within 3 months.

Reconciliation of impairment account

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
At start of period	(985)	-	-	-
Transition adjustment	-	(560)	-	-
Impairment writeback/(charge)	256	(425)	-	-
At end of period	(729)	(985)	-	-

23 Loans and advances to customers
GROUP

Corporate	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2019						
Overdrafts	215,310	(625)	(123)	(16,480)	(17,228)	198,082
Term loans	945,954	(2,361)	(3,939)	(35,734)	(42,034)	903,920
Project finance	615,978	(947)	(2,075)	(5,517)	(8,540)	607,438
	1,777,242	(3,933)	(6,138)	(57,731)	(67,802)	1,709,440

23 Loans and advances to customers continued

Retail	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2019						
Overdrafts	15,901	(414)	(28)	(3,587)	(4,029)	11,872
Term loans	101,501	(4,927)	(21)	(1,795)	(6,743)	94,758
Credit cards	1,779	(6)	-	(43)	(49)	1,730
Mortgage	34,899	(44)	(2)	(242)	(288)	34,611
	154,080	(5,391)	(51)	(5,667)	(11,109)	142,971
Total Loans and advances to customers	1,931,321	(9,324)	(6,189)	(63,398)	(78,911)	1,852,411

GROUP

Corporate	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Overdrafts	251,969	(236)	(83)	(74,965)	(75,284)	176,685
Term loans	1,124,230	(3,423)	(2,779)	(264,082)	(270,284)	853,946
Project finance	476,525	(498)	(2,290)	(2,659)	(5,447)	471,078
	1,852,724	(4,157)	(5,152)	(341,706)	(351,015)	1,501,709
Advances under finance lease	737	-	-	(320)	(320)	417
	1,853,461	(4,157)	(5,152)	(342,026)	(351,335)	1,502,126

Retail	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Overdrafts	21,855	(238)	(5)	(7,837)	(8,080)	13,775
Term loans	123,406	(1,137)	(26)	(23,833)	(24,996)	98,410
Credit cards	2,003	(5)	(0)	(82)	(87)	1,916
Mortgage	55,224	(70)	(2)	(903)	(976)	54,248
	202,488	(1,451)	(33)	(32,654)	(34,138)	168,349
Total Loans and advances to customers	2,055,949	(5,608)	(5,185)	(374,680)	(385,473)	1,670,475

COMPANY	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2019						
Term loans	94	-	-	-	-	94
	94	-	-	-	-	94

COMPANY	Gross Amount N 'million	Stage 1 12 months ECL N 'million	Stage 2 Lifetime ECL N 'million	Stage 3 Lifetime ECL N 'million	Total Impairment N 'million	Carrying Amount N 'million
31 December 2018						
Term loans	110	-	-	-	-	110
	110	-	-	-	-	110

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Current	837,142	854,068	14	14
Non-current	1,015,269	816,407	80	96
	1,852,411	1,670,475	94	110

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

• Migration of some assets from stage 1 and 2 to Stage 3 within the financial year 2019 contributed to increase in total ECL. A total of N90.9billion migrated from stage1 & 2 to 3 with corresponding increase in ECL by a total of N17 billion
• Write-off of significant loans with a total gross carrying amount of N366 billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
• Newly created facilities totaling N311.6 billion with a corresponding N2.1billion increase in loss allowance measured on a 12-month basis.

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance in 2018 were as follows:

• Migration of some assets from stage 1 and 2 to Stage 3 within the financial year 2018 contributed to increase in total ECL. A total of N20.7billion migrated from stage1 & 2 to 3 with corresponding increase in ECL by a total of N 7.2billion
• Write-off of significant loans with a total gross carrying amount of N149.5 billion resulted in the reduction of the Stage 3 loss allowance by the same amount.
• Movement in exchange rate on major foreign currency denominated facility in stage 3 contributed significantly to an increase in ECL on stage 3 loans. A total of N14.2 billion increase was caused by foreign exchange impact with corresponding increase of N14.1 billion in ECL.
• Newly created facilities totaling N 55.4 billion with a corresponding N0.5billion increase in loss allowance measured on a 12-month basis.

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	**Corporate N 'million**	**Retail N 'million**	**Total N 'million**
At 1 January 2019			
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,026	32,655	374,681
	351,335	34,139	385,473
Additional allowance			
12 months ECL- Stage 1	(307)	4,036	3,729
Life time ECL not credit impaired - Stage 2	869	15	884
Life time ECL credit impaired - Stage 3	47,979	6,190	54,169
	48,541	10,241	58,782
Exchange difference			
12 months ECL- Stage 1	83	(95)	(12)
Life time ECL not credit impaired - Stage 2	117	3	120
Life time ECL credit impaired - Stage 3	1,091	(137)	954
Loan write off			
Life time ECL credit impaired - Stage 3	(333,366)	(33,041)	(366,407)
At 31 December 2019	67,803	11,109	78,911
12 months ECL- Stage 1	3,933	5,391	9,324
Life time ECL not credit impaired - Stage 2	6,137	51	6,189
Life time ECL credit impaired - Stage 3	57,731	5,667	63,398
At 31 December 2019	67,802	11,109	78,911

Reconciliation of impairment allowance on loans and advances to customers:

GROUP	**Corporate N 'million**	**Retail N 'million**	**Total N 'million**
At 1 January 2018			
12 months ECL- Stage 1	2,103	1,773	3,875
Life time ECL not credit impaired - Stage 2	18,840	37	18,877
Life time ECL credit impaired - Stage 3	433,127	27,191	460,318
	454,070	29,001	483,071
Additional allowance			
12 months ECL- Stage 1	1,165	(338)	827
Life time ECL not credit impaired - Stage 2	(10,900)	(1)	(10,901)
Life time ECL credit impaired - Stage 3	90,053	6,445	96,498
	80,317	6,106	86,424
Exchange difference			
12 months ECL- Stage 1	889	15	904
Life time ECL not credit impaired - Stage 2	(2,788)	(3)	(2,791)
Life time ECL credit impaired - Stage 3	4,478	387	4,865
Loan write off			
Life time ECL credit impaired - Stage 3	(185,077)	(1,368)	(186,445)
At 31 December 2018	351,890	34,138	386,028
12 months ECL- Stage 1	4,157	1,450	5,607
Life time ECL not credit impaired - Stage 2	5,152	33	5,185
Life time ECL credit impaired - Stage 3	342,026	32,655	375,236
At 31 December 2018	351,335	34,138	386,028

Nature of security in respect of loans and advances:
GROUP

	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	1,089,527	1,217,736	-	-
Guarantee/Receivables Of Investment Grade Banks & State Govt.	161,961	285,828	-	-
Domiciliation of receivables	321,776	358,707	-	-
Clean/Negative Pledge	182,846	136,394	-	-
Marketable Securities/Shares	466	608	-	-
Otherwise Secured	51,578	32,709	94	110
Cash/Government Securities	123,166	17,834	-	-
Unsecured	-	6,133		
	1,931,321	2,055,949	94	110

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

24 Financial assets and liabilities at fair value through profit or loss

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Treasury bills with maturity of less than 90 days	8,641	13,025	-	-
Treasury bills with maturity over 90 days	122,784	9,398	-	-
Bonds	77,482	32,618	-	-
Total debt securities	208,907	55,042	-	-
Listed equity securities	234	271	-	-
Unlisted equity securities	35,146	36,063	3,057	3,427
Total equity securities	35,380	36,334	3,057	3,427
Derivative assets (refer note 24a)	38,372	17,786	-	-
Total assets at fair value through profit or loss	282,660	109,163	3,057	3,427
Current	208,907	55,042	-	-
Non Current	73,752	54,120	3,057	3,427
	282,660	109,162	3,057	3,427

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as ‘held for trading’ for accounting purposes and are accounted for at fair value through profit or loss.

a Derivatives

	GROUP 31 Dec 2019		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	384,353	15,752	(3,787)
FX Futures	511,637	1,350	(749)
Currency swap	117,067	19,306	(10)
Put options	56,056	1,964	(1,501)
	1,069,113	38,372	(6,046)
Current	1,068,998	38,372	(6,046)
Non Current	114	-	-
	1,069,113	38,372	(6,046)

	GROUP 31 Dec 2018		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'million	N 'million	N 'million
Foreign exchange derivatives			
Forward FX contract	351,767	2,777	(2,537)
FX Accumulator Contract	99,178	271	- 272.17
Currency swap	18,905	296	(14)
Put options	430,971	14,442	(12,967)
	900,822	17,786	(15,791)
Current	844,997	14,452	(12,671)
Non Current	55,825	3,334	(3,120)
	900,822	17,786	(15,791)

25 Investment Securities

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
25.1 Investment securities at FVOCI				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	5,249	38,247	-	-
– Treasury bills with maturity of more than 90 days	275,529	566,001	10,336	6,080
– Government bonds	91,997	118,188	810	999
– Other bonds	22,850	43,335	247	-
Equity securities – at fair value:				
– Listed	821	1,217	-	-
– Unlisted	158,220	107,131	-	-
Total securities classified as FVOCI	554,666	874,119	11,393	7,079
Current	298,466	649,984	10,336	6,080
Non current	256,200	224,135	1,057	999
	554,666	874,119	11,393	7,079

Reconciliation of impairment on investment securities at FVOCI

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
At start of period	1,833	-	-	-
Transition adjustment	-	414	-	
Increase in impairment	(734)	1,419	-	-
At end of period	1,099	1,833	-	-

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
25.2 Investment securities at amortised cost				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	483,539	486,703	-	-
– Treasury bills with maturity of more than 90 days	33,396	59,051	-	-
– Bonds	327,821	230,714	-	-
– Unlisted debt	15,717	14,069		
Impairment on Amortised Cost securities				
- Stage 1: 12- month ECL	(610)	(835)	-	-
Total securities at amortised cost	859,864	789,702	-	-
Current	653,097	556,351	-	-
Non Current	206,767	233,351	-	-
	859,864	789,701	-	-
Total investment securities	1,414,530	1,663,821	11,393	7,079

Reconciliation of impairment on investment securities at amortised cost

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
At start of period	835	3,230	-	-
Transition adjustment	-	1,184	-	
Writeback	(223)	(776)	-	-
Amount written off	-	(1,111)	-	
Reclassification	-	(1,692)	-	-
At end of period	612	835	-	-

26 Asset 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 collaterals are as follows:

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Debt securities at FVOCI (note 26.1)	444,393	215,753
Debt securities at amortised cost (note 26.2)	20,529	93,298
	464,922	309,051
26.1 Debt securities at FVOCI		
– Treasury bills	417,667	149,829
– Bonds	26,726	65,924
	444,393	215,753
26.2 Debt securities at amortized cost		
– Treasury bills	19,416	14,032
– Bonds	1,113	79,266
	20,529	93,298
The related liability for assets held as collateral include:		
Bank of Industry	24,508	29,532
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	48,077	27,049
Due to Other Banks	199,834	116,189

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 N47.0bn for the group in December 2018 (2018: N33.3bn) for which there is no related liability.

Current	440,820	175,756
Non current	24,102	133,295
	464,922	309,051

All assets pledged as collateral are Stage 1 assets

27 Other assets

	GROUP		COMPANY	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	N 'million	N 'million	N 'million	N 'million
Financial assets:				
Premium debtors	80	87	-	-
Accounts receivable	138,372	66,358	15,729	87
Reinsurance assets	3,081	2,703	-	-
	141,533	69,148	15,729	87
Impairment on other assets - Simplified Approach	(19,940)	(18,948)	-	-
	121,593	50,200	15,729	87
Non financial assets:				
Stock of consumables	1,762	2,038	-	0
Inventory- repossessed collateral	78,104	60,104	-	-
Prepayments	9,192	12,545	157	139
WHT receivable	1,838	1,879	36	66
Deferred expenses	355	223	-	-
Impairment on non financial other assets	(752)	(697)	-	-
	90,499	76,092	193	205
Net other assets balance	212,092	126,292	15,922	292

Inventory (repossessed collateral) of N78.10bn (2018: N60.1bn) comprises of assets recovered from default loan customers.

Reconciliation of reinsurance assets and deferred insurance acquisition costs

31 December 2019

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable	IBNR claims	Unearned premium reserve	Outstanding claims	Prepaid Reinsurance	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2019	274	408	62	1,312	647	2,703
Addition	-	-	-	-	3,483	3,483
Receipt from reinsurers	(1,872)	-	-	-	-	(1,872)
Amortisation for the year	-	-	-	-	(3,296)	(3,296)
Changes during the year	1,726	695	(55)	(303)	-	2,063
At 31 December 2019	128	1,103	7	1,009	834	**3,081**

31 December 2018

	Reinsurance assets					
	Reinsurance share of:					
	Claims recoverable	IBNR claims	Unearned premium reserve	Outstanding claims	Prepaid Reinsurance	Total
	N'million	N'million	N'million	N'million	N'million	N'million
At 1 January 2018	60	642	147	392	411	1,652
Addition	0	-	-	-	2,731	2,731
Receipt from reinsurers	(719)	-	-	-	-	(719)
Amortisation for the year	-	-	-	-	(2,495)	(2,495)
Changes during the year	933	(234)	85	920	-	1,534
At 31 December 2018	274	408	62	1,312	647	**2,703**

Deferred insurance acquisition costs

	GROUP	
	31 December 2019	31 December 2018
	N 'million	N 'million
At start of year	223	153
Changes during the year	132	70
At end of year	355	223

Reconciliation of impairment account

	GROUP		COMPANY	
	2019	2018	2019	2018
	N 'million	N 'million	N 'million	N 'million
At start of period	19,645	8,973	-	-
Transition Impact	-	6,021	-	-
Write off	(214)	(2,873)	-	-
Increase in impairment	1,261	7,524	-	-
At end of period	20,692	19,645	-	-

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 Investment properties

At start of period	515	1,993
Derecognition	(415)	(1,498)
Net gain from fair value adjustment	-	20
	100	515

Included in investment properties are mainly land acquired by the Group for capital appreciation. At the reporting period, the properties were valued by registered valuers. 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 (2018: Nil) arose from the investment properties during the year. 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 are as follows:

Entity:	FBN Insurance Limited
Location:	Abuja
Name of the professional:	Lawal Abdulfatai
Name of the professional firm/ entity:	Jide Taiwo & Co
FRC registration number of the professional:	FRC/2015/NIESV/00000011465

29 Investment in associates (equity method)

i. **Seawolf Oilfield Services Limited (SOSL)**

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). 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 are 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.

In 2014, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business. The investment has been fully impaired.

ii. **FBN Balanced Fund**

FBN Balanced Fund (Formerly 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. The fund manager publishes daily unit price of the fund on the memorandum listing section of the Nigerian Stock Exchange. The unit price of the fund as at reporting date was N146.8 (Cost: N100). FBN Balanced Fund's principal place of business is Nigeria while the its principal activity is Fund management. The Group's ownership interest in the Fund is 28.23%.

	GROUP	
	31 December 2019 N 'million	**31 December 2018 N 'million**
FBN Balanced Fund		
Balance at beginning of year	624	1,357
Share of profit	87	23
Share of other comprehensive income	-	(5)
Disposal of investment	-	(750)
At end of year	711	624

30 Investment in subsidiaries

30.1 Principal subsidiary undertakings

	COMPANY	
	31 December 2019 N 'million	**31 December 2018 N 'million**
DIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
First Bank of Nigeria Limited (Note 30 (i))	205,557	205,557
FBNQuest Capital Limited (Note 30 (ii))	4,300	4,300
FBN Insurance Limited (Note 30 (iii))	4,724	4,724
FBN Insurance Brokers Limited (Note 30 (iv))	25	25
New Villa Limited (Rainbow Town Development Limited) (Note 30 (v))	-	-
FBNQuest Merchant Bank Limited (Note 30 (vi))	17,206	17,206
FBNQuest Trustees Limited (Note 30 (vii))	3,152	-
	234,964	231,812
INDIRECT SUBSIDIAIRES OF FBN HOLDINGS PLC.		
FBNQuest Trustees Limited (Note 30 (vii))	-	6,033
FBNQuest Funds Limited (Note 30 (viii))	4,550	4,550
	4,550	10,583
	239,514	**242,395**

As at 31 December 2019, the recoverable amount of investment in Rainbow Town Development Limited was lower than the carrying amount. (Cost: N5billion; Total Impairment: N5billion).

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 FBN Insurance Limited and New Villa Limited (Rainbow Town Development Limited) in which it owned 65% and 55% 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 as at the end of the year N15.516 billion (2018: N12.289 billion).

Subsidiary	**Principal activity**	**Country of incorporation**	**Proportion of shares held directly by the parent/group (%)**	**Statutory year end**
First Bank of Nigeria Limited (Note 30 (i))	Banking	Nigeria	100	31 December
FBNQuest Capital Limited (Note 30 (ii))	Investment Banking & Asset Management	Nigeria	100	31 December
FBN Insurance Limited (Note 30 (iii))	Insurance	Nigeria	65	31 December
FBN Insurance Brokers Limited (Note 30 (iv))	Insurance Brokerage	Nigeria	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 30 (v))	Investment and General Trading	Nigeria	55	31 December
FBNQuest Merchant Bank Limited (Note 30 (vi)	Merchant Banking	Nigeria	100	31 December
FBNQuest Trustees Limited (Note 30 (vii))	Trusteeship	Nigeria	100	31 December
FBNQuest Funds Limited (Note 30 (viii))	Investment Banking & Asset Management	Nigeria	100	31 December

i 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 Central Bank of Nigeria and FBN Holdings Plc became the parent company of the Group.

ii FBNQuest Capital Limited

FBNQuest Capital Limited (formerly FBN Capital Limited) is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registered with the Securities and Exchange Commission (SEC) to undertake issuing house business. It is also involved in the business of financial advisory.

iii FBN Insurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc. (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank 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.

iv FBN Insurance Brokers Limited

The company was incorporated under the Companies and Allied Matters Act, 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.

v New Villa Limited (Rainbow Town Development Limited)

New Villa Limited is a special purpose vehicle incorporated on 28 November 2008. Its principal activities include real estate investments and general trading.

vi FBNQuest Merchant Bank Limited

FBNQuest Merchant Bank Limited (formerly FBN Merchant Bank Limited) was incorporated in Nigeria as a limited liability company on 14 February 1995 originally known as Kakawa Discount House Limited.
The Company was granted a licensed to carry on the business of a discount house and commenced operations on 16 November 1995. FBN Holdings Plc. acquired the shares of the Company and converted the business to a merchant bank having obtained the Central Bank of Nigeria for merchant banking operations in May 2015.

vii FBNQuest Trustees Limited

FBNQuest Trustees Limited (formerly 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. During the year ended 31 December 2019, the Company acquired direct interest in FBNQuest Trustees Limited via a scheme of arrangement between FBNQuest Capital Limited and FBN Holdings Limited.

viii FBNQuest Funds Limited

FBNQuest Funds Limited (formerly 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.

30.2 Condensed results of consolidated entities from continuing operations

31 December 2019	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Trustees Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement											
Operating income	18,382	395,926	1,709	1,306	14,045	32,369	613	-	464,349	(15,045)	449,302
Operating expenses	(4,508)	(274,350)	(1,192)	(682)	(9,843)	(23,776)	(403)	-	(314,754)	92	(314,662)
Impairment charge for credit losses	-	(50,821)	(121)	(100)	(51)	(41)	-	-	(51,133)	(0)	(51,133)
Operating profit	13,874	70,755	396	524	4,150	8,552	210	-	98,462	(14,954)	83,508
Associate	-	-	87	-	-	-	-	-	87	-	87
Profit before tax	13,874	70,755	482	524	4,150	8,552	210	-	98,548	(14,953)	83,595
Tax	(12)	(8,088)	281	(203)	(557)	(542)	(62)	-	(9,182)	(601)	(9,783)
Profit/(Loss) for the year from continuing operations	13,863	62,667	763	321	3,593	8,011	148	-	89,365	(15,554)	73,812
Profit/(Loss) for the year from discontinued operations	-	-	1,341	-	-	-	-	(404)	938	(1,084)	(147)
Other comprehensive income	127	64,370	3	428	1,818	2,517	(19)	-	69,244	12	69,256
Total comprehensive income	13,990	127,037	2,107	749	5,411	10,527	128	(404)	159,547	(16,626)	142,921
Total comprehensive income allocated to non controlling interest	-	1,124	-	-	-	3,685	-	(182)	4,627	-	4,627
Dividends paid to non controlling interest	-	-	-	-	-	1,401	-	-	1,401	-	1,401
Summarized Financial Position											
Assets											
Cash and balances with central bank	0	1,016,522	0	0	8,302	500	0	-	1,025,325	0	1,025,325
Loans and advances to banks	5,706	741,304	22,688	1,982	7,378	3,879	815	-	783,751	(28,841)	754,910
Loans and advances to customers	94	1,866,023	11	20	46,448	427	7	-	1,913,029	(60,619)	1,852,411
Financial assets at fair value through profit or loss	3,057	165,379	33,922	-	3,377	76,925	-	-	282,660	-	282,660
Investment securities	11,393	1,323,045	28,736	4,295	19,599	27,354	108	-	1,414,530	-	1,414,530
Assets pledged as collateral	-	425,540	-	-	39,383	-	-	-	464,923	(1)	464,922
Other assets	15,922	190,919	8,105	979	8,470	4,031	39	-	228,466	(16,374)	212,092
Inventory	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	100	-	-	100	-	100
Investment in associates accounted for using the equity method	-	-	855	-	-	-	-	-	855	(144)	711
Investment in subsidiaries	239,514	-	-	-	-	-	-	-	239,514	(239,514)	-
Property, plant and equipment	491	107,854	57	130	1,564	2,460	34	-	112,590	349	112,939
Intangible assets	-	17,716	38	10	863	333	1	-	18,961	-	18,961
Deferred tax assets	-	14,640	918	-	9,427	-	25	-	25,009	-	25,009
Assets held for sale	-	278	1,021	-	-	-	-	45,534	46,834	(7,878)	38,956
	276,177	5,869,219	96,352	7,416	144,810	116,010	1,029	45,534	6,556,547	(353,022)	6,203,526
Financed by											
Deposits from banks	-	834,138	-	-	27,649	-	-	-	861,787	-	860,486
Deposits from customers	-	3,911,893	59,819	-	75,676	-	-	-	4,047,388	(27,552)	4,019,836
Financial liabilities at fair value through profit or loss	-	5,571	-	-	469	6	-	-	6,046	-	6,046
Current income tax liability	12	8,873	617	925	767	2,473	112	-	13,778	-	13,778
Other liabilities	9,321	263,794	21,280	2,809	10,206	5,248	705	-	313,363	(16,223)	297,140
Liability on investment contracts	-	-	-	-	-	24,676	-	-	24,676	-	24,676
Liability on insurance contracts	-	-	-	-	-	63,748	-	-	63,748	-	63,748
Borrowings	-	250,596	-	-	-	-	-	-	250,596	-	250,596
Retirement benefit obligations	-	3,352	-	-	-	-	-	-	3,352	-	3,352
Deferred tax liabilities	-	-	-	14	-	236	-	-	250	-	250
Liabilities held for sale	-	-	372	-	-	-	-	67,025	67,397	(64,903)	2,493
	9,332	5,278,219	82,088	3,747	114,766	96,387	817	67,025	5,652,381	(109,980)	5,542,401
Equity and reserves	266,845	591,001	14,264	3,669	30,044	19,623	213	(21,491)	904,167	(243,043)	661,125
Summarized Cash Flows											
Operating activities											
Interest received	1,806	486,345	5,077	1,991	13,759	10,352	47	-	519,376	0	519,376
Interest paid	-	(131,589)	(3,713)	0	(10,843)	-	0	-	(146,145)	0	(146,145)
Income tax paid	(35)	(5,713)	(3,449)	(537)	(610)	(70)	(29)	-	(10,443)	0	(10,443)
Cash flow generated from operations	(3,330)	(655,225)	13,505	(294)	(22,551)	15,799	505	(42)	(651,633)	(10,082)	(661,715)
Net cash generated from operating activities	(1,559)	(306,183)	11,419	1,160	(20,245)	26,082	523	(42)	(288,844)	(10,083)	(298,927)
Net cash used in investing activities	(47)	290,584	(6,246)	227	13,909	(23,689)	3	0	274,741	(4,000)	270,741
Net cash used in financing activities	(9,333)	(108,692)	(1,050)	(1,266)	0	(3,739)	(61)	0	(124,140)	4,532	(119,608)
Increase in cash and cash equivalents	(10,939)	(124,291)	4,123	122	(6,335)	(1,345)	464	(42)	(138,243)	(9,551)	(147,794)
Cash and cash equivalents at start of year	16,639	1,371,464	19,535	0	33,211	12,760	327	285	1,454,221	(34,332)	1,419,889
Effect of exchange rate fluctuations on cash held	6	32,591	(18)	2	323	-	-	-	32,903	0	32,903
Cash and cash equivalents at end of year	5,706	1,279,764	23,640	123	27,199	11,415	792	243	1,348,881	(43,883)	1,304,998

30.2 Condensed results of consolidated entities from continuing operations

31 December 2018	FBN Holdings Plc.	FBN Limited	FBNQuest Capital Limited	FBNQuest Merchant Bank Limited	FBN Insurance Limited	FBN Insurance Brokers Limited	Rainbow Town Development Limited	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement										
Operating income	13,651	363,680	15,555	13,100	21,311	485	-	427,781	(11,900)	415,880
Operating expenses	(4,210)	(233,677)	(3,227)	(10,183)	(14,444)	(426)	-	(266,167)	145	(266,022)
Impairment charge for credit losses	-	(92,796)	1,215	(116)	(119)	(19)	-	(91,835)	4,370	(87,465)
Operating profit	9,441	38,643	13,542	2,801	6,749	40	-	71,215	(7,386)	63,830
Associate	-	-	23	-	-	-	-	23	-	23
Profit before tax	9,441	38,643	13,566	2,801	6,749	40	-	71,239	(7,385)	63,853
Tax	(98)	201	(4,336)	(483)	(807)	(21)	-	(5,544)	-	(5,544)
Profit/(Loss) for the year from continuing operations	9,343	38,844	9,230	2,318	5,941	19	-	65,695	(7,386)	58,309
Loss for the year from discontinued operations		-					(330)	(330)	254	(77)
Other comprehensive income	(144)	1,131	(583)	(1,664)	(502)	(28)	-	(1,789)	-	(1,789)
Total comprehensive income	9,199	39,976	8,647	654	5,439	(9)	(330)	63,575	(7,134)	56,443
Total comprehensive income allocated to non controlling interest	-	(1,391)	-	-	1,904	-	(149)	363	-	363
Dividends paid to non controlling interest	-	-	-	-	1,027	-	-	1,027	-	1,027
Summarized Financial Position										
Assets										
Cash and balances with central bank	0	648,181	0	4,653	500	0	-	653,335	-	653,335
Loans and advances to banks	16,639	842,494	18,582	17,338	1,125	350	-	896,528	(33,092)	863,435
Loans and advances to customers	110	1,694,884	144	35,414	286	1	-	1,730,838	(60,362)	1,670,476
Financial assets at fair value through profit or loss	3,427	24,674	32,368	2,096	46,596	-	-	109,162	(0)	109,162
Investment securities	7,078	1,571,723	28,251	35,394	21,301	127	-	1,663,874	(53)	1,663,821
Assets pledged as collateral	-	287,791	161	21,100	-	-	-	309,051	(0)	309,051
Other assets	291	117,765	1,348	5,529	3,243	55	-	128,231	(1,938)	126,292
Inventory	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	415	-	100	-	-	515	-	515
Investment in associates accounted for using the equity method	-	-	769	-	-	-	-	769	(144)	625
Investment in subsidiaries	242,395	-	-	-	-	-	-	242,395	(242,395)	-
Property, plant and equipment	383	86,311	192	1,759	2,468	52	-	91,166	349	91,515
Intangible assets	-	13,590	308	1,900	334	1	-	16,134	-	16,134
Deferred tax assets	-	15,706	506	9,322	-	24	-	25,558	-	25,558
Assets held for sale	-	208	1,021	-	-	-	45,681	46,910	(7,920)	38,990
	270,325	5,303,327	84,064	134,505	75,953	611	45,681	5,914,466	(345,557)	5,568,909
Financed by										
Deposits from banks	-	741,311	-	8,004	-	-	-	749,315	-	749,315
Deposits from customers	-	3,392,577	36,402	90,858	-	-	-	3,519,837	(33,146)	3,486,691
Financial liabilities at fair value through profit or loss	-	15,557	-	220	14	-	-	15,791	-	15,791
Current income tax liability	102	7,844	4,895	716	2,024	75	-	15,656	-	15,656
Other liabilities	8,035	329,417	22,953	10,074	6,661	290	-	377,429	(1,787)	375,642
Liability on investment contracts	-	-	-	-	19,766	-	-	19,766	-	19,766
Liability on insurance contracts	-	-	-	-	34,192	-	-	34,192	-	34,192
Borrowings	-	338,214	-	-	-	-	-	338,214	-	338,214
Retirement benefit obligations	-	1,941	-	-	-	(1)	-	1,940	-	1,940
Deferred tax liabilities	-	-	53	-	213	-	-	266	-	266
Liabilities held for sale	-	-	372	-	-	-	66,768	67,140 -	64,646	2,493
	8,137	4,826,860	64,675	109,872	62,870	363	66,768	5,139,546	(99,579)	5,039,967
Equity and reserves	262,188	476,467	19,389	24,633	13,082	247	(21,087)	774,920	(245,977)	528,943
Summarized Cash Flows										
Operating activities										
Interest received	2,410	405,472	4,673	16,630	8,159	48	0	437,392	0	437,392
Interest paid	-	(110,062)	(4,138)	(12,272)	-	0	0	(126,472)	0	(126,472)
Income tax paid	(63)	(2,903)	(597)	(2,184)	(244)	(35)	0	(6,026)	(0)	(6,026)
Cash flow generated from operations	(3,590)	198,083	(1,200)	19,847	24,102	57	(53)	237,246	(3,685)	233,561
Net cash generated from operating activities	(1,243)	490,590	(1,261)	22,021	32,016	71	(53)	542,142	(3,685)	538,456
Net cash used in investing activities	19,219	(174,922)	1,993	(531)	(24,310)	(2)	0	(178,554)	(19,823)	(198,377)
Net cash used in financing activities	(8,974)	(116,581)	(8,381)	(9,407)	(2,657)	(130)	0	(146,129)	15,536	(130,594)
Increase in cash and cash equivalents	9,002	199,087	(7,649)	12,082	5,049	(61)	(53)	217,459	(7,973)	209,486
Cash and cash equivalents at start of year	7,585	1,129,302	27,018	20,461	7,712	392	337	1,192,808	(26,360)	1,166,447
Effect of exchange rate fluctuations on cash held	52	43,074	165	668	- -	5	-	43,955	-	43,955
Cash and cash equivalents at end of year	16,639	1,371,464	19,535	33,211	12,760	327	285	1,454,221	(34,333)	1,419,888

31 Asset Held for Sale

(a) Discontinued operations:

The assets classified as held for sale in 2019 includes Rainbow Town Development Limited and Twin Peaks Nigeria Limited.

(i) Rainbow Town Development Limited

The assets and liabilities of Rainbow Town Development Limited (RTDL) were classified as held for sale following the decision and resolution of the Board of Directors of FBN Holdings Plc. on October 21, 2016 to dispose the Group's interest in RTDL. The carrying amount of the investment is expected to the recovered principally by a sale rather than through continuing use. The sale is expected to be completed before the end of the next financial year. The amount has been presented in note 6 as part of Others.

(iii) Twin Peaks Nigeria Limited

The assets and liabilities of Twin Peaks Nigeria Limited ("Twin Peaks") are classified as held for sale in 2017 following the decision and resolution of FBNQuest Capital Partners Limited ("FBNQ CP"), the Fund Manager, to dispose the Group's interest in TwinPeaks. FBNQ CP has executed a Sales and Purchase Agreement to sell all interest in the Twin Peaks in stages (cummulative of 31.27%, 52.16% and 100% by December 2017, November 2018 and March 2020).

The buyer has fulfilled its obligation as stipulated in the SPA and has acquired 52.16% as at November 2018.

The operating results and net cash flows are separately presented in the income statement and statement of cash flows respectively because the disposal group represents a separate line of buisness within the Group, and as such meets the definition of discontinued operation.

The carrying amount of the assets and liabilties of the disposal group classified as held for sale are as listed below.

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Assets classified as held for sale		
Cash and balances with central banks	-	-
Loans and advances to banks	-	-
Loans and advances to customers	-	-
Investment securities	-	-
Other assets	1,323	1,427
Inventory	36,337	36,337
Investment property	1,008	1,008
Deferred tax assets	-	-
Property, plant and equipment	5	5
Intangible assets	5	5
	38,678	38,782
Liabilities classified as held for sale		
Company income tax liability	6	6
Other liabilities	2,487	2,487
Borrowings	-	-
	2,493	2,493
Net Asset	36,185	36,289

The operating results of the discontinued operations are as follows.

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Interest income	-	-
Interest expense	- 0	-
Net interest income	- 0	-
Impairment charge	-	-
Net interest income after impairment charge	- 0	-
Net fee and commission income	-	-
Other income	-	-
Operating expense	(147)	(77)
Loss before tax	(147)	(77)
Taxation	-	-
Loss after tax	(147)	(77)
Loss from discontinued operations is attributable to:		
Owners of the parent	(81)	(42)
Non-controlling interests	(66)	(34)
	(147)	(77)

The cash flows of the discontinued operations are as follows.		
Net cash flow used in operating activities	(43)	(54)
Net cash flow from/(used in) financing activities	-	-
Net cash flow (used in)/from investing activities	-	-
Net cash outflow	(43)	(54)

(b) Non current asset held for sale

FBN Senegal has classified a building from its Property and Equipment as Asset held for sale. This is following management's decision to dispose the asset.

The Board of Directors demonstrated commitment to the sale in line with the requirements of IFRS 5 and as such the sales is expected to be completed within the next 12 months. The entity is recognised as a cash generating unit (CGU) and forms part of the unreportable segment shown as "others". During the period, there was a reclassification of an additional of N70m to assets held for sale.

	GROUP	
	31 December 2019 N 'million	**31 December 2018 N 'million**
Property, plant and equipment	278	208
Total Assets classified as held for sale	38,956	38,990

32 Property and equipment
GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Machinery N million	Work in progress* N million	Right of Use Asset N million	Total N million
Cost										
At 1 January 2018	48,463	21,182	12,646	46,950	16,797	10,157	243	8,907	-	165,345
Additions	890	113	1,696	2,777	2,157	556	41	7,385	-	15,615
Disposals	(29)	-	(1,778)	(90)	(100)	(42)	(29)	-	-	(2,068)
Write Offs	-	-	-	(627)	-	-	-	-	-	(627)
Transfers	287	-	404	1,598	6,880	63	-	(9,284)	-	(52)
Exchange difference	347	(1)	70	122	150	44	(2)	15	-	744
At 31 December 2018	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,958
Accumulated depreciation										
At 1 January 2018	10,863	-	8,502	36,110	13,580	7,860	167	-	-	77,083
Charge for the year	1,388	-	2,135	4,606	3,138	969	46	-	-	12,282
Disposals	(30)	(0)	(1,404)	(87)	(99)	(40)	(30)	-	-	(1,690)
Write Offs	-	-	-	(625)	-	-	-	-	-	(625)
Exchange differences	109	-	54	71	128	32	(1)	-	-	393
At 31 December 2018	12,330	(0)	9,286	40,075	16,748	8,821	182	-	-	87,443
Net book amount at 31 December 2018	**37,628**	**21,294**	**3,752**	**10,657**	**9,136**	**1,957**	**71**	**7,023**	**-**	**91,515**
Cost										
At 1 January 2019	49,958	21,294	13,038	50,731	25,884	10,778	253	7,023	-	178,957
IFRS 16 Transition Impact	-	-	-	-	-	-	-		18,502	18,502
Additions	767	-	3,028	3,912	3,853	370	82	7,993	496	20,502
Reclassifications	(720)	860	42	2,735	2,444	11	-	(5,328)	-	45
Disposals	(271)	-	(1,917)	(783)	(64)	(73)	-	(10)	-	(3,119)
Transfers	13	-	14	1	220	5	-	(478)	-	(225)
Exchange difference	(143)	(9)	(80)	(135)	(144)	(21)	45	(13)	-	(501)
At 31 December 2019	49,604	22,144	14,125	56,461	32,193	11,069	380	9,187	18,998	214,161
Accumulated depreciation										
At 1 January 2019	12,330	(0)	9,286	40,075	16,748	8,821	182	-	-	87,443
Charge for the year	1,188	-	2,003	4,727	5,158	743	51	-	2,958	16,828
Reclassifications	(15)	-	48	(1)	1	12	-	-	-	45
Disposals	(198)	-	(1,670)	(749)	(58)	(69)	-	-	-	(2,744)
Exchange differences	(80)	-	(45)	(52)	(144)	(49)	20	-	-	(349)
At 31 December 2019	13,225	(0)	9,622	44,001	21,705	9,458	253	-	2,958	101,223
Net book amount at 31 December 2019	**36,378**	**22,145**	**4,503**	**12,461**	**10,488**	**1,610**	**127**	**9,187**	**16,040**	**112,939**

* Work in progress refers to capital expenditures incurred on items of property and equipment which are however not ready for use and as such are not being depreciated.

No capitalised borrowing cost relates to the acquisition of property, plant and equipment during the year.

Exchange Difference on Property and Equipment
These exchange difference on property and equipment occurs as a result of translation of balances relating to the foreign entities of the group as at reporting date.

Right of Use Asset
See note 32b for additional disclosure on right of use assets

32 Property and equipment
COMPANY

	Improvement & buildings N million	Motor vehicles N million	Machinery N million	Office equipment N million	Computer equipment N million	Furniture & fittings N million	Right of Use Asset N million	Total N million
Cost								
At 1 January 2018	615	475	42	448	12	419	-	2,011
Additions	-	97	-	2	6	-	-	105
Disposal	-	(39)		-	-	-	-	(39)
At 31 December 2018	615	533	42	450	18	419	-	2,077
Accumulated depreciation								
At 1 January 2018	430	218	34	316	6	327	-	1,330
Charge for the year	123	108	5	87	4	70	-	397
Disposal	-	(32)		-	(0)	-	-	(32)
At 31 December 2018	553	294	39	403	10	397	-	1,695
Net book amount at 31 December 2018	**62**	**239**	**3**	**47**	**8**	**22**	**-**	**382**
Cost								
At 1 January 2019	615	533	42	450	18	419	-	2,077
IFRS 16 Transition Impact	-	-	-	-	-	-	206	206
Additions	-	212	-	1	3	4	-	221
Disposal	-	(63)		-	-	-		(63)
At 31 December 2019	615	682	42	451	21	423	206	2,441
Accumulated depreciation								
At 1 January 2019	553	294	39	403	10	397	-	1,695
Charge for the year	61	113	2	44	4	21	72	319
Disposal	-	(63)	-	-	-	-		(63)
At 31 December 2019	614	344	41	446	14	418	72	1,951
Net book amount at 31 December 2019	**1**	**338**	**1**	**4**	**8**	**4**	**134**	**490**

Right of Use Asset
See note 32b for additional disclosure on right of use assets

32 b) Leases

This note provides information for leases where the Group is a lessee.

Right-of-use assets	GROUP			COMPANY	
	Buildings N'million	**Land N'million**	**Total N'million**	**Buildings N'million**	**Total N'million**
Impact of adoption of IFRS 16	18,250	252	18,502	206	206
Additions for the year	496	-	496	-	-
Closing balance as at 31 December 2019	18,746	252	18,998	206	206
Depreciation					
Impact of adoption of IFRS 16	-	-	-	-	-
Charge for the year	2,907	51	2,958	72	72
Closing balance as at 31 December 2019	2,907	51	2,958	72	72
Net book value as at 31 December 2019	15,839	201	16,040	134	134

Lease liabilities

	GROUP N'million	**COMPANY N'million**
Impact of adoption of IFRS 16	13,894	123
Additions	213	-
Interest expense	718	14
Payments made during the year	(2,812)	-
Closing balance as at 31 December 2019	12,013	137
Current lease liabilities	2,661	
Non-current lease liabilities	9,352	
	12,013	-

Amounts recognised in the statement of profit or loss

	GROUP N'million	**COMPANY N'million**
Depreciation charge of right-of-use assets	2,958	72
Interest expense	718	14

Liquidity risk (maturity analysis of lease liabilities)
GROUP

	0-30 days	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	240	830	531	1,459	3,474	5,712	12,246

COMPANY

	0-30 days	**31-90 days**	**91-180 days**	**181-365 days**	**Over 1 year but less than 5 years**	**Over 5 years**	**Total**
Lease liability	29	-	57	-	51	-	137

** There are no further potential cashflows to which the groupis exposed from the exercise of termination and extension options as these have been considered in the measurement of the lease.

33 Intangible assets

	GROUP				
	Goodwill	Core Deposits	Computer Software	Work in Progress	Total
Cost					
At 1 January 2018	6,648	954	21,199	3,037	31,838
Additions	-	-	6,527	1,348	7,875
Reclassification	-	-	(5)	(2,649)	(2,654)
Write off	-	-	(159)	-	(159)
Disposals	-	-	(100)	-	(100)
Exchange difference	(15)	14	161	-	161
At 31 December 2018	**6,633**	**969**	**27,622**	**1,736**	**36,960**
Additions	-	-	6,112	2,189	8,300
Reclassification	-	-	641	(898)	(257)
Write off	-	(969)	(25)	-	(994)
Transfers	-		236	(246)	(10)
Exchange difference	(405)	-	70	-	(335)
At 31 December 2019	**6,228**	**(0)**	**34,657**	**2,780**	**43,665**
Amortisation and impairment					
At 1 January 2018	1,925	781	12,921	-	15,627
Amortisation charge	-	176	5,160	-	5,336
Write off	-	-	(159)	-	(159)
Other changes	-	-	(100)	-	(100)
Exchange difference	-	11	111	-	122
At 31 December 2018	**1,925**	**968**	**17,933**	**-**	**20,826**
Amortisation charge	-	-	6,197	-	6,197
Write off	-	(968)	-	-	(968)
Disposal	-	-	(1,389)	-	(1,389)
Exchange difference	-	-	38	-	38
At 31 December 2019	**1,925**	**-**	**22,779**	**-**	**24,704**
Net book value					
At 31 December 2019	4,303	-	11,878	2,780	18,961
At 31 December 2018	4,708	1	9,688	1,736	16,134

Customer deposits 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 straight line method over 5 years.

The amortisation charge for the year is included in the income statement.

The software is not internally generated.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognized as a cash generating unit (CGU) and segmented as part of the Commercial Banking Business (N4.04 billion) and Insurance Business Groups (N262 million), see analysis by segment below.
Each CGU to which goodwill is allocated for impairment testing purposes reflects the lowest level at which goodwill is monitored for internal management purposes.The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairment of Assets.

Goodwill is reviewed annually for impairment, or more fequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the recoverable amount, which is the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the cash-generating unit to which the goodwill relates or the CGU's fair value if this is higher.

There was no impairment identified in the year ended 31 December, 2019.

The recoverable amount of each CGU 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 cash flow projections for each CGU are based on forecasts approved by senior management. The nominal growth rate reflects GDP and inflation for the countries within which the CGU operates or derives revenue from. The rates are based on IMF forecast growth rates as they represent an objective estimate of likely future trends.

The discount rate used to discount the cash flows is based on the cost of capital assigned to each CGU, which is derived using a Capital Asset Pricing Model (CAPM). The CAPM depends on inputs reflecting a number of financial and economic variables including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market’s assessment of the economic variables and management’s judgement. The discount rates for each CGU are refined to reflect the rates of inflation for the countries within which the CGU operates.

33 Intangible assets continued

Impairment testing on cash generating units containing goodwill

Analysis of Goodwill balances	**31 December 2019 N'million**	**31 December 2018 N'million**
Commercial banking group segment		
FBNBank Ghana	2,943	3,325
FBNBank DRC	552	552
FBNBank Sierra-Leone	324	351
FBNBank Guinea	222	218
	4,041	4,446
Insurance group segment		
FBN General Insurance	262	262
	4,303	4,708

The cash generating unit (CGUs) with material goodwill balances relates to FBN Bank DRC and FBN Bank Ghana and the key assumptions used in the value-in-use calculation are as follows:

	2019		**2018**	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Terminal growth rate: %	4.27%	5.33%	4.68%	5.33%
Discount rate: %	33%	33%	28.00%	27.00%
Deposit growth rate: %	4%	17%	6.00%	12.00%
Recoverable amount of the CGU: (N' million)	15,783	39,067	14,268	40,063

The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a factor covering the systematic market risk (beta factor). The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources of information.

Terminal growth rates reflect the expected long-term gross domestic product growth and inflation for the countries within which the CGU operates. Cash flows in the terminal period reflect net earnings (dividend) in the preceding year growing at a constant rate.

Management determined deposits to be the key value driver in each of the entities. Deposits are considered by Management as the most important source of funds for the banks' subsidiaries to finance their assets. Deposit growth rate was determined using historical trend of deposit growth in the last 5 years.

Sensitivity analysis was performed by flexing two key inputs (WACC and Terminal Growth Rate) in the DCF valuation models.

For the two material CGUs, FBNBank Ghana and FBNBank Congo, if the weighted average cost of capital (WACC) rate had been higher by 0.5%, the recoverable amount (VIU) would have been higher than the carrying amount by N4.21bn and N2.11bn respectively, while if it had been lower by 0.5% the recoverable amount (VIU) would have been higher than the carrying amount by N4.74bn and N2.30bn respectively.

If the terminal growth rate had been higher by 0.5% the recoverable amount would have been higher than the carrying amount by N4.50bn and N2.21bn respectively, while if lower by 0.5% the recoverable amount would have been higher by N4.45bn and N2.21bn rexpectively.

For the above scenarios, at no point was the recoverable amount (VIU) lower than the carrying amount to result in impairment of Goodwill.

Goodwill Sensitivity Analysis

FBNBank DRC	**% Change**	**Recoverable amount**	**Excess of recoverable amount over carrying amount**
Terminal growth rate:	+0.5%	15,788	2,214
	-0.5%	15,779	2,205
WACC	+0.5%	15,693	2,119
	-0.5%	15,874	2,300
FBNBank Ghana			
Terminal growth rate:	+0.5%	39,089	4,497
	-0.5%	39,044	4,452
WACC	+0.5%	38,803	4,211
	-0.5%	39,334	4,742

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the respective CGUs to exceed their recoverable amounts.

	2019		2018	
	FBN Bank DRC	FBN Bank Ghana	FBN Bank DRC	FBN Bank Ghana
Goodwill (N' million)	552	2,943	552	3,325
Net Asset (N' million)	13,022	31,649	10,766	33,256
Total carrying amount (N' million)	13,574	34,592	11,318	36,581
Excess of recoverable amount over carrying amount	2,209	4,475	2,950	3,482

34 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% (2018: 30%).

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred tax assets		
Property and equipment	67	(79)
Allowance for loan losses	5,604	5,902
Tax losses carried forward	18,716	24,305
Other assets	271	525
Other liabilities	277	115
Defined benefit obligation	488	488
Effect of changes in exchange rate	(415)	(5,698)
	25,009	25,558
Deferred tax liabilities		
Property and equipment	211	227
Other assets	39	39
	250	266
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	24,776	25,324
- Deferred tax asset to be recovered within 12 months	234	234
	25,009	25,558
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	226	(88)
- Deferred tax liability to be recovered within 12 months	23	354
	250	266

Group	**1 Jan 2019 N 'million**	**Recognised in P&L N 'million**	**Recognised in Equity N 'million**	**Recognised in OCI N 'million**	**31 Dec 2019 N 'million**
Movements in Deferred tax assets during the year:					
Property and equipment	(79)	147	-	-	67
Allowance for loan losses	5,902	(298)	0	-	5,604
Tax losses carried forward	24,305	(5,589)	-	-	18,716
Other assets	525	(253)	-	-	271
Other liabilities	115	162	-	-	277
Defined benefit obligation	488	-	-	-	488
Effect of changes in exchange rate	(5,698)	5,283	-	-	(415)
	25,558	(548)	-	-	25,009

Group	**1 Jan 2018 N 'million**	**Recognised in P&L N 'million**	**Recognised in Equity N 'million**	**Recognised in OCI N 'million**	**31 Dec 2018 N 'million**
Movements in Deferred tax assets during the year:					
Property and equipment	(4,564)	4,485	-	-	(79)
Allowance for loan losses	7,398	(4,238)	2,742	-	5,902
Tax losses carried forward	16,272	8,033	-	-	24,305
Other assets	568	(44)	-	-	525
Other liabilities	70	45	-	-	115
Defined benefit obligation	2,476	(54)	-	(1,934)	488
Effect of changes in exchange rate	(3,666)	(2,329)	297	-	(5,698)
	18,554	5,897	3,039	(1,934)	25,558

	1 Jan 2019 N 'million	Recognised in P&L N 'million	31 Dec 2019 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	227	(16)	211
Other assets	39	-	39
	266	(16)	250

	1 Jan 2018 N 'million	Recognised in P&L N 'million	31 Dec 2018 N 'million
Movements in Deferred tax liabilities during the year:			
Property and equipment	459	(232)	227
Other assets	147	(108)	39
	606	(340)	266

Deferred 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. The Group and Company did not recognise deferred income tax assets of N59.96 billion (2018: N52.1 billion).

Temporary difference relating to the Group's investment in subsidiaries is N109.5 billion (2018: N91.1 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.

The group has assessed that based on the group's profit forecast, it is probable that there will be future taxable profits against which the tax losses, from which deferred tax asset has been recognised, can be utilised.

35 Deposits from banks

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Due to banks within Nigeria	604,950	620,294
Due to banks outside Nigeria	255,536	129,021
	860,486	749,315
Current	676,921	676,921
Non-current	183,565	72,394
	860,486	749,315

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

36 Deposits from customers

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Current	1,047,534	915,299
Savings	1,316,132	1,175,321
Term	895,647	801,419
Domiciliary	748,751	583,549
Electronic purse	11,772	11,104
	4,019,836	3,486,691
Current	3,339,725	3,171,084
Non-current	680,111	315,607
	4,019,836	3,486,691

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

37 Other liabilities	GROUP		COMPANY	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	N 'million	N 'million	N 'million	N 'million
Financial liabilities:				
Customer deposits for letters of credit	126,469	196,595	-	-
Accounts payable	60,788	77,018	-	-
Lease liability	12,013	-	137	-
Creditors	13,343	18,839	250	119
Bank cheques	20,270	14,975	-	-
Collection on behalf of third parties	18,690	26,465	-	-
Unclaimed dividend	8,093	7,056	8,093	7,056
Accruals	6,662	5,679	841	859
	266,328	346,627	9,321	8,034
Non financial liabilities:				
Allowance for credit losses on off-balance sheet items	4,820	3,084	-	-
Provisions for litigations	2,817	2,817	-	-
Other credit balance	23,175	23,114	-	-
	30,812	29,015	-	-
Other liabilities balance	297,140	375,642	9,321	8,034
Other Credit balances include transactional taxes and unearned income.				
Current	287,398	355,189	9,321	8,034
Non-current	9,742	20,453	-	-
	297,140	375,642	9,321	8,034

The unclaimed dividend balance represents the aggregate amounts of dividends that remained unclaimed after 15months or more which the Registrars returned to FBN Holdings in line with current regulations. In 2019, an additional sum of N1.037billion was returned to FBN Holdings by the Registrars.

The provision for litigations is recognised in income statement within 'other operating expenses'. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2019. The expected timing of the cashflows arising from the legal claim provision is within 1 year.

Provisions	GROUP	
	31 December 2019	31 December 2018
Opening balance at 1 January	2,817	409
Additional provisions	-	2,408
Closing balance at 31 December	2,817	2,817
Analysis of total provisions:		
Current	410	409
Non Current	2,407	2,408
	2,817	2,817

38 Liability on investment contracts

The Liability on investment contracts comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	GROUP	
	31 December 2019	31 December 2018
	N 'million	N 'million
Balance at beginning of period	19,766	13,399
Additions during the period	16,583	13,780
Withdrawals during the period	(12,758)	(8,280)
Guaranteed interest	1,085	867
Balance at end of period	24,676	19,766
Current		-
Non-current	24,676	19,766
	24,676	19,766

39 Liability on insurance contracts

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
Outstanding claims	2,435	2,063
Unearned premium	2,258	1,470
Short term insurance contract - Claims incurred but not reported (IBNR)	3,666	1,729
Liability on annuity fund	25,227	13,486
Liability on long term insurance contract - Life fund	30,162	15,444
	63,748	34,192
Current	8,359	5,263
Non-current	55,389	28,929
	63,748	34,192

Reconciliation of changes in liability on insurance contracts

2019	Outstandin g claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2019	2,063	1,470	1,729	13,486	15,444	34,192
Claims incurred	10,287	-	-	-	-	10,287
Claims paid	(9,915)	-	-	-	-	(9,915)
Change in the year	-	788	1,936	11,741	14,719	29,184
As at 31 December 2019	2,435	2,258	3,665	25,227	30,163	63,748

2018	Outstandin g claims N'million	Unearned premium N'million	IBNR claims on short term insurance N'million	Annuity fund N'million	Life fund N'million	Total N'million
At 1 January 2018	1,288	1,242	1,970	7,432	9,802	21,735
Claims incurred	6,576	-	-	-	-	6,576
Claims paid	(5,801)	-	-	-	-	(5,801)
Change in the year	-	228	- 241	6,054	5,641	11,682
As at 31 December 2018	2,063	1,470	1,729	13,486	15,443	34,192

40 Borrowings

	GROUP 31 December 2019 N 'million	GROUP 31 December 2018 N 'million
Long term borrowing comprise:		
FBN EuroBond (i)	-	165,907
Subordinated Debt (ii)	71,023	-
Proparco (iii)	16,553	19,875
Due to Africa Development Bank (iv)	55,705	72,948
On-lending facilities from financial institutions (v)	83,001	61,993
Borrowing from correspondence banks (vi)	24,314	17,491
	250,596	338,214
Current	94,268	41,116
Non-current	156,328	297,098
	250,596	338,214
At start of the year	338,214	420,919
Proceeds of new borrowings	129,653	41,706
Finance cost	15,552	28,499
Foreign exchange losses	2,608	27,765
Repayment of borrowings	(220,514)	(148,749)
Interest paid	(14,917)	(31,926)
At end of year	250,596	338,214

(i) 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 7 years. The notes I bore interest at 8.25% per annum up to the bank call date of 7 August 2018,while notes II bore interest at 8.00% per annum up 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 2 years. The loans were redeemed, 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.

(ii) Surbodinated debt:

The amount of N71.02 billion (US $194.5 million) relates to subordinated debt of $194.5 million. Interest is payable at the rate of 9% (Fixed) per annum. The tenor of the debt is for a period of 5 years to mature in December 2024. Interest on the Subordinated debt is payable semiannually.

(iii) Due to Proparco:

Facility represents the outstanding balance of the credit facility of US $65 million granted by Promotion et Participation pour la Coopération économique (PROPARCO) in February 2016. The facility is priced at 5.78% (Fixed) per annum and will mature in May 2024. Interest on this facility is payable semi-annually and there is 2 year moratorium on principal repayment.

(iv) Due to Africa Development Bank:

Facility represents the outstanding balance of the credit facility of US200 million granted by African Development Bank (AfDB) in January 2017. Interest is payable half-yearly at the rate of LIBOR + 3.5% per annum and will mature December 2020. This borrowing facility is for US $300 million however, US $100 million was undrawn as at end of December 2019.

(v) On-lending Facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by First Bank of Nigeria Limited for specific customers. These facilities include the BOI funds and CACS intervention funds. See further notes below.

a. CBN/BOI facilities

The Central Bank of Nigeria (CBN), in a bid to unlock the credit market, approved the investment of N200 billion debenture stock to be issued by the Bank of Industry (BOI), which would be applied to the re-financing/restructuring of bank's loans to the manufacturing sector. During the year, there was additional disbursement of N256million (2018: Nil) to First Bank of Nigeria Limited.

b. CBN/CACS Intervention funds

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Scheme (CACS). During the year, additional disbursement to First Bank Nigeria Limited was N30.3 billion (2018: N19.6 billion). Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

(vi) Borrowings from correspondence banks:

Borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits for international trade.

(vii) 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 which would have a material adverse effect on the Bank's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

During the period, there were no defaults on principal, interests or redemption terms of loan payable.

41 Retirement benefit obligations

	GROUP	
	31 December 2019	**31 December 2018**
	N 'million	**N 'million**
Defined Contribution Plan	-	-
Defined Benefits Plan		
Gratuity Scheme (i)	-	(1)
Defined Benefits - Pension (ii)	2,413	997
Gratuity Scheme (iii)	939	944
	3,352	1,940

Plan liabilities are based upon independent actuarial valuation performed by Ernst & Young using the projected unit credit basis. This valuation was carried out as at 31 December 2019 and 31 December 2018.

41 Retirement benefit obligations continued

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 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. The directors of the company however decided to discontinue the defined benefit scheme effective 31 December 2016. The gratuity balances of members were transferred to member's bank accounts during the year.

Defined benefit - Pension (ii)

First Bank of Nigeria Limited 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 Pensions Custodian Nigeria Limited (FPCNL), a direct subsidiary of First Bank of Nigeria Limited, has a non-contributory defined gratuity scheme for directors. Directors are paid a sum based on an approved scale and the number of years of service subject to a maximum of 9 years. In 2019, the plan assets exceeded the defined benefit obligation by N3.9 million resulting in a net defined benefit asset.

The movement in the defined benefit pension (ii) over the year is as follows:

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2018	9,065	(7,608)	1,457
Interest expense/(income)	1,168	(1,068)	100
Service cost	(5)	-	(5)
Remeasurement:			-
- Return on plan asset not included in net interest cost on pension scheme	-	(264)	(264)
Net actuarial gain or loss	(292)	-	(292)
Contributions:			
- Employer	-	-	-
Payments:			-
- Benefit payment	(1,365)	1,365	-
Defined benefit pension obligations at 31 December 2018	**8,571**	**(7,575)**	**997**
Interest expense/(income)	1,192	(1,139)	53
Service cost	13	-	13
Past service cost	915	-	915
Acturial (Gains)/Losses due to change in:			
- Financial Assumptions	819	48	867
- Experience Adjustment	(409)	-	(409)
Payments:			
- Benefit payment	(1,533)	1,533	-
Defined benefit pension obligations at 31 December 2019	**9,568**	**(7,133)**	**2,437**

The actual return on plan assets was N1.09 billion (2018: N1.33 billion)

	GROUP					
Composition of Plan assets		**2019**			**2018**	
	N 'million Quoted	**N 'million Unquoted**	**N 'million Total**	**N 'million Quoted**	**N 'million Unquoted**	**N 'million Total**
Equity Instruments			594			844
Banking	537	-		668	-	
Oil Service		-			-	
Real Estate		-		7	-	
Manufacturing	57	-		169	-	
Debt Instruments			6,510			6,543
Government	5,249	-		5,134	-	
Corporate Bond	699	-		790	22	
Money market investments	-	562		-	597	
Money on call	-	29	29	-	187	187
Others	-	-	-	-	-	-
Total	**6,542**	**591**	**7,133**	**6,768**	**806**	**7,574**

The fair value of plan assets is calculated with reference to quoted prices and are within level 1 and 2 of the fair value hierachy

Gratuity scheme (iii)

This relates to the schemes operated by the subsidiaries of First Bank of Nigeria Limited as follows:

FBN Bank Congo (DRC) has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank. FBN Bank Guinea and FBN Bank Sierra Leone each have a graduated gratuity scheme for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent.

41 Retirement benefit obligations continued

The movement in the defined benefit Gratuity Scheme (iii) over the year is as follows:

	GROUP		
	Present value of the obligation N 'million	**Fair value of plan assets N 'million**	**Net N 'million**
Defined benefit pension obligations at 1 January 2018	784	(20)	764
Foreign exchange difference	60		60
Interest expense/(income)	88		88
Service cost	113		113
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme		(4)	(4)
Net actuarial gain or loss	(5)	(10)	(15)
Contributions:			
- Employer	-	(61)	(61)
Payments:			
- Benefit payment	(67)	67	-
Defined benefit pension obligations at 31 December 2018	**973**	**(28)**	**944**
Foreign exchange difference	15	6	21
Interest expense/(income)	86	- 5.00	81
Service cost	126		126
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(4)	(4)
Net actuarial gain or loss	116	0	116
Contributions:			
- Employer	0	(353)	(353)
Payments:			
- Benefit payment	(355)	355	-
Defined benefit pension obligations at 31 December 2019	**961**	**(29)**	**930**

Arising from the defined benefit pension plan, the group is exposed to a number of risk, 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 asset such that changes in the value of the assets closely match the movement in the fund's liabilities. There remains the residual risk that the selected portfolio does not match the liabilities closely enough or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimize these risks.

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 plans' 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.

Inflation Risk: The plan benefit obligations are linked to inflation, and higher inflation lead to higher liabilities. However, majority of the plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life Expectancy : The majority of the plans' 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 6.09 years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment 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. There is no regulatory framework guiding the operation of the plan assets.

	31 Dec 2019 N 'million	**31 Dec 2018 N 'million**
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	14%	16%
Inflation rate	12%	12%
Life expectancy	20yrs	19yrs

41 Retirement benefit obligations continued

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in table below:

	Assumption	Defined Benefit Obligation N'm	Impact on Liability
	14%	9,564	0.0%
Discount rate	15%	9,135	-4.5%
	13%	10,038	5.0%
	12%	9,564	0.0%
Inflation rate	13%	9,564	0.0%
	11%	9,564	0.0%
	Base	9,564	0.0%
Mortality experience	Improved by 1 year	9,720	1.6%
	Decreased by 1 year	9,403	-1.7%

The above sensitivity analyses is for First Bank of Nigeria Limited 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.

The below table shows the maturity profile of the defined obligation.

Maturity Profile on Defined Benefit Obligation

Years	Amount (N'000
2018	1,512,483
2019	1,466,743
2020	1,422,132
2021	1,376,007
2022	1,329,593
2023 - 2027	5,908,888

	GROUP	
Defined benefit cost, charged to income statement (refer note 17)	**31 Dec 2019 N 'million**	**31 Dec 2018 N 'million**
Gratuity Scheme (i)	-	61
Defined Benefits - Pension (ii)	66	94
	66	155
Defined benefit cost, charged to other comprehensive income		
Gratuity Scheme (i)	-	0
Defined Benefits - Pension (ii)	458	(556)
Gratuity Scheme (iii)	(29)	(41)
	429	(597)

The information of the professional engaged by the entities within the Group for valuation of their respective Retirement Benefit Obligations are as follows:

Entity:	FBN Limited
Name of the professional:	O. O. Okpaise
Name of the professional firm/ entity:	Ernst & Young
FRC registration number of the professional:	FRC/2012/NAS/00000000738
FRC registration number of the professional firm/ entity:	

42 Share capital

Authorised	31 December 2019	31 December 2018
50 billion ordinary shares of 50k each (2018: 50 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	Number of shares In millions	Ordinary shares N 'million
At 31 December 2018	35,895	17,948
At 31 December 2019	35,895	17,948

43 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

Fair value reserve: The 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.

Small Scale Investment reserve: This reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity 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 guideline (as prescribed by the Central Bank of Nigeria) is recorded in this reserve. This reserve is non distributable.

Foreign currency translation reserve (FCTR): Records exchange movements on the Group's net investment in foreign subsidiaries.

44 Reconciliation of profit before tax to cash generated from operations

	GROUP		COMPANY	
	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Profit before tax from continuing operations	83,508	65,265	13,874	9,440
Profit before tax from discontinued operations	(147)	(77)	-	-
Profit before tax including discontinued operations	83,361	65,188	13,874	9,440
Adjustments for:				
– Depreciation and amortisation	23,025	17,618	319	397
– Profit from disposal of property and equipment	(75)	(23)	0	(1)
– Profit from disposal of investment properties	(273)	-	-	-
– Foreign exchange gains	1,170	(19,114)	(6)	(52)
– (Profit)/ loss from investment securities	(17,167)	(5,505)	(8)	21
– Net (gains)/losses from financial assets at fair value through profit or loss	(22,412)	5,713	371	(575)
– Fair value gain/(loss) on investment properties	-	(20)	-	-
– Impairment on loans and advances	58,646	85,870	-	-
– Change in provision in other assets	1,114	11,681	-	-
– Change in provision for impairment of investments	580	(1,096)	-	-
– Change in retirement benefit obligations	981	157	-	-
– Share of profit from associates	87	23	-	-
– Dividend income	(4,370)	(2,312)	(16,580)	(10,840)
– Interest income	(442,556)	(434,410)	(2,173)	(2,163)
– Interest expense	152,342	150,242	14	-
(Increase)/decrease in operating assets:				
– Cash and balances with the Central Bank (restricted cash)	(319,017)	(67,236)	-	-
– Loans and advances to banks	(5,454)	(56,919)	-	-
– Loans and advances to customers	(295,087)	126,159	16	8
– Financial assets at fair value through profit or loss	(139,125)	(14,074)	-	-
– Other assets	(99,549)	10,007	(237)	(306)
– Pledged assets	(157,492)	(78,600)	-	-
– Assets held for sale	34	(24)	-	-
Increase/(decrease) in operating liabilities:				
– Deposits from banks	79,822	64,585	-	-
– Deposits from customers	509,152	278,973	-	-
– Liability on investment contracts	4,910	6,368	-	-
– Liability on insurance contracts	29,556	12,457	-	-
– Liability held for sale	0	(96)	-	-
– Other liabilities	(103,919)	77,952	1,080	482
Cash flow (used in)/generated from operations	(661,715)	233,563	(3,330)	(3,590)

45 Commitments and Contingencies

45.1 Capital commitments

At the balance sheet date, the Company had nil capital commitments (2018: Nil) in respect of authorized and contracted capital projects.

	GROUP	
	31 December 2019 N 'million	31 December 2018 N 'million
Authorised and contracted		
Property and Equipment	713	621
Intangible Assets	4,218	6,068
	4,931	6,689

45.2 Operating lease rentals

The group leases various offices which have varying terms, escalation clauses and renewal rights. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases. See note 32 (b) for further information.

	GROUP	
	31 December 2019	31 December 2018
	N 'million	N 'million
Within one year	-	695
Between two and five years	-	2,724
More than five years	-	4,725
	-	8,144

45.3 Legal proceedings

The Group is a party to a number of legal actions arising out of its normal business operations

The directors having sought the advice of the professional legal counsel are of the opinion that no significant liability will crystalise from these cases beyond the provision made in the financial statements

	GROUP	
	31 December 2019	31 December 2018
	N 'millions	N 'millions
At start of the year	376	-
Provisions	-	376
At end of year	376	376

45.4 Other contingent commitments

In the normal course of business the group is a party to financial instruments which 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 December 2019	31 December 2018
	N 'million	N 'million
Performance bonds and guarantees	441,774	355,435
Letters of credit	419,328	486,754
	861,103	842,189

45.5 Loan Commitments

	GROUP	
	31 December 2019	31 December 2018
	N 'million	N 'million
Undrawn irrevocable loan commitments	81,131	42,902
	81,131	42,902

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

The group cannot separately identify the expected credit loss on the undrawn commitment. Thus, the expected credit loss on the undrawn commitments have been recognised together with the loss allowance for the loan. See Note 23 on expected credit loss on Loans and advances to customers.

46 Offsetting Financial Assets and Financial Liabilities

The information shown below relates to First Bank of Nigeria Limited and FBN Insurance Limited, 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:

GROUP

31 December 2019	Gross amount before offsetting in the statement of financial position (a) N'million	Gross amounts set off in the statement of financial position (b) N'million	Net amounts after offsetting in the statement of financial position (c) = (a) - (b) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) N'million	Cash collaterals received (e) N'million	Net amounts of exposure (f) = (c)-(d)-(e) N'million
ASSETS						
Financial assets at fair value through profit or loss	24,621	-	24,621	-	11,492	13,129
Reinsurance receivables	3,081	-	3,081	34	-	3,047
Total Assets subject to offsetting, master netting and similar arrangements	27,702	-	27,702	34	11,492	16,176
LIABILITIES						
Financial derivatives	(5,571)	-	(5,571)	-	(1,873)	(3,698)
Trade payables	(34)	-	(34)	(34)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(5,605)	-	(5,605)	(34)	(1,873)	(3,698)

GROUP

31 December 2018	Gross amount before offsetting in the statement of financial position (a) N'million	Gross amounts set off in the statement of financial position (b) N'million	Net amounts after offsetting in the statement of financial position (c) = (a) - (b) N'million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d) N'million	Cash collaterals received (e) N'million	Net amounts of exposure (f) = (c)-(d)-(e) N'million
ASSETS						
Financial assets at fair value through profit or loss	24,261	-	24,261	-	11,492	12,769
Reinsurance receivables	2,703	-	2,703	167	-	2,536
Total Assets subject to offsetting, master netting and similar arrangements	26,964	-	26,964	167	11,492	15,305
LIABILITIES						
Financial derivatives	(15,275)	-	(15,275)	-	(1,873)	(13,402)
Trade payables	(167)	-	(167)	(167)	-	-
Total Liabilities subject to offsetting, master netting and similar arrangements	(15,442)	-	(15,442)	(167)	(1,873)	(13,402)

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting 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. The Group received and provided margin deposits as collateral for outstanding derivative positions. The Group or the counterparty may set off the Group's asset or 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 events 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.

47 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 non-operating financial holding company licensed by the Central Bank of Nigeria. (See note 30 for the list of all subsidiaries of the Group).

A number of transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

47.1 Transactions with related parties

Name of entity	Nature of relationship	Nature of transactions	31 December 2019 N 'million	31 December 2018 N 'million
First Bank of Nigeria Limited	Subsidiary	Placement	74	11,489
First Bank of Nigeria Limited	Subsidiary	Current account balance	3,791	74
First Bank of Nigeria Limited	Subsidiary	Bank charges	7	4
First Bank of Nigeria Limited	Subsidiary	Interest Income	174	145
FBNQuest Merchant Bank Limited	Subsidiary	Current account balance	2	-
FBNQuest Merchant Bank Limited	Subsidiary	Placement	545	3,041
FBNQuest Merchant Bank Limited	Subsidiary	Interest Income	311	735
FBNQuest Capital Limited	Subsidiary	Receivable	1,512	-
FBNQuest Trustees Limited	Subsidiary	Receivable	1,369	-
FBN Insurance Limited	Subsidiary	Premium	44	59

Placements with related parties have maturities ranging from 30 days to 90 days and interest rates from 2.5% to 5.5%. Current account balances are balances in transactional operating accounts with related parties as at December 31, 2019.

47.2 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 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Salaries and other short-term employee benefits	1,699	1,613	374	376
Post-employment benefits	30	8	13	8
	1,729	1,621	387	384

47.3 Insider related credits

In compliance with the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits, the company had no insider related credits during the year. Insider related credits relating to the banking subsidiaries have been appropriately disclosed in the component financial statements.

48 Directors' emoluments

Remuneration paid to the directors was:

	31 December 2019 N 'million	31 December 2018 N 'million
Fees	414	464
Sitting allowances	18	18
Executive compensation	120	121
Other directors' costs and expenses	425	415
	977	1,017
Included in the fees above are amounts paid to:		
Chairman	64	64
Highest paid director	120	121

The number of directors who received fees and other emoluments in the following ranges was:

	Number	
	31 December 2019	31 December 2018
N3,000,001 and above	10	10
	10	10

49 Compliance with regulations

During the year, the entities within the group were penalised by their respective regulators as follows:

(a) First Bank of Nigeria Limited

- The bank paid a penalty of N27.12 million for delay in disbursement of CACS funds to customer
- The bank paid a penalty of N1 million for failure to adhere to compliant resolution service level agreement at its Kaduna South branch.
- The bank paid a penalty of N1 million for failure to adhere to compliant resolution service level agreement at its Bauchi branch.
- A penalty of N2 million was paid arising from AML/CFT examination report of April 1, 2017 to March 31, 2018.
- A penalty of N2 million was paid by the Bank for exceeding the regulatory limit on Insider related credits as captured in the December 31, 2017 RAAE report
- The bank paid a penalty of N2 million or failure to allow CBN Access Customer Account Information via CISS
- The bank paid a penalty of N2 million for failure to resolve Customer complaint within Regulatory timeline - Arhdmor Nig. Ltd
- The bank paid a penalty of N2 million for failure to address External Auditors recommendation in 2017 Financials

49 Compliance with regulations continued

(b) FBNQuest Merchant Bank Limited

- N2 million to CBN for breach of Net Open Position
- N16 million to CBN for breach of CBN AML/CFT (Administrative Sanctions) Regulations 2018

(c) FBN Insurance Limited

- N5 million to Financial Reporting Council (FRC) for contraventions of certain sections of FRC Act

50 Events after statement of financial position date

The new Finance Act was signed into law on January 2020 and this was the basis upon which the Company's tax was calculated.

Towards the end of 2019, there was an outbreak of the novel coronavirus disease codenamed COVID19 which has spread globally. The outbreak has been declared a global Pandemic i.e. Public Health Emergency of International concern by World Health Organization (WHO) in March 2020. As at the date of this report, the Nigerian Centre for Disease Control (NCDC) has confirmed some covid-19 cases in some States in Nigeria.

The disease has caused a significant reduction in social interaction, disruption in economic activities while some public facilities have been shut down in a bid to contain the spread of the virus.

The Directors have considered the potential implications of this outbreak on the Group's activities and operations and are taking measures to ensure that the Group’s ability to continue to operate is not affected significantly. The various measures instituted by the government to contain the pandemic have not curtailed the Group’s ability to continue to operate and serve its customers. The Directors are confident that the Group will continue to operate into the foreseeable future.

51 Dividends per share

A cash dividend of N9.33 billion at N0.25 per share (2018: N7.18 billion) that relates to the period to 31 December 2018 was paid in May 2019.

52 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 December 2019 N 'million	31 December 2018 N 'million	31 December 2019 N 'million	31 December 2018 N 'million
Profit from continuing operations attributable to owners of the parent (N'million)	70,065	57,769	13,862	9,275
Loss from discontinued operations attributable to owners of the parent (N'million)	(147)	(77)	0	0
Weighted average number of ordinary shares in issue (in million)	35,895	35,895	35,895	35,895
Basic/diluted earnings per share (expressed in Naira per share)				
- from continuing operations	1.95	1.61	0.39	0.26
- from discontinued operations	(0.00)	(0.00)	-	-
	1.95	1.61	0.39	0.26

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.

53 Restatement

The Group has restated its previously issued Consolidated Statements of Financial Position as at 31 December 2018 to correct for the following mistatements in prior year financial statements:

(a) Non recognition of Provision of N2.3bn which crystallised in 2018.
(b) Non application of EIR on net balance of a portfolio of stage 3 loans.
(c) Inclusion of credit insurance asset as part of the loans and advances balance.
(d) Error relating to the translation of items in Equity

(i) Impact of restatement on consolidated statement of financial position.

	Reference	**As at 31 December 2018 Previously reported N 'millions**	**Restatement adjustment N 'millions**	**As at 31 December 2018 Restated N 'millions**
ASSETS				
Loans and advances to customers	(b,c)	1,683,813	(13,337)	1,670,476
Other assets	(c)	112,362	13,930	126,292
LIABILITIES				
Other liabilities	(a)	373,345	2,297	375,642
EQUITY				
Retained earnings	(a,b,d)	4,373	(1,307)	3,066
Foreign currency translation reserve		48,995	(268)	48,727
NCI	(a,b,d)	12,418	(129)	12,289

(ii) Impact of restatement on consolidated income statement

		For the year ended 31 December 2018 Previously reported N 'millions	**Restatement adjustment N 'millions**	**For the year ended 31 December 2018 Restated N 'millions**
Interest Income	(b)	434,410	1,153	435,563
Impairment charge for losses	(b)	(86,911)	(554)	(87,465)
Foreign exchange income	(d)	32,636	282	32,918
Other operating expenses	(a)	(147,976)	(2,316)	(150,292)
NCI (Share of profit)	(a,b,d)	669	(129)	540

(iii) Impact of restatement on consolidated statement of changes in equity

	For the year ended 31 December 2018 Previously reported N 'millions	**Restatement adjustment N 'millions**	**For the year ended 31 December 2018 Restated N 'millions**
Retained earnings	4,373	(1,307)	3,066
Foreign currency translation reserve	48,995	(268)	48,727
Profit for the year (attributable to parent)	58,999	(1,307)	57,692

(iv) Impact on Cashflow
The restatement only affected cashflow from operating activities and the net impact is nil.

(v) Impact on Earnings Per Share

	For the year ended 31 December 2018 Previously reported N 'millions	**Restatement adjustment N 'millions**	**For the year ended 31 December 2018 Restated N 'millions**
Profit from continuing operations attributable to owners of the parent	59,076	(1,308)	57,769
Weighted average number of ordinary shares in issue (in million)	35,895		35,895
Basic/diluted earnings per share (expressed in Kobo per share):			
- From continuing operations	1.65	0.04	1.61

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
At 31 December 2019
Statement of Value Added - Group

	31 December 2019 N'million	**%**	31 December 2018 N'million	%
Gross income	**627,008**		587,406	
Interest and fee expense	**(177,618)**		(170,066)	
	449,390		**417,340**	
Administrative overheads	**(192,404)**		(155,086)	
Value added	**256,986**	**100**	**262,254**	100
Distribution				
Employees				
- Salaries and benefits	**99,380**	**39**	93,395	36
Government				
- Taxation	**9,783**	**4**	5,544	2
The future				
- Asset replacement (depreciation)	**16,828**	**7**	12,282	5
- Asset replacement (amortisation)	**6,197**	**2**	5,336	2
- Asset replacement (provision for losses)	**51,133**	**20**	87,465	33
- Expansion (transfers to reserves)	**73,665**	**29**	58,232	22
	256,986	**100**	**262,254**	100

OTHER NATIONAL DISCLOSURES
At 31 December 2019
Statement of Value Added - Company

	31 December 2019 N'million	**%**	31 December 2018 N'million	%
Gross income	**18,396**		13,649	
Interest and fee expense	**(14)**		-	
	18,382		**13,649**	
Administrative overheads	**(2,988)**		(2,908)	
Value added	**15,394**	**100**	**10,741**	100
Distribution				
Employees				
- Salaries and benefits	**1,201**	**8**	904	8
Government				
- Company income tax	**12**	**0**	98	1
The future				
- Asset replacement (depreciation)	**319**	**2**	397	4
- Asset replacement (amortisation)	**-**	**-**	-	-
- Asset replacement (provision for losses)	**-**	**-**	-	-
- Expansion (transfers to reserves)	**13,862**	**90**	9,342	87
	15,394	**100**	**10,741**	100

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	31 December 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million
Assets:					
Cash and balances with central bank	1,025,325	653,335	641,881	690,165	715,871
Loans and advances to banks	754,910	863,435	742,929	444,871	385,769
Loans and advances to customers	1,852,411	1,670,476	2,001,223	2,083,894	1,817,271
Financial assets at fair value through profit or loss	282,660	109,162	83,713	46,711	26,426
Investment securities	1,414,530	1,663,821	1,248,608	1,050,588	913,779
Assets pledged as collateral	464,922	309,051	208,925	197,420	105,646
Other assets	212,092	126,292	132,731	47,786	35,483
Inventory	-	-	-	-	49,649
Investment in associates	711	625	1,357	1,114	-
Investment properties	100	515	1,993	3,003	3,025
Property, plant and equipment	112,939	91,515	88,263	88,315	88,398
Intangible assets	18,961	16,134	16,211	15,328	9,687
Deferred tax	25,009	25,558	18,554	17,278	14,615
Assets held for sale	38,956	38,990	50,149	50,332	570
	6,203,526	5,568,909	5,236,537	4,736,806	4,166,189
Financed by:					
Share capital	17,948	17,948	17,948	17,948	17,948
Share premium	233,392	233,392	233,392	233,392	252,892
Reserves	394,269	265,314	427,874	331,783	304,284
Non controlling interest	15,516	12,289	(5,494)	(548)	3,675
Deposits from banks	860,486	749,315	665,366	416,078	144,652
Deposits from customers	4,019,836	3,486,691	3,143,338	3,104,221	2,970,922
Financial liabilities at fair value through profit or los	6,046	15,791	9,404	37,137	12,488
Liabilities on investment contracts	24,676	19,766	13,399	9,440	10,157
Liabilities on insurance contracts	63,748	34,192	21,734	10,287	11,837
Borrowings	250,596	338,214	420,919	316,792	256,116
Retirement benefit obligations	3,352	1,940	2,203	2,662	3,764
Current income tax	13,778	15,656	10,194	8,897	8,773
Other liabilities	297,140	375,642	266,198	235,388	168,441
Deferred income tax liabilities	250	266	606	813	239
Liabilities held for sale	2,493	2,493	9,457	12,515	-
	6,203,526	5,568,909	5,236,537	4,736,805	4,166,189

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

	12 months ended 31 Dec 2019 N'million	12 months ended 31 Dec 2018 N'million	12 months ended 31 Dec 2017 N'million	12 months ended 31 Dec 2016 N'million	12 months ended 31 Dec 2015 N'million
Gross Earnings	627,008	587,406	598,184	583,006	503,798
Net operating income	449,301	417,317	444,835	469,926	361,537
(Loss)/Gain from disposal of subsidiary	-	-	-	(8)	1,572
Insurance claims	(10,106)	(4,717)	(4,041)	(2,190)	(3,306)
Operating expenses	(304,556)	(261,305)	(4,508)	(218,744)	(219,429)
Group's share of associate's results	87	23	430	-	-
Impairment charge for credit losses	(51,133)	(87,465)	(150,424)	(226,037)	(118,794)
Profit before taxation	83,595	63,853	54,522	22,948	21,581
Taxation	(9,783)	(5,544)	(9,040)	(5,807)	(6,042)
Profit from continuing operations	73,812	58,309	45,482	17,141	15,539
Loss from discontinuing operations	(147)	(77)	(7,774)	(4,898)	(391)
Profit for the year	73,665	58,232	37,708	12,243	15,148
Profit attributable to:					
Owners of the parent	69,918	57,692	41,328	14,122	15,406
Non controlling interest	3,747	540	(3,620)	(1,879)	(258)
	73,665	58,232	37,708	12,243	15,148
Earnings per share in kobo (basic/diluted)	195	161	115	39	43

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2019 N'million	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million	31 December 2015 N'million
Assets:					
Loans and advances to banks	**5,706**	16,639	7,585	4,792	3,261
Loans and advances to customers	**94**	110	108	63	80
Financial assets at fair value through profit	**3,057**	3,427	-	-	-
Investment securities	**11,393**	7,079	9,842	7019	4,272
Investment in associates	**-**	-	-	1500	1,500
Investment in subsidiaries	**239,514**	242,395	242,395	263,595	260,777
Other assets	**15,922**	292	9,011	4,670	14,361
Property, plant and equipment	**490**	382	680	1,192	1,519
Assets held for sale	**-**	-	-	-	2,000
	276,176	270,324	269,621	282,831	287,770
Financed by:					
Share capital	**17,948**	17,948	17,948	17,948	16,316
Share premium	**233,392**	233,392	233,392	252,892	254,524
Reserves	**15,503**	10,848	10,624	6,242	7,340
Current income tax	**12**	102	104	-	-
Other liabilities	**9,321**	8,034	7,553	5,751	9,590
	276,176	270,324	269,621	282,831	287,770

FBN Holdings Plc.

OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2019	12 month ended 31 Dec 2018	12 month ended 31 Dec 2017	12 month ended 31 Dec 2016	12 month ended 31 Dec 2015
Gross Earnings	**18,396**	**13,649**	**13,715**	**12,715**	**6,794**
Net operating income	**18,382**	13,649	13,715	12,571	5,195
Gain from disposal of subsidiary/associate	**-**	-	-	144	1,600
Operating expenses	**(4,508)**	(4,209)	(4,333)	(5,104)	(4,615)
Profit before taxation	**13,874**	9,440	9,382	7,611	2,180
Taxation	**(12)**	(98)	(107)	(104)	-
Profit after taxation	**13,862**	9,342	9,275	7,507	2,180
Earnings per share in kobo (basic)	**39**	**26**	**26**	**21**	**6**