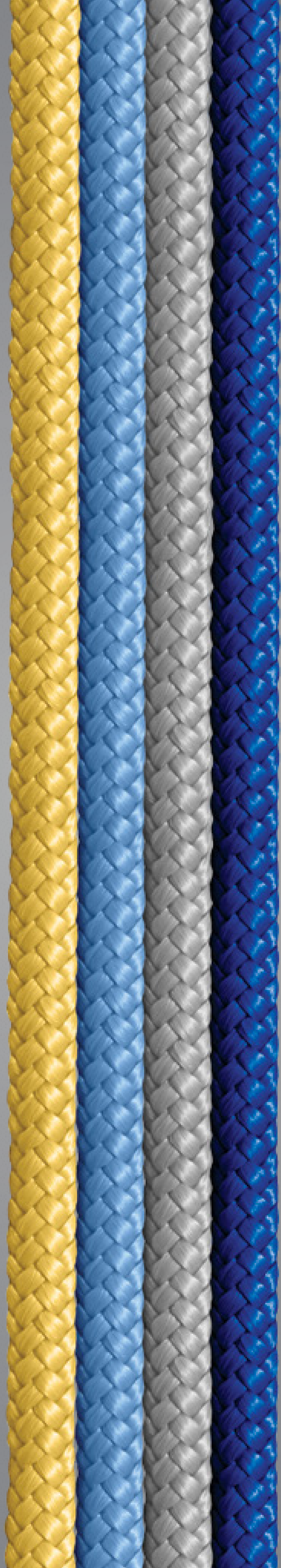
FBN Holdings

ONE GROUP
MULTIPLE SOLUTIONS

FBN Holdings Plc

Annual Report and Accounts 2014



FBNHOLDINGS IS ONE GROUP OFFERING MULTIPLE SOLUTIONS.

We are the sum of all our parts. Capitalising on the synergy between our Group's subsidiary businesses means we can maximise opportunities, explore new ones and build on our shared learning. It means we can offer our customers a one-stop shop, giving them access to a huge range of financial services and solutions.

But it's not just our customers who benefit from this approach. Collaborating under a holding company structure means we're resilient and agile in the face of a tough operating environment. By working together, our Group businesses create a platform of specialisation so we can maximise our combined strengths and enhance shareholder value.

FBNHoldings; one Group, multiple solutions.

In this report

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SHAREHOLDER INFORMATION

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange under the 'Other Financial Services' sector on 26 November 2012 and has issued and fully paid-up share capital as 32,632,084,356 ordinary shares of 50 kobo each (₦16,316,042,178). In this report the abbreviations '₦mn' and '₦bn' represent millions and billions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance, and Other Financial Services.

- The Commercial Banking business group comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include the FBNBank (formerly ICB) in Ghana, Guinea, The Gambia, Sierra Leone and Senegal. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.
- Investment Banking and Asset Management business group consists of FBN Capital Limited, FBN Funds, FBN Trustees, FBN Securities and FBN Capital Asset Management. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business group includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank and most recently Kakawa Discount House Limited.

This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2014 to the corresponding 12 months of 2013, and the balance sheet comparison relates to the corresponding position at 31 December 2013. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards are explained in the glossary or abbreviation section of this report.

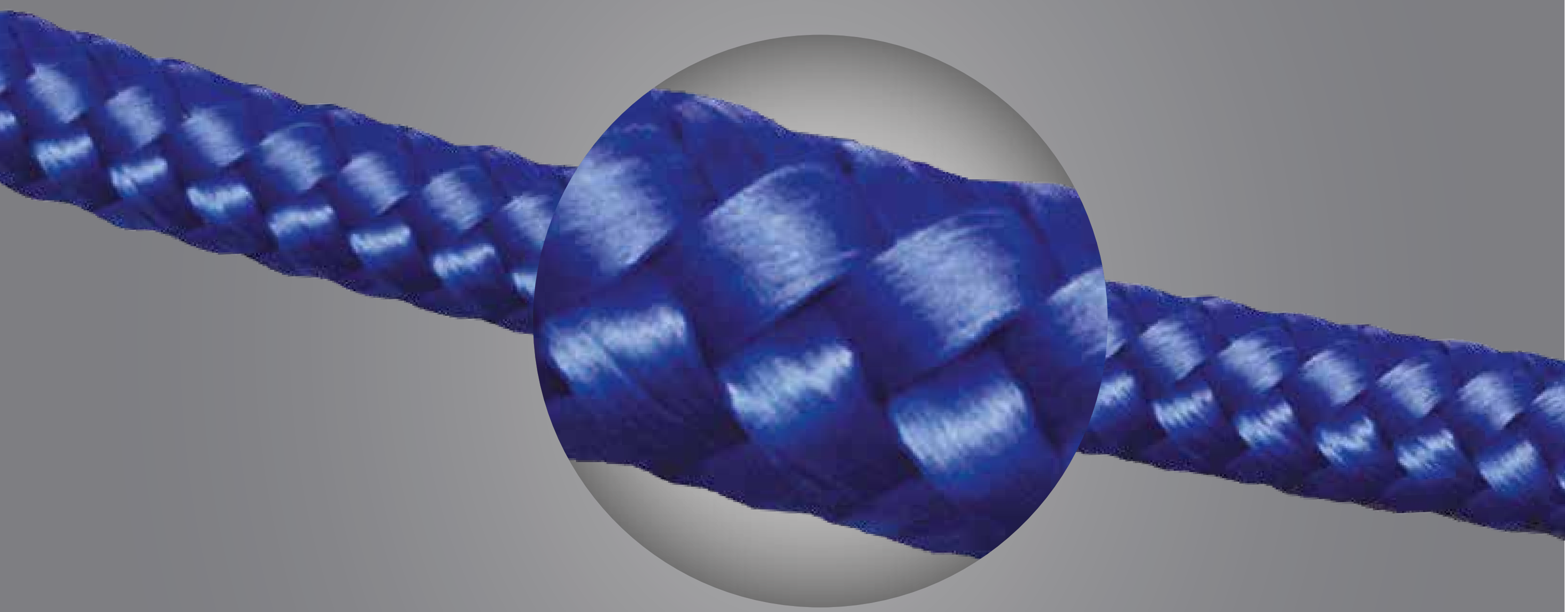
Shareholders will receive a CD containing the annual report and accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report and the First Bank of Nigeria report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

DESIGNED TO BE RESPONSIVE

Our businesses are flexible and agile in a tough operating environment. By constantly being responsive to the changing marketplace in which we operate, we are able to allocate our resources efficiently and effectively. The flexibility of our businesses' operating models means we can remain agile and respond to change quickly.

BUILT TO BE STRONG

Our diversity gives us great strength. The synergies created by the intertwining and collaboration between the Group's subsidiary businesses means we are able to maximise opportunities from existing customers while increasing new ones, building a shared platform for growth.



REMAIN FOCUSED

We are focusing on driving enhanced profitability through revenue generation and increasing efficiencies. Our detailed focus on our non-banking subsidiaries connects our customers to a diverse range of financial solutions, enables more specialisation and increased customer satisfaction.

GROUP OVERVIEW

FBN Holdings Plc is a leading diversified financial services group in Middle Africa, with a presence in eight African countries and offices in London, Paris, Beijing and Abu Dhabi. At 2014 year end, the Group had ₦4.3 trillion in total assets and ₦522.9 billion in total equity.

We maintain leading positions in most of the financial service markets in which we operate.

Our core values: Passion, People, Partnerships

CORPORATE PROFILE

FBN Holdings Plc is the non-operating holding company of the FBN Group. A truly diversified financial services group, our businesses offer a broad range of products and services, including commercial banking, investment banking and asset management, insurance and other financial services, to millions of customers, with the bulk of the business in Nigeria. FBNHoldings oversees four business groups which collaborate to deliver innovative financial solutions.

- The Holding Company's principal bank subsidiary is First Bank of Nigeria Ltd (FirstBank), a commercial bank with operations in 12 countries.
- FBN Capital, a leading investment banking and asset management company.
- The Insurance business group comprises FBN Insurance, with capacity to underwrite both life and general insurance business, as well as FBN Insurance Brokers.
- Other Financial Services business group primarily includes FBN Microfinance Bank, which offers microfinance services, and Kakawa Discount House Ltd.

The bank and the non-bank subsidiaries of the holding company operate in Nigeria, as well as through overseas branches, subsidiaries and representatives' offices.

FBNHoldings is a diversified financial services group with the following:

- a full range of investment and commercial banking, asset management and insurance provision;
- no. 1 Bank in Nigeria by total assets and total deposits;
- a leading life and general insurance underwriter;
- a rich history on the Nigerian stock exchange from 1971 and specifically as FBNHoldings since November 2012;
- 10,464 employees across the Group;
- 9.7 million active customer accounts;
- 892 business locations and 2,597 ATMs; and
- our core values: Passion, Partnership, People.

₦4.3tn
total assets

The strategic vision for the Group in 2015-16 is 'to become the leading financial services group in Middle Africa, providing value to our stakeholders'.

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

9.7mn
active customer accounts

₦480.6bn
gross earnings

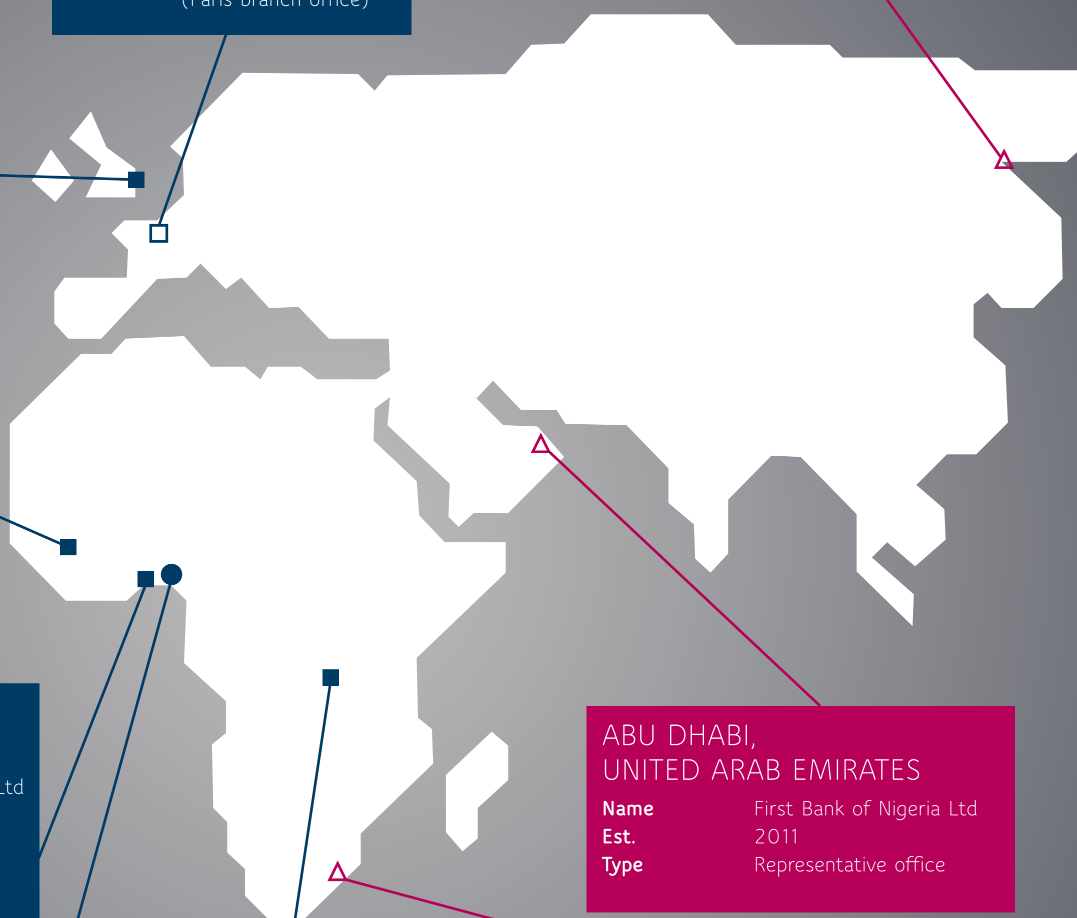
2,597
ATMs

892
business locations

10,464
employees

OUR GEOGRAPHIC REACH

KEY
- Head office
- Subsidiary
- Branch of FBNBank UK
- Representative office



PARIS, FRANCE
Branch of FBNBank UK

Name	FBNBank (UK) Ltd
Est.	2008
Type	Licensed bank (Paris branch office)

BEIJING, CHINA

Name	First Bank of Nigeria Ltd
Est.	2009
Type	Representative office

LONDON, UK
Subsidiary

Name	FBNBank (UK) Ltd
Est.	2002
Type	Licensed bank
Total assets	₦659.7 billion
Total deposits	₦413.9 billion
Net loan book	₦369.7 billion
Profit before tax	₦9.2 billion

WEST AFRICA

Name	FBNBank (Ghana, Gambia, Guinea, Sierra Leone) and ICB Senegal
Est.	Ghana - 1996 Guinea - 1996 Gambia - 2004 Sierra Leone - 2004 ICB Senegal - 2014
Type	Licensed bank

LAGOS, NIGERIA*
Subsidiary

Name	First Bank of Nigeria Ltd
Est.	1894
Type	Licensed bank
Total assets	₦4.1 trillion
Total deposits	₦3.0 trillion
Net loan book	₦2.2 trillion
Profit before tax	₦94.5 billion

ABU DHABI, UNITED ARAB EMIRATES

Name	First Bank of Nigeria Ltd
Est.	2011
Type	Representative office

JOHANNESBURG, SOUTH AFRICA

Name	First Bank of Nigeria Ltd
Est.	2004
Type	Representative office

LAGOS, NIGERIA
Head office

Name	FBN Holdings Plc
Est.	2012
Type	Financial holding company
Total assets	₦4.3 trillion
Total deposits	₦3.1 trillion
Net loan book	₦2.2 trillion
Profit before tax	₦92.9 billion

KINSHASA, DRC
Subsidiary

Name	FBNBank DRC
Est.	1994
Type	Licensed bank
Total assets	₦64.8 billion
Total deposits	₦52.2 billion
Net loan book	₦34.0 billion
Profit before tax	₦1.9 billion

* Commercial Banking group.
All loans and deposits are to customers only.

HOW WE ARE STRUCTURED

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

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

FBN HOLDINGS PLC (FBNH)

COMMERCIAL BANKING

- FIRST BANK OF NIGERIA LTD
- FIRST PENSION CUSTODIAN NIGERIA LTD
- FBN MORTGAGES LTD
- FBNBANK (UK) LTD
- FBNBANK DRC LTD
- FBNBANK GHANA LTD
- FBNBANK THE GAMBIA LTD
- FBNBANK GUINEA LTD
- FBNBANK SIERRA LEONE LTD
- ICB SENEGAL*

INVESTMENT BANKING AND ASSET MANAGEMENT

- FBN CAPITAL LTD
- FBN TRUSTEES LTD
- FBN CAPITAL ASSET MANAGEMENT LTD
- FBN FUNDS LTD
- FBN SECURITIES LTD

INSURANCE

- FBN INSURANCE LTD
- FBN INSURANCE BROKERS LTD

OTHER FINANCIAL SERVICES

- FBN MICROFINANCE BANK LTD
- KAKAWA DISCOUNT HOUSE LTD

* To be renamed and rebranded to FBNBank Senegal.

HOW WE ARE STRUCTURED

OPERATING STRUCTURE

FBNH oversees four major business groups in the financial services sectors that we believe have significant growth potential. We have grouped similar businesses together in order to improve coordination and specialisation. Under each group is one or more divisions structured around a single client group or limited product area, with clear reporting lines to lead business groups. These groups are:

Commercial Banking – This is our core commercial banking business, providing both individual and corporate clients with financial intermediation functions. In addition, we have two non-banking financial services: a pension fund custodian and a primary mortgage institution. All of our global banking subsidiaries and representative offices also fall under the Commercial Banking business.

Investment Banking and Asset Management (IBAM) – This is the investment banking arm of the Group providing advisory, asset management, market, and private equity services primarily to an institutional (corporations and governments) clientele.

Insurance – This group includes both our legacy insurance brokerage business and the underwriting business. The underwriting business is performed by FBN Insurance Ltd, a partnership with South African-based Sanlam Group.

Other Financial Services – This currently serves as a quasi-incubator for our smaller non-banking financial services businesses including a microfinance bank, which provides microfinance services to the mass-market retail segment and Kakawa Discount House.

What we do

FBNHoldings is a non-operating financial holding company. Our diverse range of businesses offers a complete range of financial service solutions across commercial banking, investment banking and asset management, and insurance. FBNHoldings' principal operating company is First Bank of Nigeria Limited (FirstBank).

PERCENTAGE CONTRIBUTION TO GROSS EARNINGS

93.5%

COMMERCIAL BANKING

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 and serving over 9.7 million active customer accounts in 12 countries.

1.0%

INSURANCE

This offers composite insurance and insurance brokerage services to customers.

3.9%

INVESTMENT BANKING AND ASSET MANAGEMENT

This arranges finance, provides advisory services, administers assets, manages funds and invests capital, for both institutional and individual clients.

1.6%

OTHER FINANCIAL SERVICES

This includes the Group's non-operating holding company and other non-banking financial services businesses primarily FBN Microfinance Bank and most recently Kakawa Discount House.

WHAT WE DO

COMMERCIAL BANKING

FIRST BANK OF NIGERIA LTD

- FIRST PENSION CUSTODIAN NIGERIA LTD
- FBN MORTGAGES LTD
- FBNBANK (UK) LTD
- FBNBANK DRC LTD
- FBNBANK GHANA LTD
- FBNBANK THE GAMBIA LTD
- FBNBANK GUINEA LTD
- FBNBANK SIERRA LEONE LTD
- ICB SENEGAL*

GROSS REVENUES

₦449.2bn

PROFIT BEFORE TAX

₦90.1bn

TOTAL CAPITAL ADEQUACY RATIO (CAR)

16.7%[1]

NUMBER EMPLOYED

9,668

PERFORMANCE HIGHLIGHTS

- Completed the acquisition of the International Commercial Bank West Africa operations with the acquisition of ICB Senegal*
- Revised the Bank's operating model to ensure strategic realignment and optimal use of available resources
- Successfully concluded a USD450 million subordinated tier 2 debt issuance in the international markets
- Closed an exclusive partnership with PayPal geared towards accelerating the adoption of eCommerce in Nigeria signifying our leading e-business solution
- Awarded the 'Best Segment Solution Award' by Mastercard Innovation Forum 2014 in Singapore as well as the Best Mobile Money Operator award by EFInA.

[1] This is the capital ratio for the Banking Group. The individual entities within the Group complied with all the externally imposed capital requirements.

INVESTMENT BANKING AND ASSET MANAGEMENT

FBN CAPITAL LTD

- FBN TRUSTEES LTD
- FBN CAPITAL ASSET MANAGEMENT LTD
- FIRST FUNDS LTD
- FBN SECURITIES LTD

GROSS REVENUES

₦18.8bn

PROFIT BEFORE TAX

₦3.5bn

ASSET UNDER MANAGEMENT

₦148bn

NUMBER EMPLOYED

160

PERFORMANCE HIGHLIGHTS

- Strengthened the distribution platform and introduced additional products to drive the Asset Management business
- Increased and institutionalised Group collaboration and synergy between Investment Banking and Asset Management and Corporate and Retail Banking businesses
- Refocused on asset management sales effort resulting in customer diversification and growth
- Received notable awards during the year including: Best Investment Bank in Nigeria (Global Finance) and Best Asset Manager in Nigeria (EMEA Finance).

The gross revenue and profit before tax figures are consolidated numbers after adjusting for inter-group balances.

* To be renamed and rebranded to FBNBank Senegal.

WHAT WE DO

INSURANCE

FBN INSURANCE LTD

FBN INSURANCE BROKERS LTD

GROSS REVENUES

₦4.7bn

PROFIT BEFORE TAX

₦0.7bn

LOSS RATIO[2]

13.4%

NUMBER EMPLOYED

140

PERFORMANCE HIGHLIGHTS

- FBN Insurance Ltd completed the acquisition of 100% equity interest in Oasis Insurance Plc
- The improvement in performance on the insurance business group was driven by increased business volumes from the life business through enhanced market penetration as well as the acquisition of general insurance business
- The retail-focused strategy is geared towards the mass market where insurance penetration is at its lowest
- We enhanced the premium-value scheme to provide easy access to inexpensive insurance plans with prompt settlement.

OTHER FINANCIAL SERVICES

FBN MICROFINANCE BANK LTD

KAKAWA DISCOUNT HOUSE LTD

GROSS REVENUES

₦7.8bn

PROFIT BEFORE TAX

(₦1.4bn)

NUMBER EMPLOYED

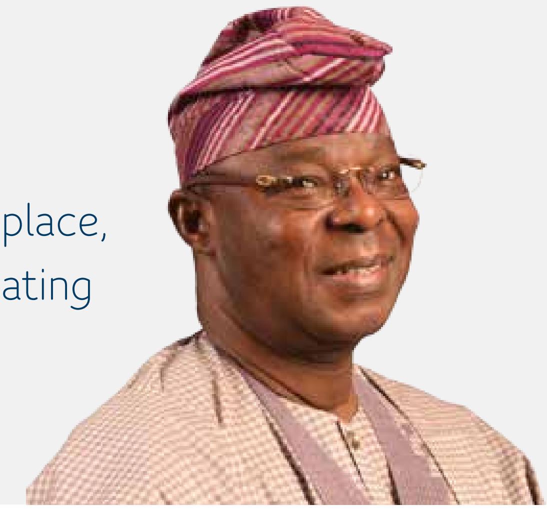
496

PERFORMANCE HIGHLIGHTS

- FBNHoldings completed the acquisition of Kakawa Discount House Ltd (KDHL) which is now a direct subsidiary of FBNHoldings
- This acquisition is motivated by the proposed conversion of KDHL into a merchant bank and the desire to expand the Group's product platform
- KDHL brings on board a strong fixed income origination and distribution franchise, which can be further leveraged through FBNHoldings existing infrastructure
- FBN Microfinance (FBNM) recorded gross earnings and profit before tax of ₦1.3bn and ₦283.3mn respectively.

2 Relates to FBN Insurance (computed as claims expenses/gross premium income).

Group Chairman's statement



"With a solid foundation now firmly in place, the focus in 2014 has centred on creating a springboard for accelerated growth as a portfolio company...

My esteemed shareholders, in the last two years since the inception of our new holding company structure, we have seen the steady transformation of your company into a unified African financial services group, with the various subsidiaries working seamlessly together to deliver superior customer solutions.

During the year 2014, we made further progress by launching our ambitious but attainable three-year strategic plan as we strive to consolidate our position as the leading financial services group in Sub-Saharan Africa. If you recall, in 2012 and 2013, we had laid the foundation for our new holding company structure, putting in place the corporate governance structure and group operating model needed to run a world-class diversified financial holding company and maximise extraction of synergy among members of the Group. With a solid foundation now firmly in place, the focus in 2014 centred on creating a springboard for accelerated growth as a portfolio company with priority for driving new innovation and balancing scale with Group-wide efficiency. Shifting into full execution mode has yielded clear and consistent benefits for our clients and our people in the wake of an increasingly tough operating environment.

OUR OPERATING ENVIRONMENT

Despite an unexpected crash in the commodities and currency markets in the latter half of 2014, global economic growth improved with a GDP growth of 3.5%. In Nigeria and the West African countries which constitute our major markets, the real GDP growth rate forecast is approximately 5%. The evolving global oil dynamics, evidenced by the sharp decline of oil prices in Q4 2014, continues to present growth risks to oil dependent economies such as Nigeria, with its implications for currency devaluation. Beyond the falling oil prices, the strengthening of the US dollar and the concurrent currency devaluation across 26 countries are translating to increased market volatility and business uncertainty for import-dependent clients across all our operating countries. In addition, the tightening of monetary policy by the Central Bank of Nigeria equally affected liquidity, and increased the cost of funds of banking institutions, with an attendant impact on bank profitability.

Notwithstanding the tough macroeconomic and regulatory terrain, our business groups across Commercial Banking, Investment Banking and Asset Management (IBAM) and Insurance all recorded remarkable progress consolidating market leadership in various segments. While the Commercial Banking group leveraged the growing opportunities in trade and transaction banking in our domestic market, as well as across the six West African economies in which we operate and Europe, the Investment Banking arm was able to seize the opportunities arising from ongoing reforms in the power sector and divestment of oil and gas assets by foreign players to record a remarkable growth in earnings over the previous year. Concurrently, the Insurance business grew its retail life business by about 80%, leveraging new products and channels to maximise the enhanced client base we acquired through our recent acquisition of Oasis Insurance Plc, a general insurance business.

GROUP CHAIRMAN'S STATEMENT

Overall, the deployment of our resilient holding company structure, with its sharp focus on efficiency, and strong collaboration and governance across all our operating entities, continues to play a key factor in helping to sustain our current momentum while addressing tomorrow's challenges and ensuring long-term success for the Group.

OPERATIONALISING OUR GROUP STRATEGY

In my inaugural statement in 2012, I articulated as key pillars of our Group strategy the enhancing of the contribution of our non-banking businesses and exploiting the natural synergies between our various operating companies to drive accelerated growth and operating efficiency. 2014 marked the first year of our three-year strategic plan as a Group which presents very bold, clear objectives to consolidate our position as the foremost financial services group in Sub-Saharan Africa, drive cross-entity synergies and enhance the contribution of non-banking subsidiaries to the Group's portfolio.

Today, we have recorded appreciable success in our effort to fully realise the benefits of this strategy along all the major themes. The Investment Banking group continues to lead the charge for our non-banking subsidiaries with a stellar performance in 2014, a feat which has seen over 208% growth in profit before tax between the year prior to the restructuring of the Group and the 2014 financial year. This performance has been further enhanced by our recent acquisition of Kakawa Discount House which provides us with further inroads into the investment banking space.

Likewise, our Insurance group has experienced significant growth over the period between 2011 and 2014. Profit before tax for the Insurance group has grown from ₦300 million in 2011 to ₦1.6 billion in 2014, representing 52% cumulative average growth rate. Again, our Insurance group has been enhanced by the recent acquisition of Oasis Insurance Plc.

In 2014, we made huge investments in expanding and deepening our portfolio of investments through acquisitions. As an investment company, FBN Holdings Plc will continue to review its portfolio of investments with a view to enhancing value to shareholders through both organic and inorganic means.

GROUP-WIDE INNOVATION PROJECT

Last year, the FirstBank Group celebrated 120 years of providing unrivalled financial services in Nigeria which has seen us contribute immensely to groundbreaking historical events in building the Nigerian nation. Our story is the story of Nigeria and the Nigerian people. It is a story of humble beginnings – from a small bank with a paid-up capital of £12,000 to one of the most enduring African brands and institutions with total assets in excess of ₦4.3 trillion and customer deposits of over ₦3.1 trillion.

Following the rapid growth and diversification experienced in the Nigerian banking sector subsequent to the industry consolidation in 2005, it became clear to us that we needed a more efficient and effective operational structure in order to continue to deliver value and service quality levels demanded by our stakeholders. As Nigeria's longest standing pre-eminent financial services provider, to attain this objective, we embarked on a process of transformation, investing heavily across our key segments and restructuring our business architecture to ensure we retained our leading position as Nigeria's financial services group of first choice, while positioning ourselves to deliver our aspirations to be the leading financial services group in sub-Saharan Africa.

In furtherance of our aspiration to deliver first-class financial services offerings in the sub-Saharan market, we have embarked on a Group-wide innovation project, working with a reputable international innovation consultant. This project is aimed at crafting a new growth path for our Group in an effort to break new grounds, open new frontiers and accelerate growth by unearthing newer sources of significant revenue streams.

REVENUE SYNERGIES AND INTRA-GROUP COLLABORATION

Over the course of the 2014 financial year, we kicked off the pilot phase of our synergy quantification and extraction exercise which provides the framework for enhanced Group collaboration and cross-sell across the entire FBNHoldings Group. The framework for intra-Group collaboration between our various operating companies unleashed the benefits of our full service offerings through rewarding collaborative teamwork via a redesigned rewards-based performance management system. From this arrangement, our investment banking franchise, FBN Capital realised about ₦3.3 billion revenue synergies through seamless collaboration with the various strategic business units of Commercial Banking by delivering tailored corporate finance solutions and sale of asset management products. The Insurance group also recorded significant mileage in driving its products through the extensive retail network of the Commercial Banking business, achieving ₦2.2 billion additional revenue in the process.

Now that we have successfully launched and fine-tuned the process, we strongly believe that the synergy extraction exercise represents a good value proposition to our stakeholders, further laying credence to our decision to restructure through a holding company.

Our recent acquisitions in the investment banking and insurance sides of the Group's business will further enhance the platform by deepening our product and service offerings to the market. Also, the acquisitions of five ICB banks in West Africa will ensure that we extend our bouquet of products and services beyond the Nigerian borders. In the medium term, we are positive this would have an upward impact on our average-products-per-customer and customer lifetime value.

> *"The framework for intra-Group collaboration between our various operating companies unleashed the benefits of our full-service offerings through rewarding collaborative teamwork via a redesigned rewards-based performance management system."*

GROUP SHARED SERVICES: CONSOLIDATING RESOURCES

Further to the remarkable achievements we made in the first two years of operation in consolidating key aspects of Human Resources, Information Technology, and Marketing and Corporate Communications functions, 2014 also witnessed further exploitation of cost efficiencies through potential gains from leveraging economies of scale in our procurement, legal, and company secretariat services. In line with the Guidelines for Licensing and Regulation of Financial Holding Companies released by the Central Bank of Nigeria in August 2014 which details permissible activities for shared services, the Group is implementing a more resilient, agile and customer-centric operating model that is more aligned with our cost aspirations.

In addition to revenue synergy derivable from our extensively diversified Group structure, the holding company structure is also offering significant

GROUP CHAIRMAN'S STATEMENT

cost benefits through economies of scale. With the release of the guidelines by the CBN, the Group has begun to put in place the required structure to fully exploit the potential benefits of operating a diversified portfolio and thereby creating value for our esteemed shareholders.

REFOCUSED BUSINESS MODEL

In continuance of the improvements discussed last year on improving our service delivery, the holding company is implementing a more agile business model with a gradual shift from an asset-intensive and credit-led model to a service-led strategy to drive our spectrum of diverse product and service offerings across the entire value chain of our clients' businesses. In the medium term, the impact of this asset-light business model would be to shift resources into client-facing functions, and decrease our cost to serve. Our branch and customer service point transformation is also creating a culture that empowers employees to take ownership of customer experience. Expectedly, our focused execution on these service initiatives including our Relationship Manager Excellence Program and the Group-wide harmonisation of service standards are laying a solid foundation for sustained customer retention across all our operating companies. Each of these initiatives is primed to contribute to the attainment of our goal of delighting our customers by delivering a uniform experience of unparalleled and innovative customer service across all locations.

PORTFOLIO OPTIMISATION

Our central theme of driving efficient profitable growth from both newer revenue sources and cost optimisation has led us, during the course of the year, to launch bold moves towards more dynamic asset allocation, asset optimisation and credit portfolio rebalancing. Gradual diversification of our loan asset portfolio from a hitherto relative concentration in institutional and corporate clients to a more balanced mix of higher-yield commercial and retail clients, is underway. This is supported by a new mechanism that ensures appropriate pricing of all risk assets through intensive periodic reviews.

During the course of the year, we equally made the decision to acquire 100% of Kakawa Discount House, a company in which we hitherto held a 46% equity. This acquisition, which is en route to obtaining a merchant banking licence, would unleash a spectrum of newer opportunities for growth in the investment banking space, especially in terms of driving foreign exchange and fixed income trading and arranging long-term financing.

BOARD DEVELOPMENTS AND CORPORATE GOVERNANCE

Since last year's report, we have appointed an independent non-executive director to the Board in the person of Dr Hamza Sule Wuro Bokki, an experienced investment and fund management professional, thereby widening the Board's skills and experience, which will be invaluable as we continue to pursue our stated strategies. This appointment brings to two the number of independent directors we have on the board of your company. In addition, we are in the process of obtaining regulatory approvals for the appointment of Otunba (Mrs) Adebola Osibogun and Mr Omatseyin Ayida to the Board of the Company. These additions further deepen the Board's financial services experience and enhance our ability to fully constitute our various Board Committees. Separately, in July 2014, we announced that one of our directors, Lt Gen Garba Duba (rtd) would be retiring from the Board. On behalf of the Board, I sincerely thank him for his commitment and contribution over the years to the Group.

In 2014, in line with our continued emphasis on continually strengthening our corporate governance practices, the Board approved several Board Charters and Policies, including the conflict of interest and related party transaction policy and the succession planning policy. Other policies approved include: Board Evaluation Policy, Board of Directors' Delegation of Authority Policy, Directors' Development Policy, Directors' Remuneration Policy, Directors' and Code of Conduct. Also, the Board approved several charters for the various board committees.

I am also glad to report that during the course of the year, FBN Holdings Plc. was one of the few companies in Nigeria which participated successfully in the pilot stage of the Corporate Governance Rating System (CGRS) promoted by the Nigerian Stock Exchange in conjunction with the Convention on Business Integrity. As a result, the Nigerian Stock Exchange has communicated to us its decision to list FBNHoldings on the Premium Board of the Exchange. This attainment reflects the ongoing commitment of your company to the highest standards of excellence in corporate governance and attests to the high level of your company's compliance to globally accepted Corporate Governance Practices. In addition to being on the Premium Board, FBNHoldings will also be part of the Premium Index, and the Corporate Governance Index, which are indices being established by the Nigerian Stock Exchange for companies that have met the Exchange's high requirements of good corporate governance.

LOOKING INTO THE FUTURE

Mixed economic forecasts across most emerging markets suggest a near-term outlook of moderated demand amidst stiffer, more intense competition in financial services. In the African markets where we operate, current trends suggest that the winners would be the agile players with diversified income streams across customer segments, supported by innovative service and cost-efficient digital platforms. The Board is confident that the sound governance structures and the resilient business model of our Group, coupled with relentless execution, would continue to yield profitable growth in 2015 and beyond.

Even as we acknowledge that the task of developing a world-class, diversified financial services group is a continuous one, we have largely achieved what we set out to do in 2014 and the benefits of adopting the holding company structure are clear from our operating results.

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

In 2015, as we steadily progress in our journey under the holding company arrangement, we will continue to deliver meaningful growth in each of our business lines, in a way that will enhance the aggregate performance of the Group in fulfilment of our promises to our various stakeholders, especially the shareholders of FBN Holdings Plc.

Thank you and God bless you all.

Dr OBA OTUDEKO, CFR
April 2015

Group Chairman's letter to shareholders

To our esteemed shareholders

DECLARATION OF DIVIDENDS AND BONUS ISSUE TO SHAREHOLDERS

As I reflect on 2014 financial year, I am encouraged and energised by what your company, FBN Holdings Plc has accomplished in this dynamic financial services environment. We overcame a number of significant challenges during a year that witnessed tremendous headwinds from both the macroeconomic standpoint and the regulatory point of view.

During this period, I have come to appreciate and respect the resilience of the FBNHoldings Group which is the result of our decision in 2009 to restructure through a holding company, an arrangement implemented in 2012. The strength in our diversified earnings base both across products and services, and across geography has proved a masterstroke in weathering the stormy business environment that our Commercial Banking business experienced in 2014. This has strengthened my belief in our capabilities to deliver in a rapidly changing world and points to a future characterised with a good breadth of opportunities.

In spite of the highlighted challenges, FBN Holdings Plc delivered solid financial results in 2014, across a number of key financial metrics including gross earnings and profit before taxes. This strong performance is championed by our Commercial Banking franchise, First Bank of Nigeria Limited, and buoyed by our Investment Banking and Asset Management business which is rapidly growing into a powerhouse in the investment banking space. Also, our newly strengthened Insurance group delivered exceptional financial results in 2014, doubling its profit before tax numbers from prior year.

Esteemed shareholders, I am delighted to report that in addition to achieving a strong financial year, the Group also achieved significant mileage in its effort to strengthen its earnings base and expand into sectors that are capable of providing us with the right opportunities to fortify our leadership position in the Sub-Saharan African market. During the year, we completed the acquisition of 100% equity interests in Kakawa Discount House Limited and Oasis Insurance Plc. These recent acquisitions are in addition to our recently concluded acquisition of five ICB Banks across West Africa, providing our Commercial Banking franchise the leverage to dominate and deliver our exceptional bouquet of service offerings beyond the Nigerian borders.

In spite of compelling investment propositions including our huge capital-intensive acquisitions and the need to strengthen the capital adequacy ratio of the Commercial Banking group so as to fuel our future growth aspiration, as a Group, we continue to live up to our unbroken promise to our shareholders to deliver annual dividend payouts. As a result, we sought and received the approval of the Board of Directors of FBN Holdings Plc to declare a cash dividend of 10 kobo per share and a scrip issue of 1 for every 10 units of shares of FBN Holdings Plc. Based on the current price of FBNHoldings of about ₦9.8 per share, the bonus amounts to about 98 kobo per share.

As we look to the future at FBNHoldings, our objective is more than just anticipating change, it is about creating it. In furtherance of this aspiration, we have embarked on a Group-wide innovation project, working with a reputable international innovation consultant, a project that is aimed at crafting a new growth path for our Group in an effort to break new ground and accelerate growth by unearthing new sources of significant revenue streams. This project will also allow us strengthen our most differentiating asset, our dedicated people. These remarkable people are present in every one of our businesses, geography and functions. They are the reason for our 121-year history, the heartbeat of the Group and the lifeblood of our future growth and leadership.

On behalf of the Board of Directors, I thank you for your longstanding support as we continue to create and deliver sustainable value for generations to come.

Sincerely,

Dr OBA OTUDEKO, CFR
April 2015

Financial highlights

GROSS EARNINGS

2014 ₦480.6bn

2013 ₦396.2bn

21.3% growth supported by 66.1% increase in non-interest income to ₦111.8 billion, followed by a 12% rise in interest income to ₦362.6 billion.

NET INTEREST INCOME

2014 ₦243.9bn

2013 ₦230.1bn

Net interest income increased 6.0% supported by repricing and reallocation of assets and investments to the shorter end of the curve given the increasing interest rate environment.

NON-INTEREST INCOME

2014 ₦111.8bn

2013 ₦67.3bn

Non-interest income grew strongly by 66.1% driven primarily by a 12.8% growth in fees and commission (F&C) income from ₦59.4 billion in 2013 to ₦67.0 billion. In addition, foreign exchange income rose to ₦44.9 billion from ₦6.7 billion in 2013 on the back of enhanced treasury activities, increased volume of trade business and a favourable exchange rate.

PROFIT BEFORE TAX

2014 ₦92.9bn

2013 ₦91.3bn

Improved profitability and commendable key performance indicators buoyed by the complementary performance of our non-bank subsidiaries in spite of the highly challenging operating environment.

FINANCIAL HIGHLIGHTS

CUSTOMER DEPOSITS

2014	3,050.9bn
2013	2,929.1bn

Customer deposits grew by 4.2% as the Group continues to enjoy access to low-cost deposits which ensures cheap and sustainable deposits to support the business.

CUSTOMER LOANS AND ADVANCES

2014	₦2,179.0bn
2013	₦1,769.1bn

Customer loans and advances grew by 23.2% with the general commerce, construction, oil and gas, as well as power sectors driving loan growth.

RETURN ON AVERAGE EQUITY*

2014	16.7%
2013	15.5%

Return on average equity improved 120bps owing to the Group's increased profitability over healthy equity position.

RETURN ON AVERAGE ASSETS*

2014	2.0%
2013	2.0%

Return on average assets remained flat as post-tax profit increased by 17.3% and average assets by 15.7%.

EARNINGS PER SHARE (EPS)*

2014	₦2.55
2013	₦2.16

Earnings per share (EPS) improved 180bps on the back of increased profitability.

* Post-tax returns.

Group Chief Executive Officer's review

"The extensive business breadth as a result of the holding company structure has proved a masterstroke, providing a natural hedge against regulatory headwinds..."

Our distinguished shareholders, ladies and gentlemen, I am delighted to welcome you to this year's Annual General Meeting of your company, FBN Holdings Plc. It is also my pleasure to present to you the financial results of FBN Holdings Plc for the year ended 31 December 2014.

INTRODUCTION

The financial year 2014 remains one that witnessed many activities in monetary and fiscal policies occasioned by the monetary tightening stance of the Central Bank of Nigeria (CBN). The early part of the year saw the exit of the CBN Governor, Mallam Sanusi Lamido Sanusi, CON in February and his subsequent replacement by the former Managing Director of Zenith Bank Plc, Mr Godwin Emefiele, who assumed office in June 2014.

The new CBN Governor's pledge upon assumption of office to stabilise the naira and keep interest rates within acceptable levels immediately met with significant challenges owing to the spending activities of the political class in the run-up to the 2015 general election and the dwindling oil prices resulting in major regulatory pronouncements. The CBN embarked on counter monetary policy reactions to rein in the emerging inflationary pressures and preserve the purchasing power of the naira. Some of the measures include an increase in private sector cash reserve ratio from 15% to 20%, a hike in the benchmark monetary policy rate by 100 basis points to 13% and subsequent devaluation of the naira by moving the exchange rate midpoint from ₦155/$1 to ₦168/$1.

Also in 2014, Nigeria's GDP was rebased from about $270 billion to $510 billion for the 2013 calendar year. The increase of about 90% was attributed to new sectors of the economy such as telecommunications, entertainment, and retail services, which were previously either not captured or underreported. As a result of the rebasing, Nigeria is now the largest economy in Africa and the 26th largest in the world.

In spite of the highlighted challenges facing the economy in general, and the financial services sector in particular, FBNHoldings continues to remain true to its aspiration to become the leading financial services group in Sub-Saharan Africa. This commitment is bolstered by our extensively diversified business portfolio which enhances the resilience of our Group and strengthens our revenue profile. The extensive business breadth as a result of the holding company structure has proved a masterstroke, providing a natural hedge against regulatory headwinds in the commercial banking sector through enhanced contribution by non-bank subsidiaries.

Consistent with our long history of corporate social responsibility, FBNHoldings remains resolute in our pursuit of the Group's corporate responsibility and sustainability vision. We continue to build on our heritage and commitment to leadership and to become a leading sustainable business of Nigerian origin. This is our corporate responsibility and sustainability vision, from which our strategy and approach are derived.

In line with this vision, FBNHoldings continues to support programmes in education, sport and empowerment. Our Educational Endowment programme which was instituted in 1994 is designed to enhance academic excellence in Nigeria and is present in 10 universities in Nigeria with a value of over ₦440 million. In addition, we have been sponsoring major sports tournaments including the Georgian Cup of the Kaduna International Polo Tournament, probably the oldest sports trophy in Nigeria, the Dala Hard Court Tennis Championship in Kano and the CBN Classic Golf Tournament (CBN Governor's

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Cup). For over 40 years, we have consistently supported the Lagos Amateur Golf Championship of Ikoyi Club 1938. All of these are geared towards supporting the communities in which we operate.

INDUSTRY REVIEW

The Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria were finally released during the year under review by the CBN. This regulation, among other things, defines the operating structure and governance framework of a financial holding company in Nigeria, while also providing clarity on the permissible activities and otherwise of a holding company. Subsequent to its release, FBNHoldings embarked on an extensive review of the guidelines and has since put in place the required structure to ensure full compliance.

In the financial services industry, the 2013 regulatory pronouncements by the Central Bank of Nigeria took its full year impact on the performance of the commercial banking subsector in 2014 financial year. Even though the new CBN Governor provided some respite with the partial re-introduction of the remote-on-us ATM cash withdrawal fees of ₦65 after third ATM withdrawal, other regulatory pronouncements of 2013 remain in force in 2014 and continued to slow down the Bank's ability to grow its loan book and by implication, its earnings. Also, the implementation of the Basel II Accord in 2014 continues to shape the banking industry landscape with a resulting impact on capital adequacy ratio of banks. This development has necessitated systemic restructuring of capital and beamed light on capital consumptions in the quest for creation of assets.

The CBN continued its tightening monetary policy during the year when the Monetary Policy Committee raised the cash reserve requirement on private sector deposits in commercial banks by 500 basis points to 20%. This led to further mopping up of over ₦400 billion in loanable funds in the system. Also, the CBN moved the exchange rate mid-point from ₦155 to ₦168/$, which represented 8% devaluation of the naira while raising the monetary policy rate by 100 basis points to 13%. The rationale for the devaluation includes the increased volatility recorded at the interbank and parallel markets driven largely by the dwindling oil prices and CBN's continued support of the naira at a huge and unsustainable cost to external reserves.

The investment banking subsector continues to witness significant growth largely driven by the project finance segment of the market. This growth is fuelled by activities of local players in the oil and gas sector seeking to fund capital expenditure programs subsequent to the acquisition of assets of international oil companies. Also, the ongoing funding of capital expenditure in the power sector as a result of the recently concluded divestment of power assets by the government will continue to provide project finance opportunities as evidenced by the recently structured ₦214 billion CBN-NEMSF (Nigerian Electricity Market Stabilisation Facility) and the declaration of the Transition Electricity Market.

On the capital market front, the market experienced a myriad of highs and lows in 2014 as the Nigerian Stock Exchange All Share Index (NSE ASI) dipped by 16.14% in 2014 when compared to the previous year. The poor market performance during the year was largely as a result of negative macro events in the Nigerian economy and socio-political space, which includes the weak currency, high interest rate, unhealthy politicking and growing insecurity in some parts of the country. Due to these variety of factors, the Nigerian stock market lost ₦1.75 trillion against the ₦4.25 trillion gains recorded in 2013. In relative terms, the market erased 41% of total gains recorded in the previous year to put the market net worth at ₦11.48trillion. On a positive note, the primary market activity, which is part of the key parameters for measuring capital market growth and efficiency, improved in the year under review.

Our investment banking franchise, FBN Capital, consolidated its position in the market with the Project and Structured Finance unit, closing a healthy number of landmark deals in power, oil and gas and infrastructure. We also improved our ranking in the private and corporate trust, equity and debt capital market as well as asset management during this period.

To further cement our leadership position in the investment banking and asset management space, we recently acquired Kakawa Discount House Limited as an inroad to securing a merchant banking licence. With the new licence, the array of product offerings by our investment banking franchise which will include fixed income and foreign exchange trading as well as end-to-end project finance transactions will be increased.

On insurance, it is noteworthy that the National Insurance Commission (NAICOM) continues to push its industry transformation agenda on the back of new regulatory measures. The reform which was heralded by the introduction of 'No Premium, No Cover' in 2013 has subsequently been backed by the adoption of IFRS reporting standards, and the issuance of guidelines on micro-insurance and Takaful among others. All these together means a tougher regulatory environment, even as these measures further deepen the market.

During the year, the market experienced a wave of M&A activities including cross-border acquisitions such as the acquisition of 77% interest in Mansard Insurance by AXA and the acquisition of Oceanic Life by Old Mutual, a South African franchise. The insurance industry continues to remain a strong investment proposition driven largely by the rich demography of Nigeria, rising urban population, increasing telecom penetration and the expanding middle class.

FBN Insurance Limited continues to leverage its relationship with Sanlam of South Africa and the retail chain of FirstBank to deepen its market reach. Furthermore, the recent acquisition of Oasis Insurance will provide us with a speedy inroad into the larger and deeper general insurance segment. Given that general insurance constitute 85% of the insurance market, this acquisition is expected to generally increase our share of the insurance market.

PERFORMANCE REVIEW[1]

The Group recorded a strong financial performance across all business segments in 2014, in spite of the difficult terrain under which our flagship business, First Bank of Nigeria Limited, operated in the year. The performance by the Commercial Banking group is proof of the resilience of our commercial banking business built on an extensive retail network and a robust information technology platform.

Secondly, our Investment Banking group continues to enhance its contribution to the Group's portfolio both in terms of landmark deals consummated during the 2014 financial year and the resulting financial numbers, consistent with its steady performance since 2012. Likewise, the Insurance group recorded very good performance in the 2014 financial year. This performance is in spite of the fact that the recently acquired general insurance business, Oasis Insurance Plc, is yet to be fully integrated into the Group. We hope to accrue significant mileage in the 2015 financial year when our Insurance group would have operated a general insurance business for a full year.

In spite of the difficult regulatory environment under which the Commercial Banking group operated in 2014, which saw a full year impact of the regulatory headwinds, the Commercial Banking group exceeded its prior year performance in a good number of financial performance metrics. Specifically, the Commercial Banking group recorded a growth of 22.1% in gross earnings, growing from ₦372.8 billion in 2013 to ₦455.4 billion during the year under review. Profit before tax of the Commercial Banking group increased by 9.1% when it grew from ₦86.6 billion in 2013 to ₦94.5 billion in 2014. Similarly, total assets grew by 10.3% from ₦3.7 trillion in 2013 to ₦4.1 trillion in 2014, while customers' deposits grew from ₦2.9 trillion in 2013 to ₦3.0 trillion in 2014, representing a growth of 1.6% year on year.

1 The business group numbers discussed in this section are pre-consolidation.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

The Investment Banking and Asset Management business group continued its positive growth trajectory during 2014 financial year. This performance is driven by the performance of the investment banking arm and a rebound in the asset management business. The trust business also continues to generate steady income while the markets and alternative investments businesses continue to increase its contribution. Overall, total earnings increased by 8.6%, growing from ₦21.7 billion in 2013 to ₦23.5 billion in 2014 while profit before tax increased by 17% from ₦5.3 billion to ₦6.2 billion.

12.2% increase in total assets

The Insurance group recorded an exceptional performance in 2014 on the back of its enhanced synergy with the Banking group. Revenue for the Insurance group increased by 78.4% year on year to ₦6.5 billion from ₦3.7 billion, while profit before tax rose to ₦1.6 billion, up 83.2% year on year from ₦854.9 million in 2013.

The tough operating environment notwithstanding, overall, the consolidated results of the Group showed appreciable growth across all the key indices buoyed by the complementary performance of our non-bank subsidiaries to the results posted by the Commercial Banking group. Gross earnings grew by 21.3% from ₦396.2 billion in 2013 to ₦480.6 billion in 2013. Also, profit before tax exceeded the performance of prior year and grew from ₦91.3 billion in 2013 to ₦92.9 billion in 2014. The total asset base of the Group grew by 12.2% during the year rising from ₦3.9 trillion in 2013 to ₦4.3 trillion in 2014. At the same time, deposits grew from ₦2.9 trillion in 2013 to ₦3.1 trillion in 2014.

As we begin to extract value from our recent acquisition of the ICB banks in West African countries, consolidate our position in the investment banking space especially with the recent acquisition of Kakawa Discount House and expand our insurance business scope, we believe that our aspiration to dominate the sub-Saharan financial services market is very well on its course. Today, we have reached a point where our investment in technology, human capital and portfolio expansion are beginning to shape the long-term fundamentals of the Group.

OUTLOOK

Sub-Saharan Africa is projected to continue on its strong growth path, driven largely by sustained infrastructure spend, demographically supported buoyant services sector, and strong agricultural production, even as oil-related activities taper. This overall positive outlook is however dampened by pockets of acute difficulty in a few countries. Dwindling oil prices threaten to slow down the growth of major oil producing countries in Sub-Saharan Africa including Nigeria, Angola and Ghana. In Guinea, Liberia and Sierra Leone, the Ebola outbreak is taking a heavy human and economic toll. In addition, the security situation continues to be difficult in some countries, including the Central African Republic, South Sudan and Nigeria.

In Nigeria, the projected GDP growth rate of 6.4% has been cut down to 5.2% by the IMF largely as a result of the escalating security challenges in the Northern part of the country, the general election and post-election issues, and the falling oil price. All of these factors will significantly influence the monetary policies of the CBN in 2015 with an attendant impact on the macroeconomic variables. Further devaluation of the naira may be imminent in the short horizon, considering the dwindling external reserves, coupled with the drop both in volume and price of crude oil.

In spite of the tightening monetary stance of the CBN and the numerous challenges confronting the banking industry, our Commercial Banking franchise, FirstBank, is expected to strengthen its dominance in the market by driving transaction volumes through its extensive retail infrastructure, regional expansion of its commercial banking business and risk asset portfolio diversification into the high-yield segments of the wider financial services sector with increasing efficiency towards enhanced profitability. Internally, we have commenced the process of integrating the recently acquired ICB banks in Ghana, the Gambia, Guinea, Sierra Leone and Senegal. Subsequently, we will begin to sweat our investments in these markets in an effort to consolidate our position as the leading financial services group in the sub-Saharan market through the deployment of our retail banking expertise.

Our Investment Banking business is expected to continue to increase its contribution to the Group portfolio on the back of its growing transactions. This is driven by the need to bridge the infrastructure gap in the country, refurbish and expand the power distribution network and invest in generation capacity. Also, the ongoing drive to recapitalise the banking industry, in an effort to boost capital adequacy as a result of the implementation of Basel II accord is expected to throw up equity capital market opportunities in the short to medium term. The imminent funding gap for various tiers of the government in Nigeria is expected to also result in opportunities to raise bonds and other funding types for government by our investment banking business. All of these continue to provide prima facie evidence that our decision to reorganise our businesses through the holding company structure is a good strategic decision.

The prognosis of the Nigerian insurance industry is projected to remain positive, driven by enhanced rising urban population, increasing telecom penetration and the expanding middle class.

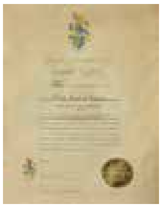
Finally, we have begun to reap the dividend of restructuring to a holding company, as evidenced by the successful launch of the Group synergy identification and extraction exercise. The pilot phase which kicked off in 2014 has recorded tremendous success with greater collaboration between the Investment Banking and Asset Management business, and the various strategic business units within FirstBank. We have also seen enhanced business handshakes between the Insurance business and the Bank, especially for the sale of bancassurance products which have been further fuelled by our foray into the general insurance business.

As we steadily progress in our journey under the holding company arrangement, we expect to drive growth in each of our business lines, in a way that will enhance the aggregate performance of the Group. This will be complemented by reinforcing our commercial banking franchise, while driving growth in the level of contribution from each of the non-banking subsidiaries.

Thank you and God bless you.

Bello Maccido
Group Chief Executive Officer
April 2015

RECOGNITION OF OUR PERFORMANCE



MOST VALUABLE BANK BRAND IN NIGERIA

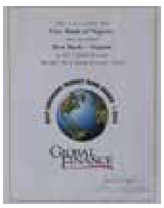
THE BANKER MAGAZINE

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

BEST RETAIL BANK

BUSINESSDAY BANKING AWARDS

FirstBank won the 'Best Retail Bank in West Africa' awarded by Businessday in recognition of its continued drive to enhance retail banking business through e-banking interventions, and various retail product and service initiatives.



BEST BANK IN NIGERIA

GLOBAL FINANCE AWARDS

FirstBank has been the winner of the 'Best Bank in Nigeria', awarded by Global Finance, for the past 11 consecutive years in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

BEST COMPANY IN SME

SOCIAL ENTERPRISE REPORT AND AWARDS (SERAs)

The Bank was awarded the 'Best Company Supporting SME' in recognition of its role in promoting SME development in Nigeria. This it has done through capacity building initiatives championed through the FirstBank Sustainability Centre.

OUTSTANDING BANK BRAND OF THE DECADE

MARKETING EDGE AWARDS

The Bank clinched the 'Outstanding Bank Brand of the Year' award in recognition of its consistent and outstanding performance in revamping its brand over the past several years.

BEST PRIVATE BANK IN NIGERIA

WORLD FINANCE MAGAZINE

FirstBank clinched the 2014 'Best Private Bank in Nigeria Award' in recognition of its attention to client services and its 'Best in Class' private banking hubs located in Abuja, Lagos and Port Harcourt, as well as the accelerated speed in growing its market share and registering 39% in revenues within a short span of operation.

MOST INNOVATIVE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank was adjudged winner based on its innovative partnerships to drive e-commerce evolution in Nigeria. The Bank struck a partnership with online payment company PayPal – the only such project in the country – that allows customers to create and run a secure PayPal account directly from the FirstBank online banking platform, FirstOnline.

BEST PRIVATE BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

FirstBank clinched the 2014 'Best Private Bank in Nigeria Award' in recognition of its 'Best in Class' Private Banking Hubs located in Abuja, Lagos, and Port Harcourt, as well as the value created for private banking clients.

THE BEST RETAIL BANK IN NIGERIA

THE ASIAN BANKER INTERNATIONAL EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS

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

BEST PRIVATE BANK

BUSINESSDAY

The Bank won the 'Best Private Bank Award', in recognition of the value created for its clients through an accurate understanding of clients' financial objectives, efficient asset/portfolio allocation and first-class customer service delivery, consistently providing best-in-class solutions to clients' investment needs and objectives.

RECOGNITION OF OUR PERFORMANCE

THE BEST IN E-BANKING AWARD

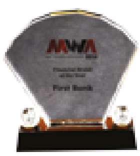
NIGERIA TELECOM AWARDS

The 'Best Bank in E-Banking' was awarded to the Bank in recognition of its leadership in the growth and development of electronic payment solutions in Nigeria.

BEST MOBILE MONEY OPERATOR

EFINA FINANCIAL INCLUSION AWARDS

Firstmonie, the FirstBank mobile money services platform was awarded the 'Best Mobile Money Operator in Nigeria.' This award recognises a leading mobile money operator that is making impact that has significantly driven the uptake of mobile money in Nigeria.



FINANCIAL BRAND OF THE YEAR

MARKETING WORLD AWARDS

The Bank won this award in recognition of its leadership in the provision of innovative products and services in the Financial Services Sector.

BEST SEGMENT SOLUTION AWARD

MASTERCARD INNOVATION FORUM

This award is in recognition of the Bank's leadership in the growth and development of card and electronic payment solutions in Nigeria.

MOST TRUSTED BRAND IN NIGERIA FOR 2014

BRANDHEALTH

This award reinforces FirstBank's reliability and dependability in the provision of innovative financial services.

AFRICA MID-STREAM OIL AND GAS DEAL OF THE YEAR 2014

EUROMONEY PROJECT FINANCE

FBN Capital was recognised by Euromoney Project Finance for its role as Global Facility Coordinator and Financial Modeling Bank on the Accugas USD225 million Project Finance Debt Facility. The firm also undertook the role of de facto Financial Adviser to the Borrower, Accugas (a wholly owned subsidiary of Seven Energy International), while FirstBank, UBA, FCMB and Stanbic IBTC jointly acted as Mandated Lead Arrangers on the transaction to assist the company in structuring and raising USD225 million for its gas pipeline project. Awarded in March 2014.

TELECOMS DEAL OF THE YEAR 2014

EUROMONEY PROJECT FINANCE

FBN Capital was recognised by Euromoney Project Finance for its role as the Joint Financial Adviser to Etisalat's USD1.25 billion Loan Facility. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise financing to refinance its existing USD650 million senior debt facility, and finance needs for its network deployment plan across Nigeria. Awarded in March 2014.

BEST ENERGY INFRASTRUCTURE DEAL IN AFRICA 2014

EMEA FINANCE PROJECT FINANCE AWARDS

FBN Capital was once again recognised by EMEA Finance for its role as Global Facility Coordinator and Financial Modeling Bank on the Accugas USD225 million Project Finance Debt Facility. The firm also undertook the role of de facto Financial Adviser to the Borrower, Accugas (a wholly owned subsidiary of Seven Energy International), while FirstBank, UBA, FCMB and Stanbic IBTC jointly acted as Mandated Lead Arrangers on the transaction to assist the company in structuring and raising USD225 million for its gas pipeline project. Awarded in June 2014.

RECOGNITION OF OUR PERFORMANCE

ICT/TELECOMS DEAL OF THE YEAR

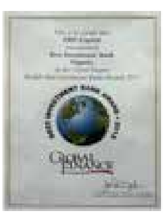
AFRICA INVESTOR INFRASTRUCTURE INVESTMENT AWARD 2014

FBN Capital recently received recognition at the 2014 edition of the Africa Investor Infrastructure Investment Awards for the ICT/Telecoms deal of the year: Emerging Markets Telecommunications Limited. FBN Capital was the Joint Financial Adviser to Etisalat's USD1.25 billion Loan Facility to fund the addition of 924 BTS sites. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise the funding required for the refinancing of the company's existing USD650 million senior debt facility, and finance the needs for its network deployment plan across Nigeria.

BEST PROJECT FINANCE DEAL IN AFRICA 2014

EMEA FINANCE PROJECT FINANCE AWARDS

FBN Capital was recognised by EMEA Finance for its role as the Joint Financial Adviser to Etisalat's USD1.25 billion Loan Facility. FBN Capital and Citigroup Global Markets, together as 'Financial Advisers', were mandated by Etisalat to raise financing to refinance its existing USD650 million senior debt facility, and finance needs for its network deployment plan across Nigeria. Awarded in June 2014.



BEST INVESTMENT BANK

GLOBAL FINANCE AWARDS

In 2014, FBN Capital was announced as the 'Best Investment Bank in Nigeria' by Global Finance for the 3rd consecutive year. Awarded in February 2014.

BEST ASSET MANAGER IN NIGERIA

EMEA FINANCE AFRICA BANKER AWARDS

FBN Capital Asset Management recently emerged the 'Best Asset Manager in Nigeria' at the Africa Banking Awards 2014 organised by *EMEA Finance Magazine*, which took place on 4 December 2014 in London, United Kingdom. The company was recognised for its impressive performance in the period under review where assets under management experienced a double-digit increase. According to *EMEA Finance Magazine*, 'This award is in recognition of the milestones and accomplishments recorded by the company within the review period. What is particularly impressive is the 200% growth rate in assets under management (AUM) across the mutual funds.'

AFRICAN DEAL OF THE YEAR 2014

ISLAMIC FINANCE AWARDS

FBN Capital was the joint issuing house in 2013 in the Osun State Sukuk, African Deal of the Year as recognised by *Islamic Finance News*. Awarded in February 2014.

BEST LIFE INSURANCE COMPANY, NIGERIA 2014

***WORLD FINANCE* MAGAZINE**

This award is in recognition of the FBN Insurance Ltd's delivery on premium value and excellent service standards as well as desiging products that are in consonance with deepening market penetration in the industry through innovation and creativity.

LAGOS STATE GOVERNMENT CORPORATE SOCIAL RESPONSIBILITY AWARDS 2014

LAGOS STATE GOVERNMENT AWARDS

The Lagos State Government at its Corporate Social Responsibility Awards 2014 honoured FirstBank in recognition of the Bank's partnership in the Lagos State Support Our Schools Initiative.

OUR APPROACH

Our approach to long-term sustainability hinges on building a stronger, well-diversified financial services group. Key to achieving this goal is an efficient balance sheet and the ability to proactively manage Group-wide risks. With more than 9.7 million active customer accounts and a wide geographical spread, we contribute meaningfully to the communities in which we operate through collaborative partnerships and consistent delivery of the best value to our customers.

OUR EVOLVING MARKETPLACE

GLOBAL ECONOMIC TRENDS

Global growth strengthened marginally last year, with recoveries in the United States and the United Kingdom leading the way. Sub-par growth in both Europe and China dampened eventual global growth numbers, while Japan continued to send mixed signals. Emerging markets came under twin pressures from softening commodity prices and a slowdown (and occasional reversals) in capital inflows. Nonetheless, the rush towards developed market equities (the safe haven consideration) slowed down considerably in the review period.

SUB-SAHARAN AFRICA: ECONOMIC TRENDS

Overall growth in Sub-Saharan African is expected to remain broadly stable at about 4.9% in 2015, a marginal difference over the emerging markets growth rate of 4.3% based on IMF estimates. Much of this is due to the decline in oil and other commodity export prices, which affects the foreign exchange earnings, terms of trade and the real incomes of many import-dependent, commodity-exporting African countries. While global GDP growth would receive a boost to 3.5% from lower oil prices, driven largely by higher oil supplies from new sources, the key economies to benefit materially from this growth will be the United States and the eurozone with growth rates improving from 2.4% to 3.6% and 0.8% to 1.2% respectively.

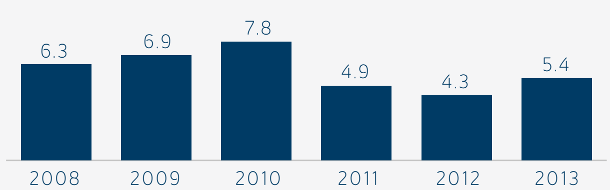
The potential impact of these economic trends will be felt greatly by the Commercial Banking group. These impacts include a fall in domestic consumption and business investment with obvious implications for the industry's build-up of credit risk and foreign currency exposure.

THE NIGERIAN ECONOMY

A number of monetary policy initiatives helped to support stability in the economy in 2014. According to the IMF, 'Real Gross Domestic Product (GDP) grew by 6.1% in the third quarter of 2014 (compared to the third quarter 2013), supported by robust performances in the non-oil economy (agriculture, trade and services)'. After falling for three consecutive months to end-November, inflation moved up to 8% year on year in December.

As oil prices declined in Q3 2014, the outlook for the economy moderated with huge implications for an increased budget deficit. With the Bonny Light crude oil price down to USD57 per barrel in December, and gross external reserves down to USD34.5 billion (5.4 months of imports of goods and services), the current account surplus is now projected to decline to about 3.0% of GDP by next year.

GDP growth (%, 2008–2013)



THE EFFECTS ON OUR MARKETS

Most oil-producing countries were adversely affected by falling oil prices, with Russia (which was also hit by economic sanctions), Venezuela and Nigeria being the worst affected. This decline in oil prices raises the chances of an increase in global economic growth, since oil-consuming nations are more likely to spend the price gains than are oil-exporting countries. Nevertheless, the oil price drop constitutes a major threat to the economy of oil producers.

As a result of the perceived excess liquidity in the system and as the demand pressure for foreign exchange (largely US dollars) increased in the wake of the fiscal challenges to the economy from falling oil prices and devaluation of currency, the Central Bank of Nigeria (CBN) tightened monetary conditions in stages, beginning with its decisions to raise the cash reserve requirement (CRR) on public sector deposits from 50% to 75% in January, and to raise the CRR on private sector deposits from 12% to 15% in March.

By sterilising what ordinarily should have been loanable funds, this eroded liquidity in the banking industry and forced rates up. Whereas higher yields on naira-denominated assets are necessary to support the domestic currency's external value, the net effect of this policy change was to push up banks' cost of funds, with obvious additional implications for growing profits.

With oil prices trending lower, and the unabated pressure on the naira, the CBN tightened monetary conditions further by year end; reduced the foreign exchange trading position of individual authorised dealers from 1% of the latter's shareholders' funds (unimpaired by losses) to zero; moved the policy rate (MPR) up from 12% to 13%; increased the cash reserve requirement (CRR) for private sector deposits from 15% to 20%; moved the mid-point of the official exchange rate peg from USD/₦155 to USD/₦168 to reflect market realities; and widened the official band around the mid-point of the exchange rate from +/-3% to +/-5%.

The combined effects of these decisions adversely affected the profitability of the banking industry, with only very few banks able to deliver economic profits after adjusting for the cost of capital.

Given that the majority of the restrictive regulations were targeted at preserving the stability of the foreign exchange market, the likely scenario is that the straitened regulatory environment with tight monetary policy will remain throughout 2015. Invariably, the cumulative impact of lower oil revenues and reduced real income for businesses is a higher probability of quantum leaps on non-performing loans.

OUR EVOLVING MARKETPLACE

The competitive environment will have the following effects on the future performance of the Commercial Banking group:

- strengthening relationships with our significant counterparties to mitigate the possibility of defaults, including recalibrating loan acceptance criteria going forward to keep abreast and ahead of developments at the macroeconomic level;
- seeking new sources of revenue growth; and
- defending market share by deepening the customer experience across the respective spectrum of the market.

OUTLOOK FOR THE GROUP

Macroeconomic concerns will dominate conversation on the Nigerian economy over the next 12 months, aside from the traditional sub-themes of politics and security challenges in an election year. The multiplier effects of diminished government revenue on slower capital projects, and possible trickle-down effects on business contraction and muted household spending, are likely to have moderating effects on investment and corporate banking, as well as on the retail business.

The main challenge to the Commercial Banking group from lower consumer spending is how it impacts our counterparties. Especially for the fast-moving consumer goods and distributive trade sectors of the economy, a build-up of inventory as consumers rein in their spending could hurt our bottom line, while many analysts are of the view that the weight of multiple regulatory constraints on earnings in an era of slowing real-income growth could trigger off some asset impairment in some banks.

Our approach as an international and diversified financial services group is to continue to strengthen the risk acceptance and risk management process to mitigate any adverse impacts on our asset portfolio, especially on the credit side. In 2014, we commenced the asset optimisation policy which, when seamlessly executed in 2015, will position us strongly in managing these vulnerabilities. As a key driver of shareholder returns in banking is its margin profile, itself a function of asset mix, asset pricing, funding structure and funding costs, our asset optimisation and credit portfolio rebalancing strategies, which began in 2014, will be followed through in 2015.

Global growth is expected to rise moderately, to 3.0% in 2015[1], and developed countries are likely to grow on the back of gradually recovering labour markets, and relatively low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery is strengthened, growth is projected to gradually accelerate. In Nigeria, the 2015 outlook is influenced by the expected impact of the elections (most analysts predict a slowdown in market activity) as foreign institutional investors stay on the sidelines and local investors adopt a wait-and-see approach. Analysts also predict a potential further devaluation of the currency by the CBN and slow growth of the external reserve; equity and fixed income market segments are expected to experience modest growth. Notwithstanding, inflation is expected to rise but remain in the single-digit region and GDP is expected to grow by 5.3%[2]. Competition is set to intensify due to the influx of foreign players and the scramble for market share. We expect funding gaps across the power sector given the National Integrated Power Project asset privatisation and ongoing reforms in the sector. We also expect mergers and acquisitions in the oil and gas industry following dwindling revenue arising from the current low oil prices. The signing into law of the Petroleum Industry Bill will likely generate increased interest and result in enhanced investments in the energy sector.

In the financial services industry as well as from the public sector, we expect further funding/capital raising opportunities to support capital requirements and business growth as well as finance infrastructure projects.

These potential opportunities are expected to generate increased market activities especially for corporate and investment banking.

Following the full integration of our acquisition of Oasis Insurance Plc into FBN Insurance Limited, we foresee improvements on both our ranking and profitability in this sector as we move into 2015–2016. Our new product development, using alternative channels deployed over newer market segments, is set to ensure improved ranking of the composite insurance business. Again the fiscal policy tightening by the Federal Government on account of dwindling oil revenues and foreign exchange reserves might result in some form of rationalisation in public services which might slow down insurance policy purchases. As we expect contraction in revenue accruing to insurance companies in the coming years, the implementation of cost-effective business models as well as the deployment of flexible innovative products and the development of distribution channels will be the game changers.

Market outlooks in most of the other African markets in which we operate are positive, and we expect improvements in most of these geographies.

1 Source: www.worldbank.org/en/publication/global-economic-prospects.

2 Source: FBN Capital Research – Economic Outlook (2014).

Our business model

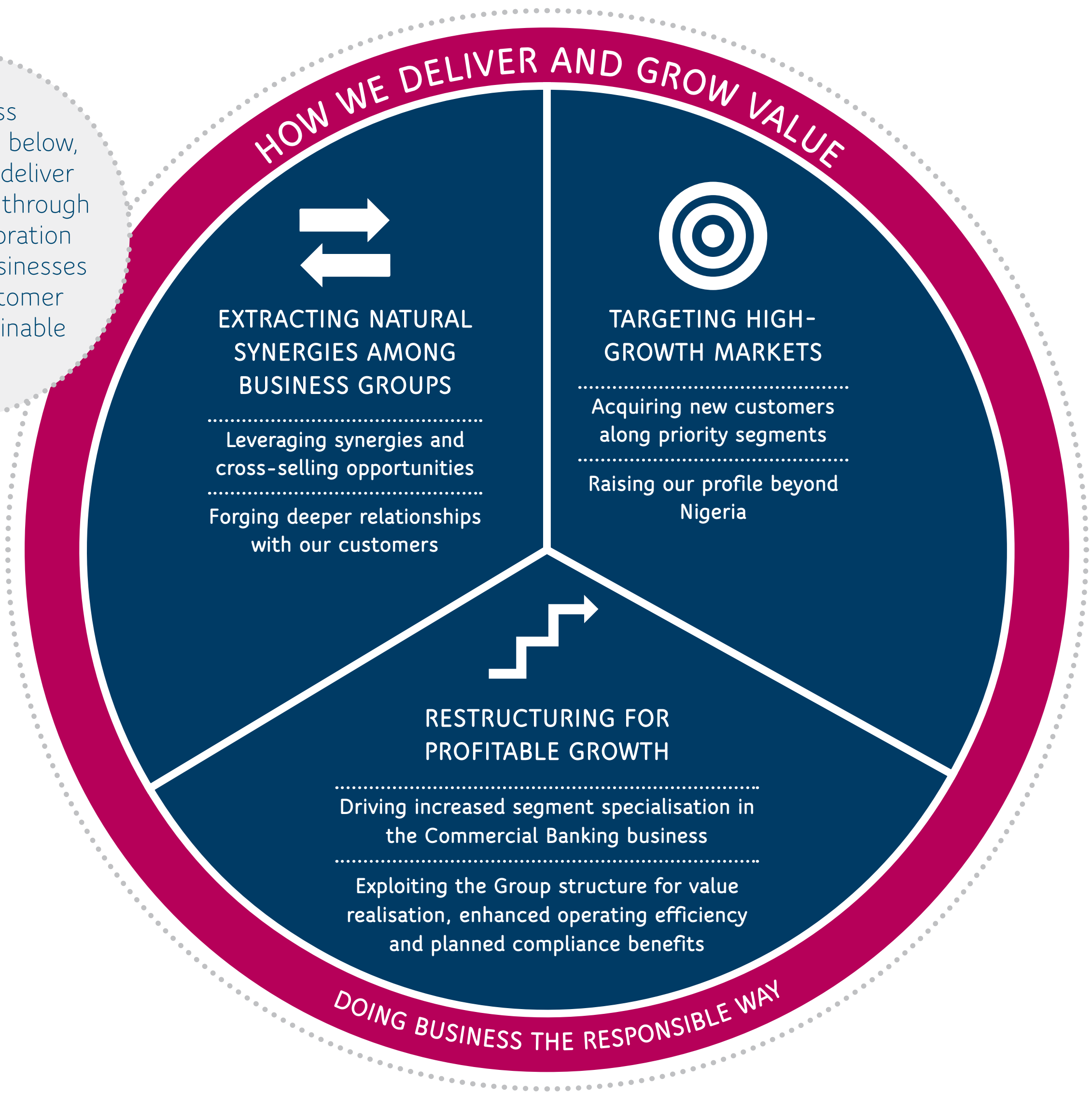
Our aspiration is to deliver growth by building a leading Sub-Saharan Africa financial services group. The sustainability of our business performance is driven by our structure, people and reach – giving us a true competitive advantage.

Our structure has clustered similar businesses to improve coordination and specialisation while ensuring an optimal legal and compliance framework. Specifically, the separation of the Commercial Banking business from other operations provides a platform for enhanced focus on the growth of non-bank subsidiaries, allows for greater risk management supervision and enables optimal capital allocation decisions. Our passion for constantly improving the competencies of our people has been the driving force behind our employee transformation programme, with initiatives such as talent management, cross-posting and mentoring. Our shareholders desire a long-term stream of profits, and it is our responsibility to ensure the business drivers are in place to support this aspiration.

Due to the alignment and operations of the FirstBank Group, we have created a corporate centre with responsibility for setting strategic direction, providing Group-wide oversight and ensuring the leveraging of synergies across the Group. It achieves this through the constitution of a governing board and committees at Group level to optimally align corporate governance and management roles.

This has helped ring-fence the commercial banking business from non-banking businesses and their associated risks, thereby protecting shareholder value.

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



OUR BUSINESS MODEL

Our shared services structure enhances efficiency across our businesses. The optimal use of technology has resulted in speeding up the new product development process within the Group, while reducing the time to market for the launch of new products and ideas.

The differentiating aspect of FBNHoldings' approach is the scale and scope of our business and brand portfolio, as well as our geographic reach. The diversity of our business portfolio creates highly valuable scale benefits that are difficult to replicate. In Nigeria, our Commercial Banking business has the widest distribution network, serving possibly the largest client list across all key customer segments. In terms of loan growth, credit quality and net interest margins (NIM) relative to our peers, our scale provides a more defendable interest margin. Similarly, our non-banking business groups enjoy economies of scale created by the large-brand premium underpinning the Commercial Banking business. The diversification and strong natural synergies, in turn, reduce risk and improve the quality of our earnings.

As one of sub-Saharan Africa's oldest and largest full-scale, diversified financial service institutions, FBNHoldings delivers value through the breadth of tested retail products across the customers' life-cycle, and business products across the entire value chain.

In our largest market, Nigeria, our unparalleled reach, with superior technology and a branch network across the country, affords us a low-cost competitive advantage to partner for growth with clients in our diverse locations.

Our largest business group, the Commercial Banking group, generates value by exploiting the immense retail banking franchise to trap and grow sustainable, low-cost deposits as a platform for the various wholesale banking groups to create quality risk assets.

In delivering the fundamentals of banking – playing the financial intermediation – we have consistently tweaked the structure of our business to ensure it is aligned with the needs of our customers and how they hope to be served. Our business model is guided by the philosophy of continuously restructuring for growth, controlling and measuring this growth, and delivering business responsibly.

In the past five years, the Bank has achieved major milestones in driving sustainable growth by reworking its business model to achieve its strategic objectives. In 2010, we realigned our business structure from being organised by geography to being business-segment focused. This helped us develop critical competencies in specialised sectors, developed segment-focused products/services and increase our share of wallet customers' businesses. We have migrated to a holding company structure over 2012-2013 and completed an acquisition in West Africa, in addition to growing our domestic franchise organically. This acquisition is in addition to our presence through subsidiaries in the UK and Republic of Congo as well as representative offices in South Africa and Abu Dhabi. We also recognise the need for sustainable growth, which has led to us embedding robust controls on risk and costs as evidenced by the ISO 2700022 certification we achieved in November 2013.

To ensure the Bank's business model is continuously optimised, we are creating two teams to enhance our customer engagement model; the transaction banking team and the middle office. The transaction banking team provides deep technical expertise in driving non-interest income across all our business segments to support the developments of products and the structuring business transactions for corporate clients. The middle office operations team will take on the operational responsibilities of relationship managers so they dedicate more business hours to sales-related activities. These two teams are critical to driving the effectiveness of the bank's sales team.

To ensure the Bank's business model is continuously optimised, we have clearly delineated customer market segments within the retail and various wholesale banking groups to ensure the proper match of value proposition to customers' profiles. As a result, we further defined a small and medium enterprises (SME) subsegment within the Retail Banking Group, as well as a newly carved Commercial Banking niche group focusing on middle-market opportunities in trade. This will enable us to further deepen our foray into existing markets and to create new space within the high-growth customer markets.

To enable effective uptake and use of deposits generated by retail banking, the institutional/corporate banking groups have put in place mechanisms to drive the value chain approach to provide a one-stop shop for customers' needs. This business model optimisation demands a holistic approach to customer engagement, which provides huge opportunities for referrals and cross-selling across the various strategic business units in the Bank as well as the exploitation of synergies within FBNHoldings. To this end, delivering a superior value proposition and ensuring customer satisfaction remain our key model drivers.

How our business groups create value

BUSINESS GROUP	PRIMARY INCOME SOURCE	DESCRIPTION
Commercial Banking	Interest and fee income	We make a spread from the deposits received from customers and the funds lent. Fee income is made from transaction charges on funds lent and commissions made in facilitating other transactions.
Investment Banking and Asset Management	Fees and trading income	We arrange finance, provide investment advice and trade execution, manage funds and sell investment products for a fee and trading income.
Insurance	Premium, commission and investment income	We help customers manage risks by pooling and redistributing these risks for a stream of premium. In addition, income is made from investing the premiums collected. We also provide insurance brokerage services for commission.
Other Financial Services (microfinance)	Interest and fee income	Like Commercial Banking, we make a spread from the deposits received from customers and the funds lent. Fee income is made from transaction charges on funds lent and commissions made in facilitating other transactions.

OUR BUSINESS MODEL

EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUPS

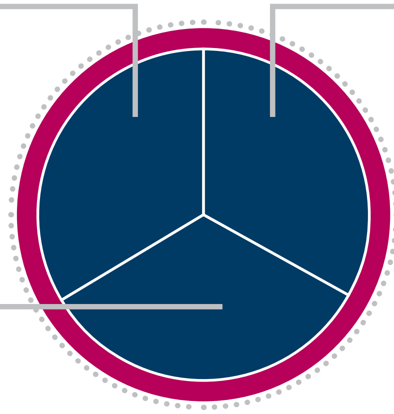
Strong natural synergies and cross-selling opportunities exist between banking and other financial services sectors, and we have intensified efforts to leverage our unique offering to forge deeper relationships with our customers.

RESTRUCTURING FOR PROFITABLE GROWTH

We have clustered similar businesses to enhance client service delivery and improve coordination and specialisation while ensuring an optimal legal, compliance and tax framework.

Within the Commercial Banking group, we will continue to drive increased segment specialisation across the organisation in line with the demands of an increasingly discerning customer base, evolving competitive environment and international best practices.

In addition, we are consolidating several aspects of our operations into Group shared services and continually re-engineering key processes to optimise cycle times and increase operating efficiency.



TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

We are seeing tangible benefits of a modified (Bank) operating model, with the development of segment and functional specialists. We will be focused on the customer – acquiring new customers along priority segments (i.e. emerging corporates and retail).

Over the medium term, we intend to raise our profile beyond its current borders, establishing presence in select sub-Saharan African countries that are of interest. This expansion is expected to result in a number of benefits, including greater earnings diversification and increased shareholder value through higher returns on equity.

INSURANCE

- Life assurance underwriting
- General insurance underwriting
- Insurance brokerage

COMMERCIAL BANKING

- Institutional banking
- Corporate banking
- Retail banking
- Public sector banking
- Private banking
- Commercial banking
- Pension Custodian
- Mortgages

INVESTMENT BANKING AND ASSET MANAGEMENT

- Advisory
- Capital markets
- Principal investing and private equity
- Asset management
- Securities services

OTHER FINANCIAL SERVICES

- Microfinance
- Investment management
- Securities trading

* Summation of net operating income of non-bank subsidiaries.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

OVERVIEW

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

Our structure has clustered similar businesses to improve coordination and specialisation while ensuring an optimal legal and compliance framework. Specifically, the separation of the Commercial Banking business from other operations provides a platform for an enhanced focus on the growth of non-bank subsidiaries, allows for greater risk management supervision and enables optimal capital allocation decisions. Our passion for constantly improving the competencies of our people has been the driving force behind our employee transformation programme, with initiatives such as talent management, cross-posting and mentoring. Our shareholders desire a long-term stream of profits, and it is our responsibility to ensure the business drivers are in place to support this aspiration.

Due to the alignment and operations of the FirstBank Group, we have created a corporate centre with responsibility for setting strategic direction, providing Group-wide oversight and ensuring the leveraging of synergies across the Group. It achieves this through the constitution of a governing board and committees at Group level to optimally align corporate governance and management roles.

This has helped ring-fence the commercial banking business from non-banking businesses and their associated risks, thereby protecting shareholder value.

Our shared services structure enhances efficiency across our businesses. The optimal use of technology has resulted in speeding up the new product development process within the Group, while reducing the time to market for the launch of new products and ideas.

The differentiating aspect of FBNHoldings' approach is the scale and scope of our business and brand portfolio, as well as our geographic reach. The diversity of our business portfolio creates highly valuable scale benefits that are difficult to replicate. In Nigeria, our Commercial Banking business has the widest distribution network, serving possibly the largest client list across all key customer segments. In terms of loan growth, credit quality and net interest margins (NIMs) relative to our peers, our scale provides a more defendable interest margin. Similarly, our non-banking business groups enjoy economies of scale created by the large-brand premium underpinning the Commercial Banking business. The diversification and strong natural synergies, in turn, reduce risk and improve the quality of our earnings.

As one of Sub-Saharan Africa's oldest and largest full-scale, diversified financial service institutions, FBNHoldings delivers value through the breadth of tested retail products across the customers' life-cycle, and business products across the entire value chain

In our largest market, Nigeria, our unparalleled reach, with superior technology and a branch network across the country, affords us a low-cost competitive advantage to partner for growth with clients in our diverse locations

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

There are key drivers that the Group has put in place to ensure our business model will deliver sustainable returns. These are outlined briefly below:

STRONG LEADERSHIP AND GOVERNANCE

The Board of FBNHoldings is represented by distinguished individuals with in-depth and diverse experience. These eminent persons have displayed excellent and proven business knowledge and Board experience spanning an array of industries and sectors. The primary purpose of the Board is to build long-term shareholder value and ensure oversight so that appropriate controls, systems and practices are entrenched to safeguard the assets of FBNHoldings in a sustainable manner.

To further deepen the oversight function and following the retirement of one of the non-executive directors, three new non-executive directors were appointed to fortify the Board. As such, the Board now comprises nine members: eight non-executive directors (NEDs) and a Chief Executive Officer (CEO). To ensure appropriate oversight function, the CEO sits on the Board of the key subsidiaries (business groups) of FBNHoldings.

For further information, see Governance on page 47.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

EFFECTIVE RISK MANAGEMENT

The Group considers effective risk management to be of utmost importance to its overall operations. Accordingly, the Group has put in place a robust risk management framework that clearly monitors, evaluates and manages the principal risks it assumes in conducting its activities.

Our risk management is guided by our key elements' philosophy, including a holistic and integrated approach in bringing all risks together under a limited number of oversight functions. However, responsibility for managing risks extends from the Board of Directors and executive committees to each business manager and risk owner. Each risk officer is empowered to perform their duties professionally and independently in line with well-defined policies and structures that are clearly communicated across the Group. This helps to achieve and maintain a conservative balance between risk and return considerations.

Part of the Group's commitment to driving sustainability involves managing sustainability risks. We do this by enhancing the existing environmental and social screening process for lending to a more comprehensive mechanism, the environmental, social and governance management system (ESGMS).

The system consists of an environmental, social and governance policy; procedures to screen transactions for environmental, social and governance risks; guidance for monitoring performance and maintaining ESGMS records; and ways of reviewing ESGMS and continuously improving it, based upon changing international standards.

We continually modify and enhance our risk management policies and systems to reflect changes in markets, products and international best practices. For more information, see Effective Risk Management on page 38.

RELATIONSHIPS AND RESPONSIBILITY

At FBNHoldings, relationships and corporate responsibility are intertwined. Our citizenship approach involves developing and sustaining mutually beneficial, trusting and meaningful relationships between our stakeholders and ourselves.

We believe that building strong relationships with our customers, shareholders, employees and communities that inform our focus areas and priorities underpins our own sustainability.

This proactive approach ensures that our goal of driving long-term growth includes the protection of all stakeholders' interests, by going beyond profit-making to supporting the preservation of the environment and helping empower the communities in which we operate.

We are also committed to conducting businesses transparently and ethically by managing our business processes towards ensuring an inclusive, positive impact on society. Our sustainability strategy focuses on sustainable finance, people empowerment, community support and environmental sustainability. Our key citizenship priorities are driven under these platforms.

COMPLAINTS HANDLING

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

We put structures in place to ensure that we have a holistic view of all complaints received. This resulted in an increase in the number of complaints received; over 77,000 were reported in 2014 compared to 39,000 recorded in the previous year, as shown in the table opposite.

A complaint dashboard shows complaints grouped by type, resolution time, percentage turnaround time performance, percentage in previous and current count, and percentage of each of the categories compared to total receipt.

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

At FirstBank, to ensure customers' complaints are well handled towards exceptional customer service, every customer on the Bank's book has a Relationship Manager (RM) who is the main point of contact for the customer and ensures each account is functioning in accordance with the customer's expectations. As part of Know Your Customer (KYC) the RM reviews the account with the customer, currently on an annual basis. This process is overseen by the Bank's Compliance department as part of its compliance monitoring programme.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

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

Customer complaints received in 2014

Serial number	Description	Number		Amount claimed (₦)		Amount refunded (₦)	
		2014	2013	2014	2013	2014	2013
1	Pending complaints brought forward	670	386	5,295,753,038.34	1,316,965,049.90	123,561,481.28	-
2	Received complaints	77,185	39,785	18,222,117,149.71	15,933,790,532.48	1,270,519,125.13	-
3	Resolved complaints	68,328	39,509	21,101,788,635.74	2,145,283,016.39	1,270,519,125.13	-
4	Unresolved complaints escalated to CBN for intervention	0	0	0	0	0	0
5	Unresolved complaints pending with the Bank carried forward	9,527	670	2,416,081,552.31	5,295,753,038.34	0	123,561,481.28

ETHICS AND COMPLIANCE

The Group prides itself on having one of the most compliant and industry-leading holding company structures. Its governance structure is unparalleled, with Board and management appointments, including transitions at executive levels, made with ease and without rancour or business disruption.

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

This ethical behaviour is driven by senior leaders who have worked relentlessly to build an ethical culture across the Group. This culture is reinforced by rewarding employees who constantly embody the values and integrity that the Group upholds.

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

LEADERSHIP AND GOVERNANCE

“As a Board, we shall remain steadfast in ensuring that our processes are continually improved upon...”

Over the years, our brand’s perception has been steeped in the recognition of our Group’s strong commitment to corporate values and governance. With good corporate practices having a positive effect on the way we run the Group, we ensured that the tone from the top is filtered down through the Group and dictates the manner our business is run at Group level and through all our subsidiaries.

During the course of the year, in underlining our commitment to running our business in compliance with best global practices, we were given recognition by the Central Bank of Nigeria (CBN) in its joint examination report with the Nigeria Deposit Insurance Corporation (NDIC) where it was noted that FBN Holdings Plc met and exceeded the corporate governance standards expected of a financial holding company despite the absence of regulations and guidelines.

Similarly, our commitment to good corporate governance practices was recognised at the announcement of results of the Nigerian Stock Exchange (NSE) Corporate Governance Rating System (CGRS).

Thirteen companies had volunteered for the pilot phase of the project; only eight passed the rigorous year-long process including FBNHoldings which was also the only financial holding company of the eight. Similarly, FBNHoldings recorded a 100% score in the director certification segment of the CGRS as all directors of our Board sat and passed a rigorous corporate governance test administered by the Centre for Business Integrity (CBI) and NSE.

We do not however think we have achieved perfection. We will not rest on our oars. We will continue to strive to improve on our strengths and reduce our shortfalls to ensure our shareholders get the best value for equity.

Across the Group, we shall continue to ensure that ethical practices are not substituted with sharp dealings and we will also remain unrelenting in upholding values while doing business. These practices not only keep us ahead of the competition, they also ensure the sustainability of our business.

As a Board, we shall remain steadfast in ensuring that our processes are continually improved upon and that the Board, management and employees internalise the highest standards of corporate governance practice as we bid to ensure the Group’s long-term sustainability. In recognising the immense impact that good governance has on the performance and operations of the Group, we will remain unrelenting in ensuring the observance of good corporate governance practice at all levels across the Group.

“Our resolve to do business the ‘proper’ way remains unrelenting and persistent. This is because as a Board, we fully comprehend our responsibilities to clients, customers, staff, the communities in which we operate and the general public. Our pledge to our shareholders therefore is to always ensure that in the discharge of our duties, we shall endeavour to continue to meet and exceed the expectations of our stakeholders.”

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Dr Oba Otudeko, CFR
Group Chairman

Bello Maccido
Group Chief Executive Officer
BARAC BFIC

Oye Hassan-Odukale, MFR
Non-Executive Director
BFIC SAC

Bisi Onasanya
Non-Executive Director
BFIC

Abdullahi Mahmoud
Non-Executive Director
BGC SAC

Chidi Anya
Non-Executive Director
BGC BARAC SAC

Dr Hamza Wuro Bokki
Non-Executive Director
BARAC BFIC
Appointed August 2014

Adebola Osibogun
Non-Executive Director
BARAC
Appointed January 2015

Omatseyin Ayida
Non-Executive Director
BGC
Appointed January 2015

Tijjani Borodo
Company Secretary

Lt General Garba Duba, rtd
Retired August 2014

KEY:
- BGC Board Governance Committee
- BARAC Board Audit & Risk Assessment Committee
- BFIC Board Board Finance & Investment Committee
- SAC Statutory Audit Committee

LEADERSHIP AND GOVERNANCE

FBNHOLDINGS MANAGEMENT

Bello Maccido
Group Chief Executive Officer

Tijjani Borodo
Company Secretary

Oyewale Ariyibi
Head, Finance

Folarin Alayande
Head, Strategy and Corporate Development

Oluyemisi Lanre-Phillips
Head, Investor Relations

Olu Adegbola
Head, Risk Management

OUR SUBSIDIARIES

COMMERCIAL BANKING:

Bisi Onasanya
GMD/CEO, First Bank of Nigeria Limited

Michael Barrett
Managing Director, FBNBank (UK) Limited

Cheikh Tidiane
Managing Director, FBNBank DRC Limited

Kunle Jinadu
Managing Director, First Pension Custodian Limited

Seyi Oyefeso
Managing Director, FBNBank Ghana Limited

Adenrele Oni
Managing Director, FBN Mortgages Limited

Philippe Kpenou
Managing Director, International Commercial Bank Senegal

Akeem Oladele
Managing Director, FBNBank Guinea Limited

Nelson Akande
Managing Director, FBNBank Sierra Leone Limited

Uloma Olikagu
Managing Director, FBNBank The Gambia Limited

LEADERSHIP AND GOVERNANCE

INVESTMENT BANKING AND ASSET MANAGEMENT:

Kayode Akinkugbe
Managing Director, FBN Capital Limited

Michael Oyebola
Managing Director, FBN Capital Asset Management Limited

Adekunle Awojobi
Managing Director, FBN Trustees Limited

Abiola Adekoya
Managing Director, FBN Securities Limited

Nkiru Adekoya
Managing Director, FBN Funds Limited

INSURANCE

Valentine Ojumah
Managing Director, FBN Insurance Limited

Fidelis Ojeah
Managing Director, FBN Insurance Brokers Limited

OTHER FINANCIAL SERVICES

Adegboyega Fatoki
Acting Managing Director, Kakawa Discount House

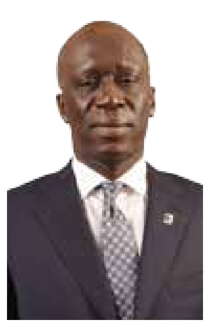
Pauline Nsa
Managing Director, FBN Microfinance Bank Limited

STATUTORY AUDIT COMMITTEE MEMBERS

Job Onwuahara
Chairman

Abubakar Yahyah

Waheed Adegbite



Oye Hassan-Odukale, MFR

Abdullahi Mahmoud

Chidi Anya

EFFECTIVE RISK MANAGEMENT

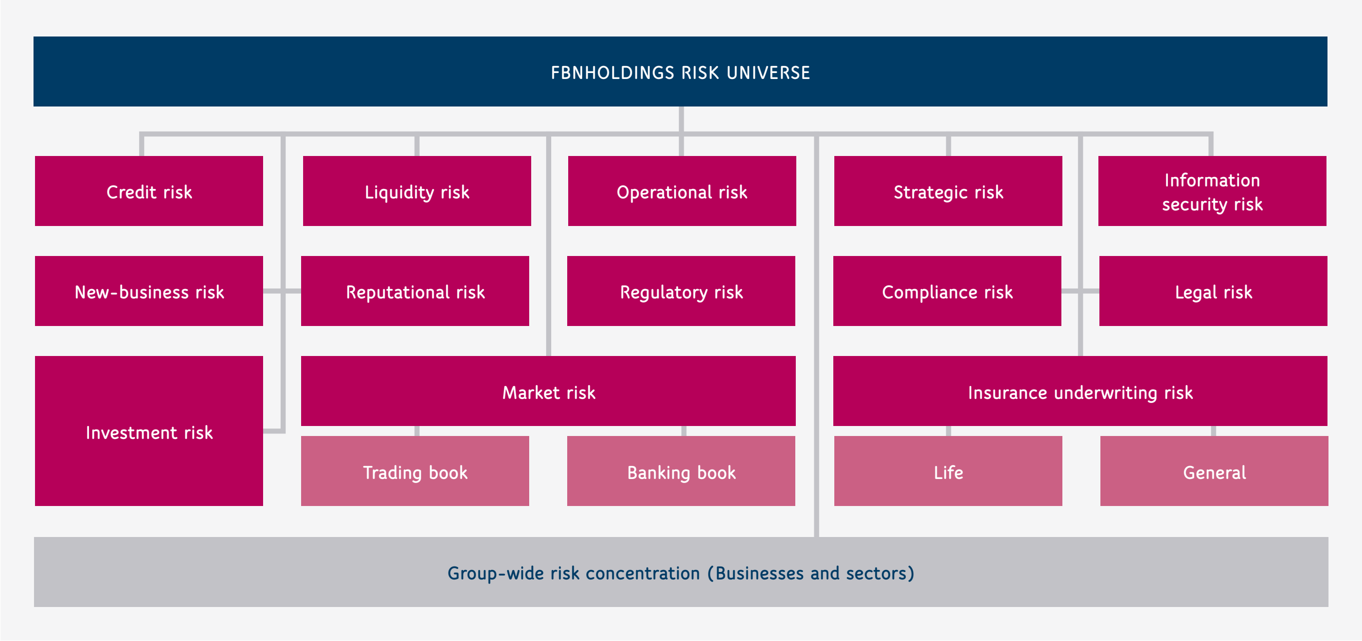
OVERVIEW

Effective risk management is fundamental to the business activities of the Group. At FBNHoldings, 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 framework and a strong risk management culture. This promotes accountability for risks at all levels across the Group. Our enterprise risk management framework ensures a consistent approach to risk management. The framework focuses on accountability, responsibility, independence, transparency and reporting. As a diversified financial institution, the Group is exposed to a variety of risks. The effective management of these risks through a consistent methodology that identifies, measures, assesses, controls and monitors risk across the Group through the deployment of state-of-the-art risk management technologies and through leading-practice risk management methodology is one of our major strategic differentiators.

ENTERPRISE-WIDE RISK

Below are the key risks which FBNHoldings is exposed to:



Each of the risks outlined above is managed using the three lines of defence governance model across the Group. This entails managing risks by business units/risk owners, the risk oversight departments and the internal audit department.

EFFECTIVE RISK MANAGEMENT

RISK GOVERNANCE

Risk governance is maintained through the delegation of authority from the Board, down to management level, supported by committee structures 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.

The Board at the Commercial Banking group drives the risk governance and compliance process through the Board Audit & Risk Assessment Committee and the Board Credit Committee. The Board Audit & Risk Assessment Committee evaluates the processes for identifying, assessing, monitoring and managing key risk areas; it also evaluates the adequacy of the Commercial Banking group's risk management systems and control environment. The Board Credit Committee is responsible for approving the Commercial Banking group's credit risk management strategies, policies, standards, products, approval limits and authorities, and risk appetite.

Furthermore, the Board risk control functions are supported by various management committees (Management Credit Committee, Asset & Liability Committee and Business Risk & Compliance Committee) that help it develop and implement various risk strategies. Management assurance processes are assessed by the Group's Internal Audit and the effectiveness of the Group's control framework is assessed by the Board Audit & Risk Assessment Committee.

Finally, the Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices.

Responsibility for risk management

PERFORMANCE IN 2014

The Banking group recorded a 23% growth in net loans and advances due to the availability of bankable transactions within prescribed risk appetite limits. The asset quality ratio for the period was 2.9% and is within the acceptable threshold of the Group and the regulatory limit of 5%. The Group maintained a strong liquidity position in spite of the distortion in the systemic liquidity. This was due to our efforts in leveraging the value of collaboration across business lines, improving the productivity of our business operations and sustainable growth in client engagement.

During the year, a leading risk consulting firm was engaged to review and validate the Group Enterprise Risk Management Framework (ERM) to ensure the framework meets international best practice. Although the review is still ongoing as at year end 2014, we believe the reviewed framework will go a long way to strengthening risk management practice across the Group.

We have developed a Group whistleblowing policy to encourage staff and other stakeholders to report perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the Group to the appropriate authority without any fear of harassment, victimisation, intimidation or reprisal for raising the concern.

FBN Insurance Limited (FBNI) has consistently maintained strong operating results in the past five years. This performance has been anchored on best and acceptable ethical practices, regulatory compliance and strict compliance with the Insurance group's risk appetite.

The risk management priorities across the Group in 2015 will be:

- improvement in asset quality and reduction in impairment;
- proactive management of concentration risk in the portfolio;
- adherence to target market/risk acceptance criteria (RAC) in the selection of credits;
- creation of low- to medium-risk assets in order to boost the risk profile of the portfolio;
- moderate credit risk capital consumption as it relates to Basel II capital requirements;
- ensuring the appropriate response to all regulations, and maintaining a business-like approach to regulatory compliance across the Group; and
- further strengthening risk governance through training to revitalise the risk culture and consciousness across the Group.

RISK FACTORS OVERVIEW

Presented in the table below is a further analysis of the major risks which the Group is exposed to, their potential impact and the respective mitigating measures.

CREDIT RISK

Type of risk

CREDIT RISK

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

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

Potential impacts on business

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

Mitigating measures

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

Type of risk

PORTFOLIO LIMIT RISK

- Concentration risk.

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

Potential impacts on business

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

Mitigating measures

Adherence to portfolio limits and regulatory requirements.

RESPONSIBILITY

Strategic business units (SBUs), Risk Management and Chief Risk Officer.

EFFECTIVE RISK MANAGEMENT

MARKET AND LIQUIDITY RISK

Type of risk

INTEREST RATE RISK

- Re-pricing risk
- Yield curve risk
- Basis risk
- Optionality risk.

Potential impacts on business

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

Mitigating measures

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

Type of risk

FOREIGN EXCHANGE RISK

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

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

Potential impacts on business

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

Mitigating measures

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

Type of risk

INVESTMENT RISK

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

Potential impacts on business

Could lead to the diminution in the value of investments.

Mitigating measures

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

Type of risk

COUNTERPARTY RISK

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

Potential impacts on business

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

Mitigating measures

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

Type of risk

LIQUIDITY RISK

- Funding liquidity
- Trading liquidity.

Potential impacts on business

Could lead to insolvency and eventual reputational risk.

Mitigating measures

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

RESPONSIBILITY

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

EFFECTIVE RISK MANAGEMENT

OPERATIONAL RISK

Type of risk

PEOPLE RISK

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

Potential impacts on business

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

Mitigating measures

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

Type of risk

OPERATIONS RISK

The risk for the Group of incurring financial loss as a result of inadequacies or failures in operations processes, systems or staff. Operations risk additionally incorporates the risk arising from disruption of operations activities caused by external events. Examples are: transaction capture, execution and maintenance errors or failures; failures in the customer intake and documentation process; failed mandatory reporting obligations; limit breach due to inadequate internal processes; inadequate reconciliation processes; and manual-intensive processes.

Potential impacts on business

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

Mitigating measures

- A comprehensive Control Administrative and Accounting Procedure (CAAP) Manual put in place to guide operational activities and processes of the Group
- The establishment of a central processing centre specialising in various operation areas, and the migration of some activities which were hitherto handled at the branches
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of the Group
- The development policies and frameworks: Related Party & Conflict of Interests; Outsourcing Policy; Operational Loss Recording, Accounting & Reporting Policy
- Continuous deployment of a self-assessment programme to allow process owners to identify control weaknesses with a view to taking proactive remedial actions
- Automation and re-engineering of our processes
- Putting in place robust business continuity planning and disaster recovery programmes
- Stepping up operational risk awareness training and programmes
- Monitoring and managing key risk indicators (KRIs) in processes, products and activities.

Type of risk

SYSTEM OR TECHNOLOGY RISK

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

Potential impacts on business

This could manifest itself in the form of: system downtime resulting in irate customers and tarnished reputation; software failures; systems change process management failures; seizure of technical support; hardware failures; obsolete hardware; and lack of support from the manufacturers.

Mitigating measures

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

EFFECTIVE RISK MANAGEMENT

OPERATIONAL RISK continued

Type of risk

EXTERNAL EVENTS AND THIRD-PARTY RISK

Risk arises from external events such as external fraud, natural disaster and third party.

Potential impacts on business

External events could lead to disruption to business and financial loss to the Group. Third-party failure could lead to poor service, reputational damage and financial loss to the Group.

Technology failure due to the activities of hackers and inadequate financial capacity to fulfill obligations could impact negatively on the Group's service delivery.

Mitigating measures

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

Type of risk

REGULATORY AND COMPLIANCE RISK

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

Potential impacts on business

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

Mitigating measures

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

RESPONSIBILITY

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

INFORMATION SECURITY RISK

Type of risk

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

Potential impacts on business

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

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

Mitigating measures

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

RESPONSIBILITY

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

EFFECTIVE RISK MANAGEMENT

LEGAL RISK

Type of risk

LITIGATION AND ADVERSE CLAIMS

Potential impacts on business

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

Mitigating measures

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

Type of risk

ASSET SECURITY COVER RISK

Potential impacts on business

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

Mitigating measures

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

Type of risk

CONTRACTUAL PERFORMANCE RISK

Potential impacts on business

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

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

Mitigating measures

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

RESPONSIBILITY

Litigation and adverse claims – Heads, Legal Services.

Asset security cover risk – Heads, Legal Services, Specialised Lending, Credit Analysis and Processing, Credit Risk Management and all Relationship Managers.

Contractual performance risk – Heads, Legal Services, Information Technology, Operations and General Services.

EFFECTIVE RISK MANAGEMENT

INSURANCE RISK

Type of risk

Insurance risk is the risk of loss due to actual experience being different from that assumed when an insurance product was designed and priced.

It generally entails inherent unpredictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events. Insurance risk exists in all our insurance businesses, including annuities and life, accident and sickness, and creditor insurance, as well as our reinsurance business.

Insurance risk consists of:

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

Potential impacts on business

- Financial loss due to actual claim from budgeted
- Possibly leading to impairment of shareholders' funds.

Mitigating measures

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

RESPONSIBILITY

Strategic business units, Risk Management and Chief Risk Officer.

EFFECTIVE RISK MANAGEMENT

COMPLIANCE RISK

Type of risk

REGULATORY RISK

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

Potential impacts on business

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

Mitigating measures

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

Type of risk

REPUTATIONAL RISK

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

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

Potential impacts on business

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

Mitigating measures

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

RESPONSIBILITY

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

GOVERNANCE

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

BOARD OF DIRECTORS

Top row (from left to right): Omatseyin Ayida, Dr Hamza Wuro Bokki, Tijjani Borodo (Company Secretary), Abdullahi Mahmoud, Chidi Anya, Oye Hassan-Odukale, MFR.
Bottom row (from left to right): Bisi Onasanya, Bello Maccido, Dr Oba Otudeko, CFR, Adebola Osibogun.

The Group's Board is a considered blend of experience and knowledge. The Board continuously seeks to review and refresh its composition to ensure that new ideas and experience are added to its decision-making process. The Board is currently composed of nine directors, made up of eight Non-Executive Directors and one Executive Director who is the Group Chief Executive Officer (GCEO). This is in line with international best practice, which stipulates that the number of Non-Executive Directors should exceed that of Executive Directors. With 88.9% of the Board's composition independent of the Company's management, the FBNHoldings Board is positioned to be independent, free of management's influence in upholding its supervisory role over the management team of the Group.

THE BOARD IS MADE UP OF THE FOLLOWING:

Dr Oba Otudeko, CFR
Group Chairman

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

BOARD OF DIRECTORS

Bello Maccido

Group Chief Executive Officer

Bello Maccido was until his appointment as the Group Chief Executive Officer of FBNHoldings, the Executive Director, Retail Banking, North at FirstBank. As Chief Executive, he brings over 31 years' postgraduate experience; 25 years of which represent hands-on experience in the financial services industry handling a wide spectrum of financial services. An accomplished corporate and investment banker, his varied financial services experience covers retail, corporate and investment banking at various institutions including Ecobank Nigeria Plc, New Africa Merchant Bank Limited, and at FSB International Bank Plc, where he rose to become Acting Managing Director/Chief Executive. He left FSB International Bank Plc to set up Legacy Pension Managers, a pension fund administration (PFA) company as pioneer Managing Director and Chief Executive, a position he held before joining the Board of FirstBank in January 2011. His broad and diverse experiences in financial services are also evident in other national assignments he has handled which include sitting as a National Council Member of The Nigerian Stock Exchange between March 2009 and June 2012. He was also a member of the Finance Committee, National Council on Privatisation, the Implementation Committee of Financial System Strategy (FSS) 2020, and Presidential Monitoring Committee on NDDC, among others. A Chartered Stockbroker, Bello is happily married with children. He holds the traditional title 'Wakilin Sokoto' and loves basketball.

Bisi Onasanya

Non-Executive Director

Bisi Onasanya is the Group Managing Director/Chief Executive Officer of First Bank of Nigeria Limited, the Commercial Business Group of FBN Holdings Plc. He was previously Executive Director, Banking Operations & Services and pioneer MD/CEO, First Pension Custodian Nigeria Limited, a subsidiary of FirstBank. He joined FirstBank in 1994 and coordinated the Century 2 Enterprise Transformation Project for the Bank. He is a highly respected and personable executive who has established a reputation at FirstBank for solid performance and sound judgment. Bisi is a Fellow of the Institute of Chartered Accountants of Nigeria, Fellow of the Chartered Institute of Bankers of Nigeria with 30 years' postqualification experience and Associate Member of the Nigerian Institute of Taxation. He sits on the board of several companies as well as the Presidential Jobs Board. Bisi has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal & Monetary Policies and the Presidential Committee on Reduction of Interest Rates. He has attended various executive programmes at London Business School, Harvard Business School and Wharton Business School. He loves swimming and is married with children.

Oye Hassan-Odukale, MFR

Non-Executive Director

Oye Hassan-Odukale holds Bachelors and Masters Degrees in Business Administration from the University of Houston, and has since 1994 held the position of Managing Director/CEO of Leadway Assurance Company Limited, a foremost underwriting firm in Nigeria. His appointment was preceded by over 14 years of experience in insurance brokerage, underwriting, investments and general management. Hassan-Odukale is a recipient of the national honour, Member of the Order of the Federal Republic (MFR) and sits on the board of several blue-chip companies in Nigeria. He is the Chairman of FBNBank UK, a wholly owned subsidiary of FirstBank in the city of London. Hassan-Odukale is a Munich Re scholar, Securities and Exchange Commission accredited Investment Manager and Portfolio Advisor. He is married with children and enjoys listening to music, reading and travelling.

Abdullahi Mahmoud

Non-Executive Director

Abdullahi Mahmoud was the pioneer New York Representative/General Manager of the United Bank for Africa in the USA from 1982 to 1986. He held the position of Managing Director/CEO of the African International Bank Limited from 1991 to 1995. He was the pioneer Executive Director (Operations) of the Nigeria Deposit Insurance Corporation (NDIC). Abdullahi served as Group Managing Director of New Nigeria Development Company and as Non-Executive Director of NAL Bank from 1998 to 2004. He is a Fellow of the Association of Chartered Certified Accountants of the UK (FCCA), the Institute of Chartered Accountants of Nigeria (FCA), the Chartered Institute of Bankers of Nigeria (FCIB) and the Institute of Directors, Nigeria (FIOD). He is also an Alumnus of the Harvard Business School (AMP – 1992). He is married with four sons and loves scouting, travelling and photography.

Chidi Anya

Independent Non-Executive Director

Chidi has over 25 years' post-call experience within the Nigerian legal system and is the Managing Partner of The Channings Law Firm, established in 1997. He provides leadership and strategic direction for the firm, and has for many years been recognised by his clients and peers as a leading commercial and corporate law specialist. His initial pupillage was with LN Mbanefo SAN, followed by a period as an Associate Counsel at Akin Delano & Company, Ibadan, Nigeria and Senior Associate Counsel at Debo Akande & Company, Lagos, Nigeria, prior to the setting up of his firm – Channings Law Firm. His legal career has equipped him with high-level skills in negotiation, administration, communication, management, advocacy and ethical leadership, which he brings to the Board. Chidi also acts as Company Secretary to a number of leading indigenous conglomerates operating in strategic sectors of the Nigerian economy, where he provides guidance on corporate governance and compliance matters. He is a member of the Nigerian Bar Association (NBA). Chidi is married with three children and loves gardening, reading, writing, intellectual debate and philanthropy.

Dr Hamza Wuro Bokki

Independent Non-Executive Director

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

Adebola Osibogun

Non-Executive Director

Adebola Osibogun was appointed to the Board of FBN Holdings Plc in January 2015. She brings to the board 30 years of immense financial services experience covering real estate financing, retail savings and loans at various institutions. She holds a Master of Science degree in Banking & Finance and a Bachelor of Education in Economics, both from the prestigious University of Ibadan. A Fellow and current President of the Chartered Institute of Bankers of Nigeria, she is also a Fellow of the Chartered Institute of Taxation of Nigeria and the Nigerian Institute of Management. She had an illustrious financial services career cutting across Co-operative Bank Plc and Coop Savings & Loans Limited. She was previously the Managing Director of Skye Trustees Limited and currently sits on the boards of Imowo Microfinance Bank Limited and Davidfinn Global Concept Limited. An astute researcher and writer, she has published several articles expounding on primary mortgage institutions and creation of mortgages. She has also served on the Board of leading mortgage institutions including FBN Mortgages Limited and Coop Savings & Loans Limited, and was the National President of the Mortgage Bankers Association of Nigeria. Adebola has also served in several national capacities as a Member of the Presidential Committee on Housing and Urban Development, the Presidential Committee on Mortgage Finance and the Nigerian Real Estate Developers Association. She is happily married and loves basketball, polo and golf.

Omatseyin Ayida

Non-Executive Director

Omatseyin Ayida joined the Board of FBN Holdings Plc in January 2015. He brings to the Board his expertise spanning over two decades in portfolio management, risk and strategic human resource management. Omatseyin is the Managing Director of Ruyat Oil Limited. He holds a Bachelor of Arts in Economics and Politics from the University of Kent, Canterbury, UK. He was previously the Managing Director of Capital Bank International Plc. where he led the successful buyout of the bank and merger of the lender with Access Bank Plc and Marina International Bank in 2005, creating value for the shareholders. Before joining Capital Bank International in 2001, he served with Commercial Bank (Crédit Lyonnais) Nigeria Limited in various capacities in the Corporate Finance Department, Multinational Corporate Banking, and Human Resource Management for the institution and rose to become the Deputy Managing Director in 1998. He also led the successful transformation of Crédit Lyonnais to Capital Bank over an 11 month period in 2001. Ayida also sits on the boards of Ruyat Oil Limited, Jurewa Investment Limited, Victoria Properties Limited, Apricot Securities Limited and Alemaje & Co Limited. An honorary member of the Chartered Institute of Bankers, Omatseyin has in the past also served on the board of several institutions. He has attended several executive programmes at Harvard Business School, Lagos Business School and Centre International de Management et d'enseignement Stratégique (CIMES). He is a golf lover and is married with children.

Tijjani Borodo

Company Secretary

Tijjani Borodo, who has over three decades of legal practice, was appointed pioneer Company Secretary, FBN Holdings Plc in September 2012. Before this appointment, he was the Company Secretary for First Bank of Nigeria Limited (FirstBank) for over a decade. His career at FirstBank spans over 26 years and he has occupied various managerial positions within the Bank. He was in charge of the Bank's Secretariat as well as the Secretary to the Board of Directors and Annual General meeting for 14 years. Before joining FirstBank, he served with the Ministry of Justice, Kano state, and rose to the position of Director, Public Prosecutions. Tijjani brings his wealth of experience to bear on the Board of FBN Holdings Plc. He is a Fellow, Institute of Directors, Nigeria, and the Society for Corporate Governance Nigeria; Member, International Bar Association, Nigerian Bar Association, and an Honorary Senior Member, Chartered Institute of Bankers of Nigeria. He has attended courses and programmes in various first-rate business and management schools abroad, including Harvard Business School, USA, the Wharton School, University of Pennsylvania, Kellogg School of Management, Illinois, and the London College of Management Studies. Tijjani is married with four children and loves swimming, listening to music and travelling.

ATTENDANCE AT BOARD MEETINGS

The Group's Board met nine times in 2014. The record of attendance is provided below:

Name	27 Jan	25 March	29 April	5 May	21 May	3 July	12 Aug	6 Oct	18 Dec
Dr Oba Otudeko, CFR	✔	✔	✔	✔	✔	✔	✔	✔	✔
Bello Maccido	✔	✔	✔	✔	✔	✔	✔	✔	✔
Lt General Garba Duba, rtd	✔	✔	✔	✔	✔	✔	Resigned	N/A	N/A
Abdullahi Mahmoud	✔	✔	✔	✘	✔	✔	✔	✔	✔
Oye Hassan-Odukale, MFR	✔	✔	✔	✔	✔	✔	✔	✔	✔
Bisi Onasanya	✔	✔	✔	✔	✔	✔	✔	✔	✔
Chidi Anya	✔	✔	✔	✔	✔	✔	✔	✔	✔
Dr Hamza Wuro Bokki	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	✔	✔	✔
Omatseyin Ayida	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed
Adebola Osibogun	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed

BOARD COMMITTEES

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

Following the formation of FBNHoldings in late 2012 and the identification of standing committees in 2013, these committees were effectively constituted in 2014.

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

FBNHoldings has constituted the following Board Committees:

BOARD GOVERNANCE COMMITTEE

MEMBERSHIP

Abdullahi Mahmoud
Chidi Anya
Omatseyin Ayida

ROLE AND FOCUS

The primary purpose of the Board Governance Committee is to:

- oversee and advise the Group Board on its oversight responsibilities;
- determine the composition of the Board and Board Committees;
- design and execute the process for appointment of new Board members; and
- remove non-performing Board members.

KEY RESPONSIBILITIES

The responsibilities of the Committee are to:

- develop and maintain an appropriate corporate governance framework for the Group;
- develop and maintain an appropriate policy on remuneration of directors, both executive and non-executive;
- 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 Group CEO;
- ensure proper succession planning for the Group; and
- ensure compliance with the SEC Code of Corporate Governance and other global best practices on corporate governance.

BOARD AUDIT & RISK ASSESSMENT COMMITTEE

MEMBERSHIP

Adebola Osibogun
Bello Maccido
Chidi Anya
Dr Hamza Wuro Bokki

ROLE AND FOCUS

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

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

BOARD FINANCE & INVESTMENT COMMITTEE

MEMBERSHIP

Oye Hassan-Odukale, MFR
Bisi Onasanya
Dr Hamza Wuro Bokki
Bello Maccido

ROLE AND FOCUS

- Considering and approving the Group's capital expenditure plan and specific capital projects above the approval limit of the Operational Committee and make recommendation for the consideration of the Board
- Advising the Board on its oversight responsibilities in relation to recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of FBNHoldings and across the Group
- Advising the Board on investment opportunities and allocation of capital across the Group.

KEY RESPONSIBILITIES

The Committee is responsible for the following:

- approval of capital expenditure within the monetary amounts specified by the Board;
- regularly reviewing and recommending to the Board, limits of capital expenditure for the various levels of management, subsidiaries and committees;
- recommending capital expenditures exceeding the approval limits granted to the Committee to the Board;
- recommending approval of the Group's procurement policy to the Board;
- ensuring that the Group complies with all laws and regulations in respect of director-related party transactions;
- reviewing and recommending the Group's organisation structure, remuneration policy, and the Group's policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues for approval by the Board;
- reviewing and recommending the Group's human resource strategies for approval by the Board; and
- reviewing and recommending the Group's secondment and mobility policy, and any proposed amendments for approval by the Board.

GROUP EXECUTIVE COMMITTEE (GEC)

The GEC usually invites to its meetings any attendee, as may be required, and meets bi-annually, or as required. They met once in 2014.

MEMBERSHIP

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

- Group Managing Director – FirstBank;
- Managing Directors of other FBNHoldings subsidiary companies including
  - FBN Capital;
  - FBN Insurance;
  - FBN Insurance Brokers;
  - FBN Microfinance Bank;
- Chief Risk Officer - FirstBank;
- Chief Finance Officer - FirstBank;
- Head, Strategy and Corporate Development - FBNHoldings; and
- Company Secretary - FBNHoldings.

BOARD COMMITTEES

ROLE AND FOCUS

The Group Executive Committee is responsible for the following:

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

STATUTORY AUDIT COMMITTEE (SAC)

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

INDEPENDENCE OF THE STATUTORY AUDIT COMMITTEE

Recognising that the independence of statutory auditors is fundamental to upholding public confidence in the reliability of the SAC's reports and the Company's financials, we have strived to ensure the independence of our SAC.

The Executive Directors do not sit on the SAC. Of the six members of the Committee, as is required under CAMA, three are shareholder representatives, including the Chairman of the SAC. The shareholder representatives are independent and answerable to the shareholders.

The other three members comprise two non-executive directors independent of the management of the Company and an independent non-executive director. With this composition, it is clear that the SAC's independence is not in doubt.

FINANCIAL EXPERTS ON THE STATUTORY AUDIT COMMITTEE

All the shareholder representatives on the SAC are finance experts, as may be gleaned from their educational qualifications stated below. The Chairman of the Committee is a Fellow of the Chartered Institute of Bankers, London and Nigeria (ACIB) and also holds a Master of Science (MSc) degree in Banking and Finance. He is a veteran banker with over three decades of banking experience. The other members are non-executive directors with extensive Board experience and financial experts.

ROLE AND FOCUS

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

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

The SAC has a responsibility to ensure that the Company's financials are void of any misrepresentation or misleading information. The SAC may also play a significant role in the oversight of the Group's risk management policies and programmes where there is no Board Risk Management Committee charged with this function.

The SAC was established in accordance with the Companies and Allied Matters Act (CAMA) and below are details of the SAC, including the Joint Auditors.

TRAINING FOR AUDIT COMMITTEE MEMBERS

Understanding the need to ensure that the Audit Committee members are well equipped to carry out their statutory oversight functions, management ensured that training programmes were organised for them. All members of the Committee were sponsored by Management to IFRS training programmes organised by the Nigeria Stock Exchange on 9 October 2014 and the Institute of Chartered Accountants of Nigeria (ICAN) on 15 August 2014.

STATUTORY AUDIT COMMITTEE: SHAREHOLDER REPRESENTATIVE PROFILES

Job Onwughara (Chairman)

Job hails from Abia State. He is a veteran banker, with considerable experience in corporate banking and branch operations. He has over three decades of banking experience garnered with African Continental Bank and Savannah Bank. He is a Fellow of the Chartered Institute of Bankers, London and Nigeria (ACIB). He also holds a Master of Science (MSc) degree in Banking and Finance from the University of Ibadan. He is an Associate of the Institute of Credit Management, London and a member of the British Institute of Management. Job also holds an LLB degree in Law. He has served on the audit committee of several blue-chip companies for several years. He also worked in Crown Flour Mills from 1997 to 2003. He is currently a Management Consultant. He is married with children and enjoys writing, reading and travelling.

Waheed Adegbite

Waheed hails from Ogun State. He is an alumnus of the Lagos Business School and a Fellow of the Institute of Chartered Accountants of Nigeria. He is an Associate Member of the Chartered Institute of Marketing, London, Chartered Institute of Taxation, and Nigeria Institute of Management. He has attended several courses including a course on Operational Costing/Financial Management organised by Carnaud Metal Box, Kenya. He also attended the Senior Management Course (SMP3) organised by the Lagos Business School, IESE University, Barcelona, Spain. He was Chief Examiner, ICAN Accounting Technical Scheme Examination and Reviewer, ICAN Examination (MA and MDCS). He was Chairman, Audit Committee of Lasaco Assurance Company. his accounting experience spans over four decades. He was Accounting Assistant with Comsac Telecom Nigeria (1971-1973), Assistant Accountant with Brossettee Nigeria and Chief Accountant with Upjohn Nigeria Property (1981-1987). He served as the Finance Manager of Carnaud Metal Box Nigeria between 1991 and 1997 and has been in public practice as a Chartered Accountant since 1997. He is married with three children.

BOARD COMMITTEES

Abubakar Yahyah
Abubakar hails from Katsina State and holds a BSc degree in Business Administration from Bayero University, Kano. He has extensive experience in construction and power projects and brings sectorial diversity to the SAC's cumulative business experience. He was Project Coordinator of the Rural Electrification Project for the Zamfara State 2.5 MVA/33KVA Substation at Maru, Zamfara State from 2004 to 2005. He was in charge of managing the provision of 33-11 KVA electricity to 19 villages in Zamfara from 2006 to 2008. He has acted as Supervisor in Empire Group, Jigawa State Modern Abattoir and Yobe State Modern Abattoir. He coordinated the construction of deluxe suites superior accommodation, Kaduna and is now Director with Rosehill Group. Abubakar is happily married.

Summary of educational qualification of Audit Committee members

Serial number	Name	Role	Status	Educational qualification
1	Job Onwughara	Chairman	Shareholder representative	ACIB, FCIB, MSc (Banking and Finance)
2	Abubakar Yahyah	Member	Shareholder Representative	BSc (Bus Admin)
3	Waheed Adegbite	Member	Shareholder Representative	FCA, ACIM, ACIT, AMNIM
4	Abdullahi Mahmoud	Member	Non-Executive Director	FCA, ACA, FCCA,ACCA, AMNIN, FCIB, FIMC, F-IOD, M-IOD
5	Oye Hassan-Odukale, MFR	Member	Non-Executive Director	BBA, BSc, (Bus Admin), MBA (Finance)
6	Chidi Anya	Member	Non-Executive Director	LLB, BL, MILD

The record of SAC attendance for the 2014 financial year is provided below:

Name	28 January 2015	12 March 2015
Job Onwughara	✔	✔
Waheed Adegbite	✔	✔
Abubakar Yahyah	✔	✔
Abdullahi Mahmoud	✔	✔
Oye Hassan-Odukale, MFR	✘	✔
Chidi Anya	✔	✔

FIRST AD HOC COMMITTEE ON REVIEW OF GROUP POLICIES AND STANDARD OPERATING PROCEDURES

A statutory Audit committee meeting has been scheduled for 19 May 2015. The record of the meeting is not reflected in the above table as the meeting was yet to hold at the time of going to press. The Board of Directors constituted another Ad Hoc Committee to review management's submission on the Group's Policies and Standard Operating Procedures below:

- Board of Directors charter
- Board Governance & Nomination Committee charter
- Board Audit & Risk Assessment Committee charter
- Board evaluation policy
- Board Finance & Investment Committee charter
- Board of Directors delegation of authority charter
- Directors' appointment and succession planning
- Directors' Code of Conduct
- Directors' development policy
- Directors' remuneration policy
- Conflict of interest and related party transaction policy
- Statutory Audit Committee charter.

MEMBERSHIP

- Chidi Anya, Chairman
- Bello Maccido, Member.

Attendance at meetings

Serial number	Name	Meeting of 23 June 2014
1	Chidi Anya	✔
2	Bello Maccido	✔

During its only meeting in June 2014, the Committee, with all the members in attendance, also had the following in attendance.

- Tijjani Borodo — Company Secretary
- Douglas Elisha — Tech Assistant to Group CEO
- Ayokunle Ayoko — Company Secretary's Department

The recommendations of the Board Ad Hoc Committee were presented to the Board during its meeting on 3 July 2014 with the Board subsequently approving the policies.

SECOND AD HOC COMMITTEE ON REVIEW OF GROUP POLICIES AND STANDARD PROCEDURES

The Board of Directors similarly constituted an Ad Hoc Committee to review the management's submission on the Group's policies and standard operating procedures below:

- Group disclosure policy
- Whistleblowing policy
- Investment policy
- Capital allocation policy
- Standard operating procedures for the Finance Department.

MEMBERSHIP

- Oye Hassan-Odukale, MFR, Chairman
- Chidi Anya, Member
- Bello Maccido, Member

During its only meeting in 2014, on 18 September, the Committee, with all the members in attendance, also had the following in attendance.

- Adesola Adeduntan — Chief Financial Officer – FirstBank
- Tijjani Borodo — Company Secretary
- Wale Ariyibi — Head of Finance
- Douglas Elisha — Tech Assistant to Group CEO
- Segun Zachaeus — KPMG Professional Services
- Ayokunle Ayoko — Company Secretary's Department

BOARD COMMITTEES

The Committee's recommendations have been presented to the Board.

Serial number	Name	Meeting of 18 September 2014
1	Oye Hassan-Odukale, MFR	✔
2	Bello Maccido	✔
3	Chidi Anya	✔

EXTERNAL AUDITORS AND ROTATION

The external auditors for the 2014 financial year were PricewaterhouseCoopers (PwC).

Section 33 of the Securities and Exchange Commission (SEC)'s Code (the Code) of Corporate Governance regulates the rotation of external auditors and provides that in order to safeguard the integrity of the external audit process and guarantee the independence of the external auditors, companies should rotate both the audit firms and audit partners.

It further provides that companies should require external audit firms to rotate audit partners assigned to undertake external audit of the company from time to time.

Audit personnel should be regularly changed without compromising the continuity of the external audit process.

The Code also stipulates that external audit firms should be retained for no longer than 10 years continuously. External audit firms disengaged after continuous service to the Company of 10 years may be reappointed after another seven years since their disengagement.

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

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

2014 AUDIT FEES

The ratio of our audit fees to our non-audit fees for the 2014 financial year is 100:0 as there were no non-audit fees paid to the external auditors.

GOING CONCERN

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

SECURITY TRADING POLICY

PRE-RESULT "QUIET" PERIODS

As part of our commitment to transparency and in compliance with the Listing Regulations of the Nigerian Stock Exchange (NSE), our Group Disclosure policy (Policy) approved by the Board outlines our Securities Trading policy. In order to prevent inadvertent disclosure of material price sensitive information, the Policy provides that during the periods between the end of its financial reporting and the actual results release, FBNH and its subsidiaries will not discuss any financial information, broker estimates and forecasts, with institutional investors, individual investors, analysts, or the media unless the materially price sensitive information being discussed has previously been disclosed to the NSE.

Directors, officers and other employees of FBNH are also mandated to observe this "quiet period" commencing at each quarter end and expiring upon the public release of the earnings for the quarter.

TRADING RESTRICTIONS AND BLACKOUT PERIODS

Similarly, the Policy forbids any director; officer or other employee of the Group to trade in securities of the Group with knowledge of material information affecting the Group that has not been publicly disclosed. The Policy in addition to setting out the rules guiding the disclosure of confidential matters with third parties and non-employees, further provides that except in the necessary course of business, it shall also be illegal for any director, officer or other employee of the Group to inform any other person of material non-public information and questions regarding the application of this Disclosure Policy in any particular circumstance are to be directed to the Company Secretary.

A copy of the Policy has been circulated to all directors, officers, and employees of FBNH, including subsidiaries and those authorised to speak on the Group's behalf as well as new employees of FBNH have been provided a copy of the Policy.

STATEMENT OF COMPLIANCE WITH THE LISTING RULES OF THE NIGERIAN STOCK EXCHANGE

In compliance with Section 14 of the Listings Rules of the Nigerian Stock Exchange, we wish to state that, as stated above, we have adopted a Directors Code of Conduct which had been approved by the Board. On behalf of members of the Board of FBNHoldings, we hereby confirm that the provisions of the Code of Conduct regarding securities transactions are in line with the standards set out in the Listing Rules and global best practices.

Dr. Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

STATEMENT OF COMPLIANCE WITH THE SEC CODE OF CORPORATE GOVERNANCE

In compliance with Section 4.2 of the Listings Rules of the Nigerian Stock Exchange on Listing on the Premium Board, we wish to state that the SEC Code of Corporate Governance governs the operations of FBN Holdings Plc. On behalf of members of the Board of FBNHoldings, we hereby confirm that we are in compliance with the Code.

Dr. Oba Otudeko, CFR
Group Chairman

Tijjani Borodo
Company Secretary

WHISTLEBLOWING PROCEDURES

The Board places priority on high ethical standards and probity, and expects all employees and officers to observe such standards in all their dealings within the Group.

The Group's whistleblowing policy spans both internal whistleblowers: staff, contract employees, management or directors; and external whistleblowers: customers, service providers, applicants, auditors. The process creates a work environment in which concerns about misconduct, irregularities or malpractices can be raised without fear of harassment and/or victimisation. Concerns raised are taken seriously and investigated, and the outcome communicated to all concerned parties.

Due to the Group's evolving processes, whistleblowers may report misconduct, irregularities or malpractices to any of the phone lines listed below:

08022902268;

08127166777;

0700-34778-2668228;

01-4485500.

Whistleblowers whether internal or external are expected to follow the process below in reporting their concern;.

INTERNAL WHISTLEBLOWING PROCEDURE

Internal whistleblowing involves staff members across the Group raising concern about unethical conduct. The following procedure shall be adopted for the purpose of internal whistleblowing:

Steps	Action
Step One Raising concern(s) by whistleblower.	An internal whistleblower may a raise concern through any of the following media (this can be done either by declaration or in confidence/anonymously): • Formal letter to the Group CEO FBN Holdings Plc. or the Group Chief Internal Auditor. • Call or text a dedicated phone number 08127166777; 0802 290 2268. • all internal whistleblowers can use Microsoft Office Communicator. • Dedicated email address (whistleblowing@fbnholdings.com). • Via FBNHoldings website: www.fbnholdings.com/whistleblowing. Where the concern is received by staff other than the Group CEO or the Group Chief Internal Auditor, the recipient of such concerns shall be required to immediately pass the concern(s) to the Group Chief Internal Auditor with a copy to the Group CEO, FBNHoldings. If the concerns affect the Group Chief Internal Auditor, the Group CEO FBNHoldings is notified, and where a Director is involved, such concern shall be directed at the Chairman Board Audit & Risk Committee. The concern(s) shall be presented in the following format: • Background of the concerns (with relevant dates). • Reason(s) why the whistleblower is particularly concerned about the situation. Disciplinary measures in line with the staff handbook shall be taken against any member of staff that receives concerns and fails to escalate them. Also, disciplinary measures shall be taken against an internal whistleblower who acted out of malice.
Step Two Investigation of concerns and update on progress of investigation.	The Group Chief Internal Auditor shall on receipt of the concern(s) acknowledge receipt of the concern(s) from the whistleblower within 5 working days, and immediately commence investigation. The purposes of investigation are to: • establish if a wrongdoing has occurred based on the concern(s) raised, and if so to what extent; and • minimise the risk of further wrongdoing, prevent any further loss of assets and damage to the Group's reputation, and if possible protect all sources of evidence. If preliminary investigation shows that the concerns falls within the whistleblowing reportable concerns, then further investigation shall be carried out. If otherwise, or if the concern is outside the reportable misconduct, then the Group Chief Internal Auditor shall refer the matter to the appropriate quarters for further action. Where necessary the Group Chief Internal Auditor shall provide an update of the progress of investigation to the whistleblower if the concerns fall within the reportable concerns. Finally, if the concern raised by the whistleblower is frivolous or unwarranted, the Group Chief Internal Auditor shall ignore such concern. If necessary, disciplinary measures in line with Human Resources policy shall apply to staff that raise concerns out of malice.

Steps	Action
Step Three Report of investigation and action on report.	Upon conclusion of the investigation, the Group Chief Internal Auditor shall report all whistleblowing cases to the Board through the Board Audit & Risk Committee and also submit his/her report to Human Resources or the appropriate authority for further action(s). Where necessary, the Group Chief Internal Auditor shall escalate the concern to the Group CEO. However, quarterly reports to keep the Group CEO abreast of developments in whistleblowing shall be submitted by the Group Chief Internal Auditor. All disciplinary action relating to the report shall follow the Group`s disciplinary procedure as contained in the staff handbook.
Step Four Non-satisfaction with result of investigation/action.	• In the event that the whistleblower is not satisfied with the extent of investigation and or the action taken based on the outcome of the investigation, the whistleblower is at liberty to report to the Chairman of the Board Audit & Risk Committee. • Or report directly to the CBN or send an email to anticorruptionunit@cbn.gov.ng.
Any internal whistleblower that feels victimised can report his/her grievance(s) to the Chairman, Board Audit & Risk Committee. This is without prejudice to the fundamental right of the internal whistleblower to seek redress in the court of law.	

EXTERNAL WHISTLEBLOWING PROCEDURE

External whistleblowers are non-staff of the group; they can fall into any of these categories: contractors, service providers, shareholders, depositors, analysts, consultants, job applicants, and the general public.

External whistleblowing shall follow the following procedure;

Steps	Action
Step One Raising concern(s) by whistleblower.	An external whistleblower may raise a concern through any of the following media (this can be done either by declaration or in confidence/anonymously): • By a formal letter to the Group CEO FBN Holdings Plc and or Group Chief Internal Auditor. • Dedicated phone numbers as contained in the website: www.fbnholdings.com. • Dedicated email address: whistleblowing@fbnholdings.com. • Electronically log into: www.fbnholdings.com. • Directly to the Group Chief Executive Officer, FBNHoldings (GCEO). • Directly to the Group Chief Internal Auditor, FirstBank Ltd. Where the concern is received by staff other than the Group CEO and the Group Chief Internal Auditor, the recipient of such concerns shall be required to immediately pass the concern(s) to the Group Chief Internal Auditor with a copy to the Group CEO but ensuring confidentiality of the concern. If the concerns affect the Group Chief Internal Auditor, the Group CEO is notified, and where an Executive Director is involved, such concern shall be directed to the Chairman of the Board Audit & Risk Committee. The concern(s) shall be presented in the following format: • Background of the issue(with relevant dates). • Reason(s) why the whistleblower is particularly concerned about the situation. Disciplinary measures in line with the staff handbook shall be taken against any member of staff that receives concerns from an external whistleblower and fails to pass them to the appropriate authority.

Steps	Action
Step Two Investigation of concerns and update on progress of investigation.	The Group Chief Internal Auditor shall on receipt of the concern(s) acknowledge receipt from the whistleblower within 5 working days, and immediately commence investigation. The purpose of investigation is to: • establish if a wrongdoing has occurred based on the concern(s) raised, and if so to what extent; and • minimise the risk of further wrongdoing, prevent any further loss of assets and damage to the Group's reputation, and if possible protect all sources of evidence. If preliminary investigation shows that the concerns falls within the whistleblowing reportable concerns, then further investigation shall be carried out. If otherwise, the Group Chief Internal Auditor shall refer the matter to the appropriate quarters for further action. However, if the concern raised by the whistleblower is frivolous or unwarranted, the Group Chief Internal Auditor shall ignore such concern. Where it is established that a criminal activity has taken place, the matter may be referred to the police, and where necessary, appropriate legal action taken. Where necessary, the Group Chief Internal Auditor shall provide an update of the progress of investigation to the whistleblower.
Step Three Report of investigation and action on report.	Upon conclusion of the investigation, the Group Chief Internal Auditor shall report all whistleblowing cases to the Board through the Board Audit Committee and also submit his/her report to Human Resources or the appropriate authority for further action(s). Where necessary, the Group Chief Internal Auditor shall escalate the concern to the Group CEO. However, quarterly reports to keep the Group CEO abreast of developments in whistleblowing shall be submitted by the Group Chief Internal Auditor. If the concern(s) relates to an Executive Director, the matter shall be referred to the Chairman of the Board Audit & Risk Committee for further action. If the concern(s) relates to an external party (service provider), and if the external party is found to be guilty after the conclusion of investigation, the Group shall immediately review the Service Level Agreement with such service provider, and if deemed necessary, terminate the agreement.
Step Four Non-satisfaction with result of investigation/action.	In the event that the whistleblower is not satisfied with the extent of investigation and or the action taken based on the outcome of the investigation, the whistleblower is at liberty to report to the Chairman of the Board Audit & Risk Committee for further action.
An external whistleblower shall be at liberty to the report to the appropriate regulatory body or even seek further redress in the court of laws if he/she is not satisfied with the action taken to address the concern(s).	

THE CULTURE OF WHISTLEBLOWING

In the drive to entrench the culture of whistleblowing among members of staff, emails and fliers on the advantages of whistleblowing, and the channels through which the whistleblower could send in their concerns, were publicised on the Group's intranet during 2014.

The provisions of the whistleblowing policy, and the Group's core values, encourage members of staff to speak up when they believe something is wrong, with the assurance that management is always ready to address concerns and feed back as part of the process.

Whistleblowing	2013	2014
Probable irregularities and non-compliance to the policies of the Group	1	7
Disciplinary measures	3	3
Cases under investigation	-	7
Unsuccessful attempts by outsiders to lure members of staff to committing fraud	1	2
Cases investigated but found to be untrue	-	2
TOTAL	**5**	**21**

OPERATIONAL STRUCTURE

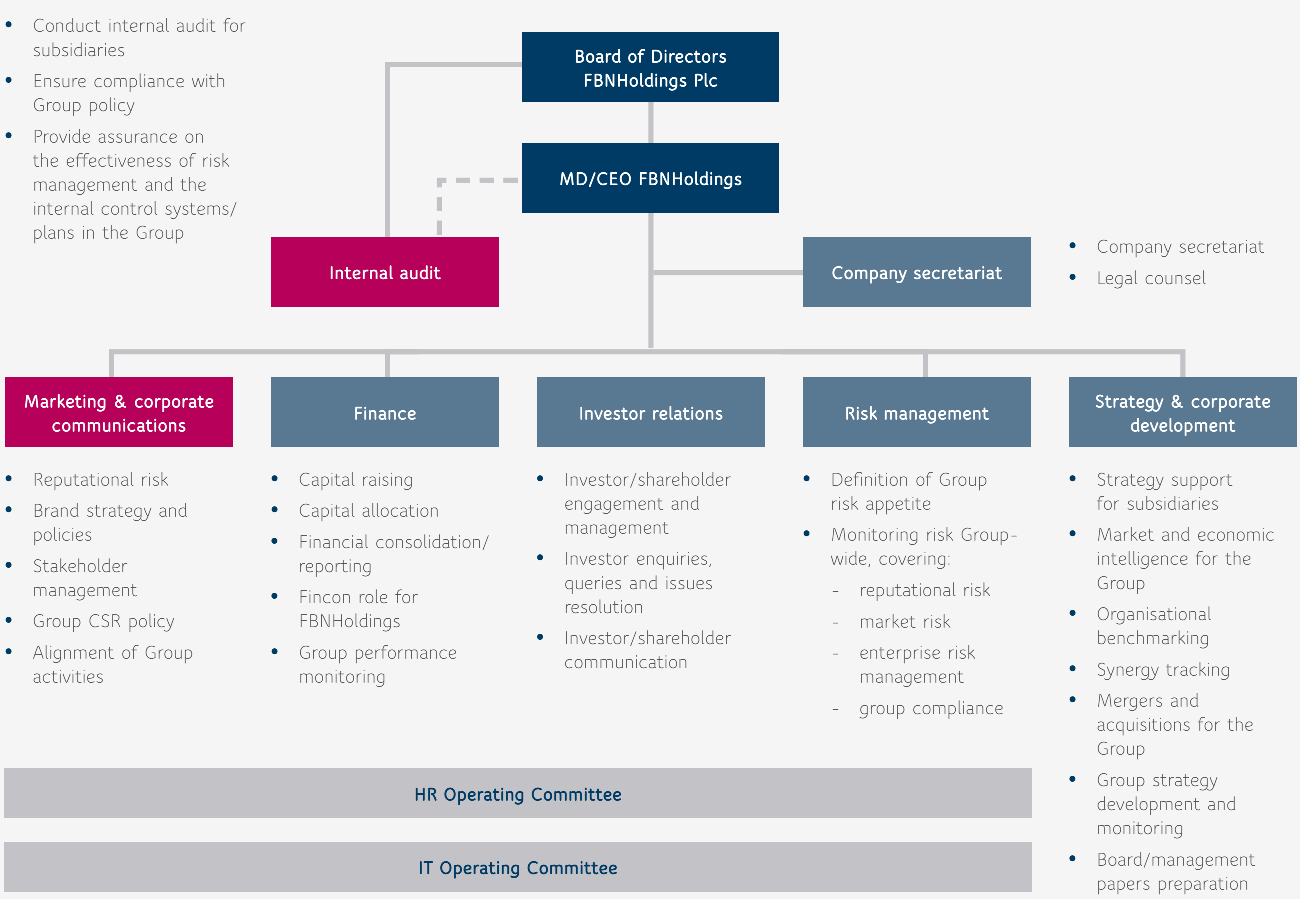
The Group's organisational design was driven by the following key guiding principles:

- lean holding company – this is in line with the regulators mandate to be a non-operating entity;
- critical corporate central functions – finance, risk management, Company secretariat, strategy, internal audit, investor relations, marketing and corporate communications;
- focus on setting Group standards and monitoring compliance for the Group, e.g. HR and IT standards;
- synergy benefits from operating structure to be balanced against incremental costs; and
- giving policy directions for the banking and non-banking subsidiaries to ensure proper capital utilisation across subsidiaries.

These principles were the central considerations for the identification of the Group's functions and the roles and responsibilities of each of those functions.

Below is the organisational structure and operating model of FBNHoldings.

FBNHoldings organisation structure and operating model



DIRECTORS' REPORT

The Directors present their report on the affairs of FBN Holdings Plc ('the Company') together with the financial statements and auditors' report for the period ended 31 December 2014.

A. LEGAL FORM

The Company was incorporated as a private limited liability company in Nigeria in 2010 and was converted to a public company in September 2012, when it commenced operations. The Company's shares were listed on the floor of the Nigerian Stock Exchange on 26 November 2012 after the shares of First Bank of Nigeria Plc were delisted on 23 November 2012.

B. PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the raising and allocation of capital and resources.

The Company is also tasked with the responsibility of coordinating Group-wide financial reporting to shareholders and managing shareholder, investor and external relations to the Group, and the task of developing and coordinating the implementation of Group strategies.

The Company consists of four groups, namely:

- Commercial Banking Group made up of First Bank of Nigeria Limited, FBNBank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, and FBNBank DR Congo (formerly Banque Internationale de Crédit), FBNBank Ghana, FBNBank Sierra Leone, FBNBank Guinea and FBNBank The Gambia.
- Investment Banking and Assets Management Group (IBAM), made up of FBN Capital Limited, FBN Securities Limited, FBN Funds Limited and FBN Trustees Limited.
- Insurance group made up of FBN Insurance Limited, Oasis Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services made up mainly of Kakawa Discount House Limited and FBN Microfinance Bank Limited.

The Company prepares separate and consolidated financial statements.

C. DIRECTORS' SHAREHOLDING

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are noted:

Directors' shareholding

Name	Direct holdings	Indirect holdings
Dr Oba Otudeko, CFR	5,359,331	475,921,622
Bello Maccido	2,393,890	-
Abdullahi Mahmoud	50,870	-
Oye Hassan-Odukale, MFR	1,685,458	8,051,390
Dr Hamza Wuro Bokki	327,000	-
Bisi Onasanya	7,537,302	-
Chidi Anya	-	47,426

Dr. Oba Otudeko, CFR has indirect shareholdings amounting to 475,921,622 through Metropolitan Trust Nigeria Ltd, Orbit International Ltd, Honeywell CT & CS, Springwater Ltd, Landbond Ltd, Coral Products Ltd and Networks Securities Ltd.

Oye Hassan Odukale, MFR has indirect shareholdings amounting to 8,051,390 through LAC Investments Ltd, Haskal Holdings Ltd and OHO Investments Ltd.

Chidi Anya, has indirect shareholdings amounting to 47,426 through Muonta & Guonta Ltd.

D. OPERATING RESULTS

The Directors recommend for approval a dividend of 10 kobo per share, amounting to ₦3,263,208,436.60 and a scrip issue of one share for every 10 shares currently held. Highlights of the operating results for the period under review are as follows:

	Group	
	31 December 2014 ₦' million	31 December 2013 ₦' million
Gross earnings	**480,602**	396,235
Profit before tax	**92,884**	91,337
Taxation	**(10,045)**	(20,706)
Total profit for the year	**82,839**	70,631
Appropriation:		
Transfer to statutory reserves	**13,204**	8,727
Transfer to/(from) statutory credit reserve	**38,686**	(8,114)
Transfer to contingency reserves	**110**	57
Transfer to retained earnings reserve	**31,059**	69,465

	Company	
	31 December 2014 ₦' million	31 December 2013 ₦' million
Gross earnings	**16,969**	74,988
Profit before tax	**5,683**	70,631
Taxation	**-**	-
Total profit for the year	**5,683**	70,631
Appropriation:		
Transfer to statutory reserves	**-**	-
Transfer to/(from) statutory credit reserve	**-**	-
Transfer to contingency reserves	**-**	-
Transfer to retained earnings reserve	**5,683**	70,631

E. DIRECTORS' INTERESTS IN CONTRACTS

For the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

F. PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment is given in Note 29 to the accounts. In the Directors' opinion, the market value of the FBNHoldings' properties is not less than the value shown in the financial statements.

DIRECTORS' REPORT

G. SHAREHOLDING RANGE ANALYSIS as at 31 December 2014

Range	No of holders	Holders %	Units	Units %
1-1,000	311,625	25.65	220,152,186	0.67
1,001-5,000	525,298	43.23	1,350,813,510	4.14
5,001-10,000	137,538	11.32	1,021,554,905	3.13
10,001-50,000	200,001	16.46	4,042,826,392	12.39
50,001-100,000	20,134	1.66	1,415,414,667	4.34
100,001-500,000	16,669	1.37	3,296,699,585	10.10
500,001-1,000,000	1,971	0.16	1,387,456,922	4.25
1,000,001-5,000,000	1,513	0.12	2,873,566,489	8.81
5,000,001-10,000,000	176	0.01	1,223,152,099	3.75
10,000,001-50,000,000	162	0.01	3,016,209,207	9.24
50,000,001-100,000,000	23	0.00	1,530,744,819	4.69
100,000,001-500,000,000	31	0.00	6,721,990,361	20.60
500,000,001-1,000,000,000	4	0.00	2,720,540,962	8.34
1,000,000,001-32,632,084,356	1	0.00	1,810,962,252	5.55
	1,215,146	**100**	**32,632,084,356**	**100**

Shareholding analysis as at 31 December 2014

Category	Holdings	Holdings %
Retail	16,362,839,868	50.14
Domestic institutional	8,558,584,820	26.23
Foreign institutional	7,073,621,707	21.68
Government-related holdings	637,037,961	1.95
	32,632,084,356	**100**

H. SUBSTANTIAL INTEREST IN SHARES

According to the register of members as at 31 December 2014, no individual shareholder held more than 5% of the issued share capital of FBN Holdings Plc. However, Stanbic Nominees Nigeria Ltd/002-Main, an account held under custody on behalf of a number of shareholders held 1,810,962,252 units amounting to 5.5% of FBN Holdings Plc.

I. HUMAN RESOURCES

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop.

In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Company continues and appropriate training arranged to ensure that they fit into the Company's working environment.

J. HEALTH, SAFETY AND WELFARE AT WORK

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company provides subsidy to all levels of employees for medical, transportation, housing, etc.

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

The Company has a Group Life Assurance cover and operates a defined contributory pension plan in line with the Pension Reform Act 2014. It also operates the Employees Compensation scheme (which replaced the Workmen Compensation scheme) in line with Employee's Compensation Act 2011 for the benefit of its employees.

K. EMPLOYEE INVOLVEMENT AND TRAINING

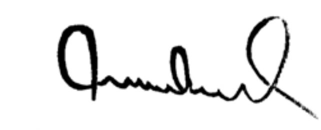
The Company ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the Company's policy of continuous development, training facilities are provided in a well-equipped training school. In addition, employees of the Company are sponsored to both attend local and foreign courses and training. These are complemented by on-the-job training.

L. AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue to act in that office.

BY ORDER OF THE BOARD



Tijjani Borodo
FRC/2013/NBA/00000002367
Company Secretary
Lagos, Nigeria

REPORT OF THE INDEPENDENT CONSULTANT ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF FBN HOLDINGS PLC

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code") and the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code"), FBN Holdings Plc ("FBN Holdings") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2014. The Codes mandate an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management, and investors to produce a sustainable corporation geared towards delivering longterm value.

Our approach to the appraisal of the Board involved a review of FBN Holdings' key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed FBN Holdings' Corporate Governance report prepared by the Board and included in the Annual Report for the year ended 31 December 2014, and assessed the level of compliance of the Board with the CBN Code and SEC Code.

On the basis of our review, except as noted below, FBN Holdings' corporate governance practices are largely in compliance with the key provisions of the CBN Code and SEC Code. Specific recommendations for further improving FBN Holdings' governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following areas: Board composition, risk management, structure of Directors' remuneration as well as Directors' induction and training.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
21 April 2015

FINANCIAL STATEMENTS

Our financial statements for the year ending 31 December 2014 represent the third year of performance under the holding company structure and are prepared according to International Financial Reporting Standards (IFRS).

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 bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent 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;
- Prudential Guidelines for Licensed Banks;
- 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 are of the opinion that the IFRS financial statements give a true and fair view of the state of the financial affairs of the Company and Group and of the profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal 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 12 months from the date of this statement.

Bello Maccido
Group Chief Executive Officer
FRC/2013/CISN/00000002366

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF FBN HOLDINGS PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying separate and consolidated financial statements of FBN Holdings Plc ("the company") and its subsidiaries (together "the group"). These financial statements comprise the statement of financial position as at 31 December 2014, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2014 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

REPORT ON THE OTHER LEGAL REQUIREMENTS

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches visited by us;

iii) the company's statements of financial position and comprehensive income are in agreement with the books of account;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 47 to the financial statements;

v) to the best of our information, there were no penalties for contraventions of relevant circulars issued by Central Bank of Nigeria.

for PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner, Tola Ogundipe
FRC/2013/ICAN/0000000639
24 March 2015

REPORT OF THE AUDIT COMMITTEE

In compliance with section 359(6) of the Companies and Allied Matters Act 1990, we have reviewed the Audit Report for the year ended 31 December 2014 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion.
2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
3. The internal control was being constantly and effectively monitored.
4. The external auditors' management report received satisfactory response from Management.
5. The Committee reviewed the Audit Report on insider-related party transactions and is satisfied with their status as required by the Central Bank of Nigeria (CBN).

Job Onwughara
Chairman, Audit Committee
Dated 12 March 2015

MEMBERS OF THE COMMITTEE

Job Onwughara
Oye Hassan-Odukale, MFR
Waheed Adegbite
Abdullahi Mahmoud
Abubakar Yahyah
Chidi Anya

INCOME STATEMENT

	Note	Group		Company	
		31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
CONTINUING OPERATIONS					
Interest income	7	362,579	323,621	2,886	924
Interest expense	8	(118,725)	(93,506)	-	-
Net interest income		243,854	230,115	2,886	924
Impairment charge for credit losses	9	(25,942)	(20,309)	-	-
Net interest income after impairment charge for credit losses		217,912	209,806	2,886	924
Insurance premium revenue	10	3,320	2,011	-	-
Insurance premium revenue ceded to reinsurers		(616)	(226)	-	-
Net insurance premium revenue		2,704	1,785	-	-
Fee and commission income	11	66,983	59,381	-	-
Fee and commission expense	11b	(6,205)	(5,296)	-	-
Net gains on foreign exchange	12	44,905	6,693	42	-
Net gains/(losses) on investment securities	13	(230)	2,899	-	-
Net losses from financial instruments at fair value through profit or loss	14	(1,262)	(1,504)	-	-
Dividend income	15a	1,469	1,227	13,747	74,057
Other operating income	15b	2,854	1,127	294	7
Insurance claims		(1,043)	(488)	-	-
Personnel expenses	16a	(79,843)	(65,820)	(1,159)	(58)
Depreciation of property, plant and equipment	29	(11,375)	(10,284)	(229)	(47)
Amortisation of intangible assets	30	(1,384)	(912)	-	-
Impairment loss on investment	28	-	-	(7,781)	(2,594)
Operating expenses	16	(143,200)	(108,283)	(2,117)	(1,658)
Operating profit		92,285	90,331	5,683	70,631
Share of profit of associates	28	599	1,006	-	-
Profit before tax		92,884	91,337	5,683	70,631
Income tax expense	17	(10,045)	(20,706)	-	-
Profit for the year from continuing operations		82,839	70,631	5,683	70,631
Profit for the year		82,839	70,631	5,683	70,631
Profit/(loss) attributable to:					
- Owners of the parent		83,059	70,135	5,683	70,631
- Non-controlling interests		(220)	496	-	-
		82,839	70,631	5,683	70,631
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share:	53				
- From continuing operations		2.55	2.16	0.17	2.16
- From profit for the year		2.55	2.16	0.17	2.16

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit for the year		**82,839**	70,631	**5,683**	70,631
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net gains on available-for-sale financial assets					
- Unrealised net gains or losses arising during the period, before tax		**(1,060)**	(14,509)	**291**	209
- Net reclassification adjustments for realised net gains or losses, before tax		**(2,100)**	2,487	**-**	-
Share of other comprehensive income of associates		**-**	(298)	**-**	-
Exchange difference on translation of foreign operations		**5,297**	434	**-**	-
Income tax relating to components of other comprehensive income		**682**	282	**-**	-
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit pension scheme	38	**(364)**	1,857	**-**	-
Income tax relating to components of other comprehensive income		**122**	635	**-**	-
Other comprehensive income for the year, net of tax		**2,577**	(9,112)	**291**	209
Total comprehensive income for the year		**85,416**	61,519	**5,974**	70,840
Total comprehensive income attributable to:					
- Owners of the parent		**85,676**	61,039	**5,974**	70,840
- Non-controlling interests		**(260)**	480	**-**	-
		85,416	61,519	**5,974**	70,840
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		**85,676**	61,039	**5,974**	70,840
		85,676	61,039	**5,974**	70,840

STATEMENT OF FINANCIAL POSITION

	Note	Group			Company	
		31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
ASSETS						
Cash and balances with central banks	18	**698,104**	594,234	300,532	**-**	-
Loans and advances to banks	20	**460,911**	430,586	439,853	**3,261**	1,477
Loans and advances to customers	21	**2,178,980**	1,769,130	1,541,377	**80**	72
Financial assets at fair value through profit or loss	22	**27,601**	10,287	6,112	**-**	-
Investment securities						
– Available-for-sale investments	23	**553,154**	529,488	379,675	**2,806**	2,515
– Held to maturity investments	23	**158,485**	294,575	338,365	**1,466**	-
– Loans and receivables		**-**	-	-	**-**	7,332
Asset pledged as collateral	24	**68,483**	53,650	50,109	**-**	-
Other assets	32	**40,692**	45,640	45,992	**14,361**	43,285
Inventory	33	**37,805**	30,253	21,676	**-**	-
Investment properties	34	**2,826**	2,413	4,003	**-**	-
Investments in associates accounted for using the equity method	28	**-**	7,029	6,321	**1,500**	9,281
Investment in subsidiaries	25	**-**	-	-	**260,777**	246,777
Property, plant and equipment	29	**88,208**	81,299	75,407	**1,519**	1,072
Intangible assets	30	**10,094**	8,748	3,523	**-**	-
Deferred tax assests	31	**8,992**	7,120	8,201	**-**	-
		4,334,335	3,864,452	3,221,146	**285,770**	311,811
Asset held for sale	27	**8,331**	4,549	5,221	**2,000**	-
Total assets		**4,342,666**	3,869,001	3,226,367	**287,770**	311,811
LIABILITIES						
Deposits from banks	35	**171,151**	82,032	89,430	**-**	-
Deposits from customers	36	**3,050,853**	2,929,081	2,395,148	**-**	-
Financial liabilities at fair value through profit or loss	22	**10,917**	1,701	1,796	**-**	-
Current income tax liability	17	**11,829**	34,167	23,389	**-**	-
Other liabilities	39	**132,633**	149,606	122,202	**9,590**	3,710
Liability on investment contracts	40	**60,617**	68,723	54,995	**-**	-
Liability on insurance contracts	41	**8,260**	3,651	2,127	**-**	-
Borrowings	37	**369,707**	126,302	75,541	**-**	-
Retirement benefit obligations	38	**2,029**	1,924	19,380	**-**	-
Deferred tax liabilities	31	**188**	37	225	**-**	-
		3,818,184	3,397,224	2,784,233	**9,590**	3,710
Liabilities held for sale	27	**1,592**	-	819	**-**	-
Total liabilities		**3,819,776**	3,397,224	2,785,052	**9,590**	3,710

STATEMENT OF FINANCIAL POSITION

	Note	Group			Company	
		31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
EQUITY						
Share capital	42	**16,316**	16,316	16,316	**16,316**	16,316
Share premium	43	**254,524**	254,524	254,524	**254,524**	254,524
Retained earnings	43	**108,637**	115,397	76,072	**6,968**	37,180
Other reserves						
– Statutory reserve	43	**65,278**	52,074	43,347	**-**	-
– Capital reserve	43	**1,223**	-	-	**10**	10
– SSI reserve	43	**6,076**	6,076	6,076	**-**	-
– AFS fair value reserve	43	**12,532**	14,969	26,991	**362**	71
– Contingency reserve	43	**217**	107	50	**-**	-
– Statutory credit reserve	43	**46,673**	7,987	16,101	**-**	-
– Treasury shares	43	**(18)**	(2,280)	(2,378)	**-**	-
– Foreign currency translation reserve	43	**7,399**	2,102	1,668	**-**	-
		518,857	467,272	438,767	**278,180**	308,101
Non-controlling interest		**4,033**	4,505	2,548	**-**	-
Total equity		**522,890**	471,777	441,315	**278,180**	308,101
Total equity and liabilities		**4,342,666**	3,869,001	3,226,367	**287,770**	311,811

The financial statements on pages 66 to 199 were approved by the Board of Directors on 20 March 2015 and signed on its behalf by:

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

Bello M. Maccido
Group Chief Executive Officer
FRC/2013/CISN/00000002366

Oyewale Ariyibi
Head of Finance
FRC/2013/ICAN/00000001251

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	Statutory reserve ₦ million	SSI reserve ₦ million
Balance at 1 January 2013	16,316	254,524	76,072	-	43,347	6,076
Profit for the year	-	-	70,135	-	-	-
Other comprehensive income						
Foreign currency translation differences, net of tax	-	-	-	-	-	-
Tax effects on revaluation of financial assets	-	-	635	-	-	-
Fair value movements on available-for-sale financial assets	-	-	-	-	-	-
Remeasurement of defined benefit pension scheme	-	-	1,857	-	-	-
Share of OCI of associates, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	72,627	-	-	-
Transactions with owners						
Other changes	-	-	-	-	-	-
Dividends	-	-	(32,632)	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Other changes*	-	-	-	-	-	-
Transfer between reserves	-	-	(670)	-	8,727	-
Total transactions with owners	-	-	(33,302)	-	8,727	-
At 31 December 2013	16,316	254,524	115,397	-	52,074	6,076
Profit for the year	-	-	83,059	-	-	-
Other comprehensive income						
Foreign currency translation differences, net of tax	-	-	-	-	-	-
Tax effects on revaluation of financial assets	-	-	122	-	-	-
Fair value movements on available for sale financial assets	-	-	-	-	-	-
Remeasurement of defined benefit pension scheme	-	-	(364)	-	-	-
Total comprehensive income	-	-	82,817		-	-
Transactions with owners						
Dividends	-	-	(35,895)		-	-
Changes in treasury shares	-	-	-		-	-
Other changes*	-	-	-		-	-
Business restructuring	-	-	(1,682)	1,223	-	-
Transfer between reserves	-	-	(52,000)	-	13,204	-
Total transactions with owners	-	-	(89,577)	1,223	13,204	-
At 31 December 2014	16,316	254,524	108,637	1,223	65,278	6,076

*Other changes represents the change in non-controlling interest arising from the acquisiton or disposal of unit holdings in FBN Heritage Funds. FBN Heritage fund is an open-ended mutual fund.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent							
AFS fair value reserve ₦ million	Contingency reserve ₦ million	Statutory credit reserve ₦ million	Treasury shares ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
26,991	50	16,101	(2,378)	1,668	438,767	2,548	441,315
-	-	-	-	-	70,135	496	70,631
-	-	-	-	434	434	-	434
282	-	-	-	-	917	-	917
(12,006)	-	-	-	-	(12,006)	(16)	(12,022)
-	-	-	-	-	1,857	-	1,857
(298)	-	-	-	-	(298)	-	(298)
(12,022)	-	-	-	434	61,039	480	61,519
-	-	-	-	-	-	181	181
-	-	-	-	-	(32,632)	(264)	(32,896)
-	-	-	98	-	98	-	98
-	-	-	-	-	-	1,560	1,560
-	57	(8,114)	-	-	-	-	-
-	57	(8,114)	98	-	(32,534)	1,477	(31,057)
14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777
-	-	-	-	-	83,059	(220)	82,839
-	-	-	-	5,297	5,297	-	5,297
682	-	-	-	-	804	-	804
(3,119)	-	-	-	-	(3,119)	(41)	(3,160)
-	-	-	-	-	(364)	-	(364)
(2,437)	-	-	-	5,297	85,677	(261)	85,416
-	-	-	-	-	(35,895)	(107)	(36,002)
-	-	-	2,262	-	2,262	-	2,262
-	-	-	-	-	-	(58)	(58)
-	-	-	-	-	(459)	(47)	(505)
-	110	38,686	-	-	-	-	-
-	110	38,686	2,262	-	(34,092)	(211)	(34,303)
12,532	217	46,673	(18)	7,399	518,857	4,033	522,890

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Capital reserve ₦ million	AFS fair value reserve ₦ million	Total ₦ million
Balance at 1 January 2013	16,316	254,524	(819)	10	(138)	269,893
Profit for the year	-	-	70,631	-	-	70,631
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	209	209
Total comprehensive income	-	-	70,631	-	209	70,840
Transactions with owners						
Dividends	-	-	(32,632)	-	-	(32,632)
Transfer between reserves	-	-	-	-	-	-
Total transactions with owners	-	-	(32,632)	-	-	(32,632)
At 31 December 2013	16,316	254,524	37,180	10	71	308,101
Profit for the year	-	-	5,683	-	-	5,683
Other comprehensive income						
Fair value movements on equity financial assets	-	-	-	-	291	291
Total comprehensive income	-	-	5,683	-	291	5,974
Transactions with owners						
Dividends	-	-	(35,895)	-	-	(35,895)
Transfer between reserves	-	-	-	-	-	-
Total transactions with owners	-	-	(35,895)	-	-	(35,895)
At 31 December 2014	16,316	254,524	6,968	10	362	278,180

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group		Company	
		31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
OPERATING ACTIVITIES					
Cash flow used in operations	44	**(716,278)**	(90,339)	**(4,024)**	(42,204)
Income taxes paid		**(31,329)**	(7,918)	**-**	-
Interest received		**352,041**	329,660	**1,917**	3
Interest paid		**(93,316)**	(90,052)	**-**	-
Net cash flow generated from/(used in) operating activities		**(488,882)**	141,351	**(2,107)**	(42,201)
INVESTING ACTIVITIES					
Acquisition/additional investment in subsidiary	25	**-**	-	**(3,200)**	(1,262)
Purchase of investment securities		**(491,692)**	(310,682)	**-**	-
Proceeds from the sale of investment securities		**478,252**	320,185	**124**	4,604
Cash and cash equivalent acquired from subsidiary	26	**16,935**	8,080	**-**	-
Dividends received		**1,469**	1,227	**44,963**	74,057
Purchase of investment properties		**(13)**	(53)	**-**	-
Purchase of property, plant and equipment		**(16,916)**	(17,920)	**(676)**	(1,089)
Purchase of intangible assets		**(2,208)**	(1,144)	**-**	-
Proceeds on disposal of property, plant and equipment		**1,346**	992	**-**	-
Net cash flow generated from/(used in) investing activities		**(12,827)**	685	**41,211**	76,310
FINANCING ACTIVITIES					
Proceeds from sale of treasury shares		**2,262**	98	**-**	-
Dividend paid		**(36,002)**	(32,896)	**(35,895)**	(32,632)
Proceeds from new borrowings		**315,792**	96,297	**-**	-
Repayment of borrowings		**(71,308)**	(46,473)	**-**	-
Interest paid on borrowings		**(11,850)**	(2,489)	**-**	-
Transactions with NCI		**(58)**	1,560	**-**	-
Net cash flow generated from/(used in) financing activities		**198,836**	16,097	**(35,895)**	(32,632)
(Decrease)/Increase in cash and cash equivalents		**(302,874)**	158,133	**3,209**	1,477
Cash and cash equivalents at start of year		**834,691**	676,847	**1,476**	(1)
Effect of exchange rate fluctuations on cash held		**639**	(289)	**42**	-
Cash and cash equivalents at end of year	19	**532,456**	834,691	**4,727**	1,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2014

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 services and corporate banking.

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the Board of Directors on 20 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements 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 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed.

The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.2.1 New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and are applicable to the Group:

(i) **Amendments to IAS 36 – Impairment of assets (effective 1 January 2014)**
These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments require disclosure of the recoverable amount of an asset or cash generating unit (CGU) when an impairment loss has been recognised or reversed; and require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The amendment did not have an impact on the consolidated financial statements for the Group, as the Group did not reverse or recognise an impairment loss on its non-financial asset whose recoverable amount was based on fair value less cost of disposal.

(ii) **Amendments to IAS 32 – Offsetting financial assets and financial liabilities (effective 1 January 2014)**
These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. They do not change the current offsetting model in IAS 32 but clarify that the right of set-off must not be contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant impact on the consolidated financial statements for the Group.

(iii) **Amendment to IFRS 13 – Fair Value Measurement**
The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a Group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. The amendment did not have a significant impact on the consolidated financial statements for the Group.

(iv) **IFRIC 21 – Levies (effective 1 January 2014)**
IFRIC 21, 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date. It addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. The interpretation does not address whether the liability to pay a levy gives rise to an asset or an expense. Entities will need to apply other standards to determine the accounting for the expense. The amendment did not have a significant impact on the consolidated financial statements for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

(v) **Amendments to IFRS 10 – Consolidated Financial Statements (effective 1 January 2014)**
IFRS 10 defines an investment entity and introduces an exception from consolidation. This will particularly benefit private equity funds, as those that qualify will fair value all of their investments, including those that are controlled. The amendment to IFRS was accompanied by amendments to IFRS 12 and IAS 27. Some entities within the Investment Banking and Asset Management (IBAM) segment are investment entities and these entities measured the relevent investments as fair value while the ultimate parent company, FBN Holdings Plc, consolidated as appropriate.

(vi) **Amendments to IAS 40 – Investment Property (effective 1 January 2014)**
The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. It states that in determining whether the acquisition of an investment property is a business combination, judgement of the specific requirements of IFRS 3 is required. The amendment did not have a significant impact on the consolidated financial statements for the Group.

2.2.2 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, interpretations and amendments thereto, had been issued by IASB which are not yet effective, and have not been applied in preparing these consolidated financial statements. The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 January 2014.

(i) **Amendments to IAS 24 – Related party disclosures (effective annual periods beginning on or after 1 July 2014)**
This standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendment will not have a significant impact on the consolidated financial statements for the Group.

(ii) **IFRS 9 – Financial Instruments (effective for periods beginnning on or after 1 January 2018)**
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The guidance in IAS 39 on impairment of financial assets continues to apply. However, entities will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The standard also provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group is yet to assess the full effect of IFRS 9 and intends to adopt IFRS 9 no earlier than the accounting period beginning on or after 1 January 2018.The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

(iii) **IFRS 15 – Revenue from contracts with customers (effective annual periods beginning on or after 1 January 2017)**
IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group is yet to assess the full effect of IFRS 15 and intends to adopt IFRS 15 no later than the accounting period beginning on or after January 2017.

(iv) **Amendment to IFRS 8 – Operating segments (effective annual periods beginning on or after 1 July 2014)**
The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will not have a significant impact on the consolidated financial statements for the Group.

(v) **Amendment to IAS 19 – Employee Benefits (effective annual periods beginning on or after 1 July 2014)**
The amended IAS 19 states that changes in the defined benefit obligation and fair value of plan assets are recognised in the period as they occur. The corridor method is eliminated and actuarial gains and losses and unrecognised past service costs are recognised directly in other comprehensive income. Because actuarial gains and losses are no longer deferred, both the net defined benefit liability/asset and the amounts recognised in income statement are affected.The amended standard splits changes in defined benefit liabilities/assets in:

- Service cost (including past service costs, curtailments and settlements) – in income statement;
- Net interest costs (i.e. net interest on the net defined benefit liability) – income statement;
- Remeasurement of the defined benefit liability/asset – in other comprehensive income.

The amendment will not have a significant impact on the consolidated financial statements for the Group. There are no other IFRSs and IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 CONSOLIDATION

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

a. **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investment in subsidiaries is measured at cost in the separate financial statements of the parent.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 IAS 39 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.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Management Committee that makes strategic decisions.

2.5 COMMON CONTROL TRANSACTIONS

A business combination involving entities or businesses under common control is excluded from the scope of IFRS 3: Business Combinations. The exemption is applicable where the combining entities or businesses are controlled by the same party both before and after the combination. Where such transactions occur, the Group, in accordance with IAS 8, uses its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c. **Group companies**

The results and financial position of all the Group entities 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 income tax**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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.

2.8 INVENTORIES

The Group purchases and constructs properties for resale.

The Group recognises Property as inventory under the following circumstances:

(i) property purchased for the specific purpose of resale

(ii) property constructed for the specific purpose of resale (work in progress under the scope of IAS 18, 'Revenue')

(iii) property transferred from investment property to inventories. This is permitted when the Group commences the property's development with a view to sale.

They are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Cost is determined using weighted average cost. Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.9 FINANCIAL ASSETS AND LIABILITIES

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

2.9.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Directors determine the classification of its financial instruments at initial recognition.

a. **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income on financial assets held for trading are included in 'Net interest income' or 'Dividend income' respectively.

The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

b. **Loans and receivables**

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

(i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or other assets and cash balances. Interest on loans is included in the profit or loss and is reported as 'Interest income'.

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'impairment charge for credit losses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

c. **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

(i) those that the Group upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss has been reported as a deduction from the carrying value of the investment and recognised in the income statement as 'Net gains/(losses) on investment securities'.

d. **Available-for-sale financial assets**

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

However, interest is calculated using the effective interest method, and foreign currency gains and losses on non-monetary assets classified as available for sale are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the income statement in 'dividend income' when the Group's right to receive payment is established.

e. **Recognition**

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

2.9.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a. **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

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

Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the income statement and are reported as 'Net gains/ (losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

b. **Other liabilities measured at amortised cost**

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

2.9.3 Derivative financial instruments

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset where there is a legal right of offset of the recognised amounts and the parties intend to settle the cash flows on a net basis, or realise the asset and settle the liability simultaneously.

2.9.4 Embedded derivatives

Hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and measured at fair value with gains and losses being recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.9.5 Determination of fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, the 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 dates 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.

2.9.6 De-recognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.9.7 Reclassification of financial assets

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

The Group may reclassify a financial instrument when its intentions and the characteristics of the financial instrument changes.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.11 REVENUE RECOGNITION

a. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or Group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

c. Dividend income

Dividend income is recognised when the right to receive income is established.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

a. Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As is practically expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price."

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b. Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.14 COLLATERAL

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future 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.

2.15 DISCONTINUED OPERATIONS

The Group presents discontinued operations in a separate line in the income statement if an entity or a component of an entity has been disposed or is classified as held for sale and:

(i) represents a separate major line of business or geographical area of operations;

(ii) is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary aquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

2.16 LEASES

Leases are divided into finance leases and operating leases.

a. **The Group is the lessee**

(i) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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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.

(i) *Finance lease*

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method which allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.17 INVESTMENT PROPERTIES

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated Group, are classified as investment properties. Investment properties comprise residential buildings constructed with the aim of leasing out to tenants or for selling. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value.

The fair value reflects market conditions at the date of the statement of financial position and is obtained from professional third party valuators contracted to perform valuations on behalf of the Group. The fair value does not reflect future capital expenditure that will improve or enhance the property.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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

2.18 PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise branches and offices. All property, plant and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land included in leasehold land and buildings 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
Motor vehicles	25%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33.3%
Plant and machinery	20%
Freehold buildings	2%
Leasehold buildings	2% for leases of 50 years and above and over expected useful life for under 50 years

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Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets.

When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment.

2.19 INTANGIBLE ASSETS

a. **Goodwill**

Goodwill arises on the acquisition of subsidiary and associates, and represents the excess of the cost of acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition. For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated impairment losses, if any. Goodwill 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 of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on acquisitions of associates is included in the amount of the investment.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

b. **Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product so that it will be available for use;

(ii) Management intends to complete the software product and use or sell it;

(iii) There is an ability to use or sell the software product;

(iv) It can be demonstrated how the software product will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(vi) The expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over three years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

g. **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 three years, five years and two years respectively.

2.20 INVESTMENT CONTRACTS

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are more significant than the benefits that would be payable if the insured event does not occur. Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents excludes restricted balances with central banks.

2.22 EMPLOYEE BENEFITS

(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.

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.

2.23 PROVISIONS

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2.24 INSURANCE CONTRACTS

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

a. **Classification of contracts**

A contract is classified as an insurance contract where the Group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

b. **Recognition and measurement**

(i) *Short-term insurance contracts*

Short-duration life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. They are usually short-duration life insurance contracts ranging between 12 to 24 months period of coverage. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium reserve (UPR). 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. As the short term insurance contract experience of FBN builds up we will be able to adjust for company-specific claims settlement patterns

(ii) *Long-term insurance contracts with fixed and guaranteed terms*

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

The Long term insurance contracts insure events associated with human life. They include the following:

Individual insurance contracts

The reserve has been calculated using the gross premium valuation approach. This reserving methodology adopts a cash flow approach taking into account all expected future cash flows including premiums, expenses and benefit payments to satisfy the liability adequacy test. The test also considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees (where applicable).

Individual savings contracts

The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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.

2.25 FIDUCIARY ACTIVITIES

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 ISSUED DEBT AND EQUITY SECURITIES

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Group. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component.

2.27 SHARE CAPITAL

a. **Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b. **Dividends on ordinary shares**

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

c. **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

d. **Treasury shares**

Where the Company or other members of the Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

e. **Statutory credit reserve**

In compliance with the Prudential Guidelines for licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendants provision as per the table below based on objective criteria.

Classification	Percentage	Basis
Substandard	10%	Interest and/or principal overdue by 90 days but less than 180 days
Doubtful	50%	Interest and/or principal overdue by 180 days but less than 365 days
Lost	100%	Interest and/or principal overdue by more than 365 days

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. The IAS 39 determined impairment charge is always included in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in income statement.

Following an examination, the regulator may also require more amounts be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

2.28 FINANCIAL GUARANTEES

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at the fair value, and the initial fair value is amortised over the life of the financial guarantee. The 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

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's risk management directorate (the Directorate) under policies approved by the Board of Directors. The Risk Management Directorate provides central oversight of risk management across the company and its subsidiaries to ensure that the full spectrum of risks facing the company and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal control is responsible for the independent review of risk management and the control environment, while internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of the internal controls and make appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk and market risk (discussed in subsequent sections).

The key elements of the risk management philosophy are the following:

- The Group considers sound risk management to be the foundation of a long-lasting financial institution.
- The Group continues to adopt a holistic and integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers are empowered to perform their duties professionally and independently without undue interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Group.
- Risk management is a shared responsibility. Therefore, the Group aims to build a shared perspective on risks that is grounded in consensus.
- The Group's risk management governance structure is clearly defined.
- There is a clear segregation of duties between market-facing business units and risk management functions.
- Risk-related issues are taken into consideration in all business decisions. The Group shall continue to strive to maintain a conservative balance between risk and revenue considerations.
- 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.
- 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.

3.2 CREDIT RISK

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk is the single largest risk for the Group arising mainly from the activities of the Commercial Banking segment and to a much lesser extent in the other segments within the Group. These activities include the commercial and consumer loans and advances and loan commitments arising from lending activities, and can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The credit risk management and control are centralised in a credit risk management team, which reports to the Commercial Banking business's Chief Risk Officer (CRO) regularly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.1 Credit risk measurement

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects the following components:

- the character and capacity to pay of the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development;
- credit history of the counterparty; and
- the likely recovery ratio in case of default obligations – value of collateral and other ways out. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded when necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Obligor Risk Rating (ORR system)

The obligor risk rating grids have a minimum of 10 risk buckets to provide a pre-set, objective basis for making credit decisions, with one additional bucket specifically included to categorise obligor in default. Accounts showing objective evidence of impairment are specifically noted in the default rating bucket of the obligor risk rating grid with impairment allowance calculated for losses that has been incurred. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket		Range of scores	Probability of default			Grade
				Large corporate	Mid corporate	SME	
Extremely low risk	AAA	1	100-94.44%	0.01			Investment
Very low risk	AA	2	100-83.33%	0.01	0.01		
Low risk	A	3	100-72.22%	0.02	0.02	0.02	
Low risk	BBB	4	72.21-66.67%	0.02	0.02	0.02	
Acceptable - moderately high risk	BB	5	66.66-55.56%	0.04	0.04	0.04	Non-investment
High risk	B	6	55.55-44.44%	0.06	0.06	0.06	
Very high risk	CCC	7	44.43-33.33%	0.09	0.09	0.09	
Extremely high risk	CC	8	33.32-16.67%	0.13	0.13	0.13	
High likelihood of default	C	9	16.65-5.56%	0.15	0.15	0.15	
Default risk	D	10	5.55-0.00%	1.00	1.00	1.00	Default

Collateral Risk Rating (CRR)/Facility Risk Rating (FRR)

- The Commercial Banking subgroup does not lend to non investment grade obligors, on an unsecured basis, except as specified under a product programme. The Facility Risk Rating (FRR) is different from the Obligor Risk Rating (ORR) to the extent of the perceived value of collateral/enhancement provided.

  The Facility Risk Rating approximates a 'loss norm' for each facility, and is the product of two components:

  - The Default Probability of the Obligor, i.e. the ORR; and
  - The Loss Given Default i.e. a measure of the expected economic loss if the obligor defaults, and includes write offs, recoveries, interest income, and legal costs.
- The Collateral Risk Rating grid indicates the acceptable collateral types rated 1-8 from best to worst in order of liquidity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Collateral Risk Rating	Collateral type
1	Cash
2	Treasury Bills/Govt Securities
3	Guarantee/receivables of investment grade banks
4	Legal And Equitable Mortgage
4	Debenture Trust Deed/Fixed Debenture and Mortgage Debenture
4	Legal Mortgage on residential business real estate in prime locations A and B
4	Legal Mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
5	Domiciliation of receivables from acceptable Corporates
5	Enforceable lien on fast moving inventory in bonded warehouses
6	Equitable Mortgages on real estates in any location
6	Negative Pledge/Clean lending
6	Domiciliation of other receivables
7	Letters Of Comfort Or Awareness, Guarantee Of Non-Investment Grade Banks And Corporates
8	Letter Of Hypothecation, Personal Guarantee

3.2.2 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and Groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and counterparty are set by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer.

a. **Portfolio limits**

In line with the Group's credit policy, a detailed portfolio plan is prepared annually and provides a framework for creation of credits and risk appetite development. In drawing up the plan, the Group reviews 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 Bank's shareholders' funds.
- Maintain minimum weighted average obligor risk rating (obligor-WARR) of 'BB'
- Maintain minimum weighted average facility risk rating (facility-WARR) of 'BB'
- The Group adopts industry/economic sector limits on its loan portfolio, in line with the following policies:
  - The Group would not have more than 25% of its portfolio in any group of positively correlated industries in terms of risk (e.g., oil exploration and oil service, tyre manufacturing and tyre distribution, etc.).
  - The Group would strive to limit its exposure to any single industry to not more than 20% of its loan portfolio and such industry must be rated 'BBB' or better.
  - No more than 15% of the Group's portfolio would be in any industry rated 'BB' or worse.
  - No more than 10% of the Group's portfolio in any single industry rated 'B' or worse.

b. **Geographical limits**

Presently, the Group's exposures outside Nigeria are taken by its subsidiaries in the United Kingdom and other African countries, which operate within country limits defined by their Boards of Directors. However, the Group has a fully developed country risk rating system that could be employed, should the need arise. In such eventuality, limits will be graduated on country risk rating.

c. **Single obligor limits**

The Group as a matter of policy does not lend above the regulatory lending limit in each of the jurisdiction in which it operates. Internal guidance limits are also set to create a prudent buffer.

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 and these are shown in the table below.

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the Group demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Standard credit approval grid for wholesale and retail lending

	Approval levels	Investment grade ₦'000	Non-investment grade ₦'000
1	Board of Directors	>58,000,000	>58,000,000
2	Board Credit Committee	58,000,000	58,000,000
3	Management Credit Committee	30,000,000	15,000,000
4	Group Managing Director + Chief Risk Officer + Business Senior Credit Officer 1/SCO2	10,000,000	3,000,000
5	Risk Senior Credit Officer 1 + Business Senior Credit Officer 1/SCO2	8,000,000	2,500,000
6	Business Senior Credit Officer 1 + Risk Senior Credit Officer 2	5,000,000	1,000,000
7	Risk Senior Credit Officer 3 + Business Senior Credit Officer 2	500,000	250,000
8	Risk Senior Credit Officer 4 + Business Development Manager/Group Head	100,000	100,000
9	Business Manager + Group Head + Credit Officer	25,000	25,000

The Group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security on loans and advances, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Cash/Government Securities
- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Lending decisions are usually based on an obligor's ability to repay from normal business operations rather than on proceeds from the sale of any security provided. Collateral values are assessed by a professional at the time of loan origination and are thereafter monitored in accordance with the provisions of the credit policy. The types of collateral acceptable and the frequency with which they are required at origination is dependent on the size and structure of the borrower. For exposures to corporate and large institutions, the Group will often require the collateral to include a first charge over land and buildings owned and occupied by the business, a mortgage debenture over the company's undertaking on one or more of its assets and keyman insurance. The decision as to whether or not collateral is required is based upon the nature of the transaction, the credit worthiness of the customer and obligor risk rating. Other than for project finance, object finance and income producing real estate where charges over the subject assets are a basic requirement, the provision of collateral will not determine the outcome of a credit application. The fundamental business proposition must evidence the ability of the business to generate funds from normal business sources to repay the debt.

The extent to which collateral values are actively managed will depend on the credit quality and other circumstances of the obligor. Although lending decisions are predominantly based on expected cashflows, any collateral provided may impact other terms of a loan or facility granted. This will have a financial impact on the amount of net interest income recognised and on internal loss-given-default estimates that contribute to the determination of asset quality. The Group credit risk disclosures for unimpaired lending report assets gross of collateral and therefore disclose the maximum loss exposure. The Group believes this approach is appropriate as collateral values at origination and during a period of good performance may not be representative of the value of collateral if the obligor enters a distressed state. For impaired lending, the value of collateral is re-evaluated and its legal soundness re-assessed if there is observable evidence of distress of the borrower, this evaluation is used to determine potential loss allowances and management's strategy to try to either repair the business or recover the debt. Unimpaired lending, including any associated collateral, is managed on a customer-by-customer basis rather than a portfolio basis. No aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel.

The Group takes physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable to settle indebtedness. Any surplus funds realised from such disposal are returned to the borrower or are otherwise dealt with in accordance with appropriate regulations. The assets in such cases are not carried on the Group's balance sheet.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

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3.2.4 Exposure management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for ongoing management of the risk asset portfolio and individual risk exposures are defined. 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 Management of concentration risk

The Group manages limits and controls concentrations of credit risk to individual counterparties, Groups, industries and countries.

The Group defines levels of concentration risk it is wiling to take by placing limits on credit exposure to a single borrower, Groups of borrowers and geographic and industry segments. Such concentration risk limits approved by the Board of Directors on the recommendation of the Executive Director/Chief Risk Officer and monitored on a regular basis. The concentration risk limits may be reviewed from time to time to reflect changing macroeconomic and regulatory conditions as well as the Group's business thrust.

3.2.8 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

3.2.9 Measurement basis of financial assets and liabilities

Group

31 December 2014	Fair value through P/L Held for trading ₦ million	Fair value through OCI Available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	698,104	698,104
Loans and advances to banks	-	-	460,911	460,911
Loans and advances to customers:				
- Overdrafts	-	-	314,114	314,114
- Term loans	-	-	1,777,086	1,777,086
- Staff loans	-	-	7,461	7,461
- Project finance	-	-	77,558	77,558
- Advances under finance lease	-	-	2,761	2,761
Investment securities:				
- Available-for-sale investments	-	553,154	-	553,154
- Held-to-maturity investments	-	-	158,485	158,485
Asset pledged as collateral	-	19,203	49,280	68,483
Financial assets at fair value through profit or loss	27,601	-	-	27,601
Other assets	-	-	26,601	26,601
Total Financial Assets	**27,601**	**572,357**	**3,572,361**	**4,172,319**
FINANCIAL LIABILITIES				
Customer deposits	-	-	3,050,853	3,050,853
Deposits from banks	-	-	171,151	171,151

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Group

31 December 2014	Fair value through P/L Held for trading ₦ million	Fair value through OCI Available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
Financial liabilities at fair value through profit or loss	10,917	-	-	10,917
Borrowings	-	-	369,707	369,707
Other liabilities	-	-	125,757	125,757
Investment contracts	-	-	60,617	60,617
Total Financial Liabilities	**10,917**	**-**	**3,778,085**	**3,789,002**

Group

31 December 2013	Fair value through P/L Held for trading ₦ million	Fair value through OCI Available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	594,234	594,234
Loans and advances to banks	-	-	430,586	430,586
Loans and advances to customers:				
- Overdrafts	-	-	340,055	340,055
- Term loans	-	-	1,359,961	1,359,961
- Staff loans	-	-	6,216	6,216
- Project finance	-	-	60,803	60,803
- Advances under finance lease	-	-	2,095	2,095
Investment securities:				
- Available-for-sale investments	-	529,488	-	529,488
- Held-to-maturity investments	-	-	294,575	294,575
Asset pledged as collateral	-	20,381	33,269	53,650
Financial assets at fair value through profit or loss	10,287	-	-	10,287
Other assets	-	-	30,404	30,404
Total Financial Assets	10,287	549,869	3,152,198	3,712,354
FINANCIAL LIABILITIES				
Customer deposits	-	-	2,929,081	2,929,081
Deposits from banks	-	-	82,032	82,032
Financial liabilities at fair value through profit or loss	1,701	-	-	1,701
Borrowings	-	-	126,302	126,302
Other liabilities	-	-	140,213	140,213
Investment contracts	-	-	68,723	68,723
Total Financial Liabilities	**1,701**	**-**	**3,346,351**	**3,348,052**

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Company

31 December 2014	Fair value through P/L Held for trading ₦ million	Fair value through OCI Available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Loans and advances to banks	-	-	3,261	3,261
Loans and advances to customers				
- Staff loans	-	-	80	80
Investment securities:				
- Available-for-sale investments	-	2,806	-	2,806
- Held-to-maturity investments	-	-	1,466	1,466
Other assets	-	-	14,111	14,111
Total financial assets	-	2,806	18,918	21,724
FINANCIAL LIABILITIES				
Other liabilities	-	-	7,950	7,950
Total financial liabilities	-	-	7,950	7,950

Company

31 December 2013	Fair value through P/L Held for trading ₦ million	Fair value through OCI Available for sale ₦ million	Amortised cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Loans and advances to banks	-	-	1,477	1,477
Loans and advances to customers				
- Staff loans	-	--- -	72	72
Investment securities:	-	-	72	
- Available-for-sale investments	-	2,515	-	2,515
- Loans and receivables	-	2,515 -	- 7,332	7,332
Other assets	-	-	42,831	42,831
Total financial assets	-	2,515	51,712	54,227
FINANCIAL LIABILITIES	-			
Other liabilities	-	-	3,519	3,519
Total financial liabilities	-	-	3,519	3,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

Credit risk exposures relating to on balance sheet assets are as follows:

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Balances with central banks	634,796	522,491	-	-
Loans and advances to banks	460,911	430,586	3,261	1,477
Loans and advances to customers				
- Overdrafts	314,114	340,055	-	-
- Term loans	1,777,086	1,359,961	-	-
- Staff loans	7,461	6,216	80	72
- Project finance	77,558	60,803	-	-
- Advances under finance lease	2,761	2,095	-	-
Financial assets at fair value through profit or loss	23,673	10,287	-	-
Investment securities - Debt				
-Available-for-sale investments	494,575	476,941	-	-
-Held to maturity investments	158,485	294,575	1,466	-
-Loans and receivables	-	-	-	7,332
Asset pledged as collateral	68,483	53,650	-	-
Other assets	26,601	30,404	14,111	42,831
	4,046,504	3,588,064	18,918	51,712
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	90,379	408,008	-	-
Letter of credit and other credit related obligations	701,997	693,615	-	-
	792,376	1,101,623	-	-
Total maximum exposure	4,838,880	4,689,687	18,918	51,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.11 Concentration of risks of financial assets with credit risk exposure

a. **Geographical sectors**

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2014 and 31 December 2013. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	626,208	-	-	8,160	428	-	634,796
Loans and advances to banks	109,234	-	2,717	21,905	271,655	55,400	460,911
Loans and advances to customers							
- Overdrafts	220,338	58,629	16,745	17,411	991	-	314,114
- Term loans	1,032,772	332,387	102,839	97,653	211,435	-	1,777,086
- Staff loans	6,608	2	11	798	42	-	7,461
- Project finance	38,310	803	9,563	25,896	2,986	-	77,558
- Advances under finance lease	2,039	683	39	-	-	-	2,761
Financial assets at fair value through profit or loss	13,869	-	-	-	8,674	1,130	23,673
Investment securities							
- Available-for-sale investments	470,893	3,235	799	9,065	10,583	-	494,575
- Held-to-maturity investments	139,810	7,334	504	10,837	-	-	158,485
Asset pledged as collateral	67,114	-	-	1,369	-	-	68,483
Other assets	12,696	8,590	609	4,479	227	-	26,601
31 December 2014	2,739,891	411,663	133,826	197,573	507,021	56,530	4,046,504

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

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	63,410	7,171	10,327	2,239	7,232	-	90,379
Letters of credit and other credit-related obligations	458,547	66,959	46,960	18,602	110,929	-	701,997
31 December 2014	521,957	74,130	57,287	20,841	118,161	-	792,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	502,451	-	-	6,569	13,471	-	522,491
Loans and advances to banks	128,991	-	440	37,220	135,824	128,111	430,586
Loans and advances to customers							-
- Overdrafts	258,028	43,577	25,609	12,402	439		340,055
- Term loans	837,067	149,373	92,626	105,245	124,964	50,686	1,359,961
- Staff loans	5,671	-	-	513	32	-	6,216
- Project finance	20,865	30,742	9,196	-	-	-	60,803
- Advances under finance lease	1,587	482	26	-	-	-	2,095
Financial assets at fair value through profit or loss	7,757	-	-	-	2,530	-	10,287
Investment securities							
- Available-for-sale investments	403,156	2,690	3,008	14,504	50,467	3,116	476,941
- Held-to-maturity investments	284,372	9,276	927	-	-	-	294,575
Asset pledged as collateral	52,405	-	-	1,245	-	-	53,650
Other assets	13,576	11,791	1,404	2,587	328	718	30,404
31 December 2013	2,515,927	247,932	133,235	180,284	328,055	182,631	3,588,064

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

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loan commitments	286,761	30,345	34,902	49,353	6,647	-	408,008
Letters of credit and other credit-related obligations	440,762	88,555	92,032	1,078	71,188	-	693,615
31 December 2013	727,523	118,900	126,934	50,431	77,835	-	1,101,623

Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loans and advances to banks	**3,261**	-	-	-	-	-	**3,261**
Loans and advances to customers							
- Staff loans	**80**	-	-	-	-	-	**80**
Investment securities							
- Held-to-maturity investments	**1,466**	-	-	-	-	-	**1,466**
Other assets	**14,111**	-	-	-	-	-	**14,111**
31 December 2014	**18,918**	-	-	-	-	-	**18,918**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Loans and advances to banks	1,477	-	-	-	-	-	1,477
Loans and advances to customers							
- Staff loans	72	-	-	-	-	-	72
Investment securities							
- Loans and receivables	7,332	-	-	-	-	-	7,332
Other assets	42,831	-	-	-	-	-	42,831
31 December 2013	51,712	-	-	-	-	-	51,712

b Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties. Investment securities and financial assets at fair value through profit or loss analysed below excludes investments in equity instruments.

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities (debt) – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	4,408
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,007	-	-
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	1,241
Finance and insurance	634,796	460,911	11,954	38,078	6,746	-	20,398
Transportation	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-
General commerce	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	-
Public sector	-	-	11,719	456,497	150,732	68,483	554
Total at 31 December 2014	634,796	460,911	23,673	494,575	158,485	68,483	26,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	1,611	56,305	-	-	-	57,916
Oil and gas	130,255	688,760	-	33,805	284	853,104
Consumer credit	5,137	163,522	5,984	-	29	174,672
Manufacturing	54,165	302,602	-	18,043	405	375,215
Real estate	20,297	122,947	1,477	-	-	144,721
Construction	32,709	43,258	-	14,322	-	90,289
Finance and insurance	853	17,841	-	1,744	14	20,452
Transportation	3,710	4,820	-	3,851	28	12,409
Communication	2,432	64,202	-	-	-	66,634
General commerce	23,987	70,669	-	209	9	94,874
Utilities	6,888	51,201	-	-	-	58,089
Retail services	25,869	77,762	-	4,410	1,974	110,015
Public sector	6,201	113,197	-	1,174	18	120,590
Total at 31 December 2014	314,114	1,777,086	7,461	77,558	2,761	2,178,980

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities (debt) – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	-	-	6	208	404	-	-
Oil and gas	-	-	2,045	-	-	-	-
Consumer credit	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	1,923	-	3
Real estate	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Finance and insurance	522,491	430,586	6,681	33,610	5,170	-	4,230
Transportation	-	-	4	-	-	-	-
Communication	-	-	191	-	-	-	-
General commerce	-	-	235	-	847	-	25,816
Utilities	-	-	-	-	-	-	-
Retail services	-	-	-	-	-	-	155
Public sector	-	-	1,125	443,123	286,231	53,650	200
Total at 31 December 2013	522,491	430,586	10,287	476,941	294,575	53,650	30,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	550	64,507	-	-	-	65,057
Oil and gas	173,008	445,678	-	2,697	47	621,430
Consumer credit	4,649	134,933	3,765	-	23	143,370
Manufacturing	63,144	207,962	-	-	113	271,219
Real estate	9,752	73,795	2,298	45,755	-	131,600
Construction	10,875	24,758	-	12,351	-	47,984
Finance and insurance	1,689	9,817	117	-	-	11,623
Transportation	5,171	3,279	-	-	142	8,592
Communication	4,936	90,623	-	-	-	95,559
General commerce	31,868	62,147	4	-	1	94,020
Utilities	5,738	27,537	-	-	18	33,293
Retail services	22,842	78,400	32	-	1,720	102,994
Public sector	5,833	136,525	-	-	31	142,389
Total at 31 December 2013	340,055	1,359,961	6,216	60,803	2,095	1,769,130

Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets at fair value through profit or loss ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Assets pledged as collateral ₦ million	Other assets ₦ million
Finance and insurance	-	3,261	-	-	-	-	14,111
Public sector	-	-	-	1,466	-	-	-
Total at 31 December 2014	-	3,261	-	1,466	-	-	14,111

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Consumer credit	-	-	24	-	-	24
Real estate	-	-	56	-	-	56
Total at 31 December 2014	-	-	80	-	-	80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Company

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Consumer credit	-	-	11	-	-	11
Real estate	-	-	61	-	-	61
Total at 31 December 2013	-	-	72	-	-	72

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

Group

	Loan commitments 31 Dec 2014 ₦ million	Letter of credit and other related obligations 31 Dec 2014 ₦ million	Loan commitments 31 Dec 2013 ₦ million	Letter of credit and other related obligations 31 Dec 2013 ₦ million
Agriculture	138	6,896	2,222	3,662
Oil and gas	19,145	116,243	169,321	115,457
Consumer credit	432	24	15,427	484
Manufacturing	39,004	171,184	79,175	11,976
Real estate	1,436	663	10,005	27,944
Construction	10,923	85,179	18,357	205,450
Finance and insurance	9	189,320	1,911	99,042
Transportation	1,686	9,748	1,240	1,786
Communication	8,218	2,024	54,962	7,062
General commerce	3,341	39,642	27,464	147,327
Utilities	3,911	48,350	2,364	457
Retail services	2,097	29,183	22,640	66,890
Public sector	39	3,541	2,920	6,078
Total	90,379	701,997	408,008	693,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.2.12 Loans and advances to customers

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

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	300,769	1,675,941	7,529	77,425	1,698	2,063,362
Past due but not impaired	11,087	81,046	-	284	1,058	93,475
Individually impaired	14,571	37,798	-	-	241	52,610
Collectively impaired	3,151	8,977	-	-	46	12,174
Gross	329,578	1,803,762	7,529	77,709	3,043	2,221,621
Less: allowance for impairment (Note 21)	(15,464)	(26,676)	(68)	(151)	(282)	(42,641)
Net	314,114	1,777,086	7,461	77,558	2,761	2,178,980
Individually impaired	11,845	15,932	-	-	241	28,018
Portfolio allowance	3,619	10,744	68	151	41	14,623
Total	15,464	26,676	68	151	282	42,641

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2013						
Neither past due nor impaired	321,174	1,218,856	6,268	59,425	1,616	1,607,339
Past due but not impaired	14,771	135,055	122	2,109	490	152,547
Individually impaired	14,889	16,705	39	-	696	32,329
Collectively impaired	3,748	18,151	3	-	60	21,962
Gross	354,582	1,388,767	6,432	61,534	2,862	1,814,177
Less: allowance for impairment (Note 21)	(14,527)	(28,806)	(216)	(731)	(767)	(45,047)
Net	340,055	1,359,961	6,216	60,803	2,095	1,769,130
Individually impaired	10,467	9,479	31	-	696	20,673
Portfolio allowance	4,060	19,327	185	731	71	24,374
Total	14,527	28,806	216	731	767	45,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Company

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2014						
Neither past due nor impaired	-	-	80	-	-	80
Net	-	-	80	-	-	80
DECEMBER 2013						
Neither past due nor impaired	–	–	72	–	–	72
Net	–	–	72	–	–	72

Group – December 2014

a. **Loans and advances to customers – neither past due nor impaired**

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (see section 3.2.1 for an explanation of the internal rating system).

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	141	4,598	1	-	-	4,740
AA	-	17,667	-	-	-	17,667
A	390	44,251	32	-	-	44,673
BBB	66,005	154,205	291	1,404	-	221,905
BB	163,467	825,402	6,323	14,464	1,066	1,010,722
B	69,614	329,111	740	1,973	632	402,070
CCC	-	10,583	-	-	-	10,583
CC	-	-	24	-	-	24
C	1,152	290,597	121	59,584	-	351,454
Total	300,769	1,675,941	7,529	77,425	1,698	2,063,362

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	10,046	57,356	-	-	996	68,398
Past due by 30-60 days	178	3,035	-	-	-	3,213
Past due 60-90 days	863	20,655	-	284	62	21,864
Gross amount	11,087	81,046	-	284	1,058	93,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

c. **Collectively impaired loans**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,151	8,977	-	-	46	12,174

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,571	37,798	-	-	241	52,610
Specific impairment	(11,845)	(15,932)	-	-	(241)	(28,018)
Net amount	2,726	21,866	-	-	-	24,592

Group – December 2013

a. **Loans and advances to customers – neither past due nor impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
GRADES:						
AAA	939	8,310	278	-	-	9,527
AA	6,189	10,816	-	-	-	17,005
A	6,224	50,110	-	2,580	-	58,914
BBB	20,318	91,007	2,311	1,051	56	114,743
BB	205,461	479,646	7	21,567	622	707,303
B	82,043	578,967	3,580	34,227	938	699,755
CCC	-	-	92	-	-	92
CC	-	-	-		-	-
C	-	-	-	-	-	-
Total	321,174	1,218,856	6,268	59,425	1,616	1,607,339

b. **Loans and advances past due but not impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Past due up to 30 days	12,397	62,668	110	1,467	484	77,126
Past due by 30-60 days	2,220	64,035	3	642	5	66,905
Past due 60-90 days	154	8,352	9	-	1	8,516
Gross amount	14,771	135,055	122	2,109	490	152,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

c. **Collectively impaired loans**

These represent insignificant impaired loans which are assessed on a collective basis.

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
	3,748	18,151	3	-	60	21,962

d. **Loans and advances individually impaired**

	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Gross amount	14,889	16,705	38	-	697	32,329
Specific impairment	(10,467)	(9,479)	(31)	-	(696)	(20,673)
Net amount	4,422	7,226	7	-	1	11,656

e. **Sensitivity analysis on impairment**

The loan portfolio of First Bank Nigeria ('the Bank'), the most significant entity of the commercial banking group, has been adopted for this sensitivity test; this is based on the premise that the outcome of this stress test on the Bank is reflective of the entire portfolio of the Group. The credit factors considered for this sensitivity are highlighted below;

Probability of Default (PD): This represents the probability that a currently performing account will decline in credit quality. The probability of default model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short term horizon (usually 12 months). A low probability of default indicates a borrower with good credit quality while a high probability of default indicates a borrower with low credit quality and a high likelihood of default.

Loss Given Default (LGD): The Loss Given Default estimates the expected loss on a default account after all recoveries have being exhausted. In estimating the LGD for the credit portfolio, recoveries made on historic loan loss data by way of loan repayment, recovery efforts and/or sale of collateral was applied.

Approach to sensitivity analysis

In performing the sensitivity analysis, two scenarios were considered as detailed below.

Scenario 1

The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default.

Scenario 2

The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realising collaterals pledged.

Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss:

	Impairment charge in profit or loss		
	Current year ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
31 DECEMBER 2014			
Overdrafts	10,253	10,638	10,675
Term loans	13,956	15,579	15,813
Staff loans	(102)	(88)	(88)
Project finance	(580)	(550)	(550)
Advances under finance lease	(456)	(433)	(432)
Total	23,071	25,146	25,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	Impairment charge in profit or loss		
	Current year ₦ million	Scenario 1 ₦ million	Scenario 2 ₦ million
31 DECEMBER 2013			
Overdrafts	11,806	12,350	12,350
Term loans	10,117	10,792	10,792
Staff loans	(430)	(396)	(396)
Project finance	(1)	145	145
Advances under finance lease	681	691	691
Total	22,173	23,582	23,582

3.2.13 Loans and advances to banks

Credit quality of loans to banks is summarised as follows:

All loans to banks are neither past due nor impaired.

The credit quality has been assessed by reference to Moody's rating, Agusto & Agusto's rating (credit rating agency) and the internal rating system at 31 December 2014 and 31 December 2013.

	Group
	Loans to banks ₦ million
31 DECEMBER 2014	
A+ to A-	**282,494**
B+ to B-	**109,825**
Unrated	**68,592**
	460,911
31 DECEMBER 2013	
A+ to A-	220,663
B+ to B-	164,519
Unrated	45,404
	430,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Credit quality of investment in debt securities and other assets is summarised as follows:

All investments in debt instruments are neither past due nor impaired.

The credit quality of investments in debt securities (including assets pledged for collateral) that were neither past due nor impaired can be assessed by reference to Agusto & Agusto's rating (credit rating agency) at 31 December 2014 and 31 December 2013.

Group

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Other assets ₦ million
31 DECEMBER 2014					
A+ to A-	-	19,001	-	22,469	937
B+ to B-	360,783	131,672	10,436	167,908	8,316
Unrated	-	2,322	6,952	-	17,348
	360,783	152,995	17,388	190,377	26,601
31 DECEMBER 2013					
A+ to A-	334,000	140,119	19,108	308,736	-
B+ to B-	-	20,607	-	-	-
Unrated	-	2,597	-	-	30,404
	334,000	163,323	19,108	308,736	30,404

Company

	Treasury bills as reported in the AFS portfolio ₦ million	Bonds as reported in the AFS portfolio ₦ million	Treasury bills as reported in the HTM portfolio ₦ million	Bonds as reported in the HTM portfolio ₦ million	Loans and receivables ₦ million	Other assets ₦ million
31 DECEMBER 2014						
A+ to A-	-	-	1,466	-	-	-
Unrated	-	-	-	-	-	14,111
	-	-	1,466	-	-	14,111
31 DECEMBER 2013						
Unrated	-	-	-	-	7,332	42,831
	-	-	-	-	7,332	42,831

3.2.14 Collaterised 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 2014 and 31 December 2013 are as shown below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Over-collaterised assets		Under-collaterised assets	
	Carrying value of the assets	Fair value of collateral held	Carrying value of the assets	Fair value of collateral held
31 DECEMBER 2014				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	460,911	19,837
Financial assets at fair value through profit or loss	-	-	27,601	5,983
Total financial assets	-	-	488,512	25,820
31 DECEMBER 2013				
FINANCIAL ASSETS				
Loans and advances to banks	-	-	430,586	8,800
Total financial assets	-	-	430,586	8,800

Loans and advances to customers have been excluded from the tables above, as no aggregated collateral information for the unimpaired secured lending portfolio is provided to key management personnel. See further details on collateral management for the loan book in note 3.2.3.

The underlisted financial assets are not collaterised:

- Cash and balances with central banks
- Investment securities:
  - Available-for-sale investments
  - Held-to-maturity investments
- Asset pledged as collateral
- Other assets.

The Group's investment in risk-free government securities and its cash and balances with central banks are not considered to require collaterals given their sovereign nature.

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk on a behavioural basis which is shown in table B.

a. **Table A – liquidity analysis on a contractual basis**

Group

	0-30 days ₦ million	31-90 days ₦ million	91-180 days ₦ million	181-365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	119,807	42,793	4,573	3,978	-	-	171,151
Deposits from customers	2,285,701	465,753	70,684	92,567	134,030	9,658	3,058,393
Borrowings	62,139	130,550	7,567	11,624	60,349	164,086	436,315
Other liabilities	38,682	32,685	15,133	34,672	4,585	-	125,757
Insurance contracts liability	-	556	-	7,704	-	-	8,260
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	2,506,329	672,337	97,957	211,162	198,964	173,744	3,860,493
Loan commitments	66,690	7,171	3,327	900	12,291	-	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	295,440	75,100	52,290	96,802	62,892	209,852	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	28,242	51,926	1,864	-	-	-	82,032
Deposits from customers	2,484,155	268,431	47,330	61,625	71,929	823	2,934,293
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,358
Other liabilities	7,260	117,014	1,920	1,027	-	13,245	140,466
Insurance contracts liability	157	-	-	671	2,342	480	3,650
Investment contracts	39,315	26,037	3,369	-	-	-	68,721
Total financial liabilities	2,576,697	495,902	56,337	71,336	114,769	69,479	3,384,520
Loan commitments	58,505	85,962	62,610	67,961	56,415	76,555	408,008
Letters of credit and other credit-related obligations	643,247	4,347	5,940	23,934	16,147	-	693,615
Total commitments	701,752	90,309	68,550	91,895	72,562	76,555	1,101,623
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021

Company

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Other liabilities	**-**	**-**	**-**	**7,950**	**-**	**-**	**7,950**
Total financial liabilities	**-**	**-**	**-**	**7,950**	**-**	**-**	**7,950**
Assets held for managing liquidity risk	**3,261**	**1,466**	**-**	**14,111**	**-**	**-**	**18,838**
31 DECEMBER 2013							
Financial liabilities							
Other liabilities	72	-	-	3,447	-	-	3,519
Total financial liabilities	72	-	-	3,447	-	-	3,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

b. Table B – liquidity analysis on a behavioural basis

Group

	0–30 days ₦ million	31–90 days ₦ million	91–180 days ₦ million	181–365 days ₦ million	Over 1 year but less than 5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Financial liabilities							
Deposits from banks	85,538	36,770	44,865	3,979	-	-	171,152
Deposits from customers	473,470	539,000	228,443	282,872	324,473	1,210,135	3,058,393
Borrowings	62,139	130,542	7,489	11,624	66,104	164,086	441,985
Other liabilities	38,645	32,937	15,211	34,672	4,585	-	126,049
Insurance contracts liability	-	557	-	7,703	-	-	8,260
Investment contracts	-	-	-	60,617	-	-	60,617
Total financial liabilities	659,792	739,806	296,008	401,467	395,162	1,374,221	3,866,456
Loan commitments	947	198	433	3,714	28,921	56,166	90,379
Letters of credit and other credit-related obligations	228,750	67,929	48,963	95,902	50,601	209,852	701,997
Total commitments	229,697	68,127	49,396	99,616	79,522	266,018	792,376
Assets held for managing liquidity risk	268,745	272,765	210,521	80,968	343,892	125,549	1,302,440
31 DECEMBER 2013							
Financial liabilities							
Deposits from banks	28,242	51,926	1,864	-	-	-	82,032
Deposits from customers	511,358	388,160	206,602	299,867	1,527,484	823	2,934,294
Borrowings	17,568	32,494	1,854	8,013	40,498	54,931	155,358
Other liabilities	7,260	117,014	1,920	1,027	-	13,245	140,466
Insurance contracts liability	157	-	-	671	2,342	480	3,650
Investment contracts	39,315	26,037	3,369	-	-	-	68,721
Total financial liabilities	**603,900**	**615,631**	**215,609**	**309,578**	**1,570,324**	**69,479**	**3,384,521**
Loan commitments	58,505	85,962	62,610	67,961	56,415	76,555	408,008
Letters of credit and other credit-related obligations	643,247	4,347	5,940	23,934	16,147	-	693,615
Total commitments	701,752	90,309	68,550	91,895	72,562	76,555	1,101,623
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

The bank is largely deposit funded and thus, as is typical 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, our demand deposits exhibit much longer duration, with 75.53% of our current account balances and 67.48% of savings account balances being deemed core.

To manage liquidity shocks in either foreign or local currency, largely as a result of episodic movements, the bank typically holds significant short term liquidity in currency placements or taps the repo markets to raise short term funding as is required. To grow local currency liquidity we have also systematically worked towards reducing the duration of our securities portfolio in the last year, shifting the emphasis to holding more liquid shorter dated treasury bills over longer term bonds, to allow more flexibility in managing liquidity. Whilst on the foreign currency side, we have 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 ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Derivative liabilities							
Cross-currency swap	-	-	-	-	-	-	-
Accumulator-Forward FX contract	-	-	98	-	-	-	98
Put options	919	2,664	2,783	6,066	9,671	-	22,103
	919	2,664	2,881	6,066	9,671	-	22,201
Derivative assets							
Cross-currency swap	1,002	-	-	-	-	-	1,002
Put options	938	2,728	2,842	6,257	9,848	-	22,613
Forward contract	1,011	439	-	-	-	-	1,450
	2,951	3,167	2,842	6,257	9,848	-	25,065
	3,870	5,831	5,723	12,323	19,519	-	47,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
AT 31 DECEMBER 2013							
Derivative liabilities							
Accumulator-Forward FX contract	-	-	-	-	(71)	-	(71)
Put options	-	-	-	-	-	(1,626)	(1,626)
	-	-	-	-	(71)	(1,626)	(1,697)
Derivative assets							
Cross-currency swap	-	-	-	12	-	-	12
Foreign exchange derivatives	1,546	602	370	-	-	-	2,518
Put options	-	-	-	-	-	1,626	1,626
	1,546	602	370	12	-	1,626	4,156
	1,546	602	370	12	(71)	-	2,459

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.

Group

	Up to 1 month ₦ million	1-3 months ₦ million	3-6 months ₦ million	6-12 months ₦ million	1-5 years ₦ million	Over 5 years ₦ million	Total ₦ million
31 DECEMBER 2014							
Liabilities held for trading							
FX swap - payable	14,777	-	-	-	-	-	14,777
FX swap - receivable	(14,884)	-	-	-	-	-	(14,884)
Forward contract - payment	1,169	1,022	162	-	-	-	2,353
Forward contract - receipt	(376)	-	-	-	-	-	(376)
Put options	-	-	-	-	143	-	143
	686	1,022	162	-	143	-	2,014
AT 31 DECEMBER 2013							
Derivatives held for trading							
Foreign exchange derivatives	6	2	-	-	-	-	8
	6	2	-	-	-	-	8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.4 MARKET RISK

Market risk is the potential for adverse changes in the value of a trading or an investment portfolio due to changes in market risk variables such as equity and commodity prices, interest rates, and foreign exchange rates.

Market risk arises from positions in currencies, interest rate and securities held in our trading portfolio and from our retail banking business, investment portfolio, and other non-trading activities. The movement in market risk variables may have a negative impact on the balance sheet and or income statement.

Through the financial year, the Bank was exposed to market risk in its trading and non-trading activities, mainly as a result of:

- interest rate movements in reaction to monetary policy changes by the Central Bank of Nigeria, 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 Nigerian Stock Exchange.

3.4.1 Management of market risk

First Bank of Nigeria Limited's market risk management process applies disciplined risk-taking within a framework of well-defined risk appetite that enables the Group to boost shareholders value while maintaining competitive advantage through effective utilisation of risk capital. Thus, FirstBank's Group market risk management policy ensures:

- formal definition of market risk management governance – recognised individual roles and committees, segregation of duties, avoidance of conflicts, etc.;
- management is responsible for the establishment of appropriate procedures and processes in implementing the Board-approved market risk policy and strategy. The procedures are documented in a periodically reviewed market risk procedural manual that spells out the procedures for executing relevant market risk controls.;
- an independent market risk management function reporting directly to the Bank's Chief Risk Officer;
- a Group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with international best practice. Risk measurements are progressively based on modern techniques such as sensitivity, value-at-risk 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, including transactions between the Bank and the subsidiaries;
- continual evaluation of risk appetite, communicated through risk limits and overall effectiveness of the market risk management process;
- the Group does not undertake any risk that cannot be managed, or risks that are not fully understood especially in new products; and
- where the Group takes on any risk, full consideration is given to product maturity, financial market sophistication and regulatory pronouncement, guidelines or policies. The risk taken must be adequately compensated by the anticipated reward.

3.4.2 Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below:

a. **Value at risk (VaR)**

VaR measures potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 99% and a 10-day holding period. The confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced three times per year in every 250 days. Only First Bank of Nigeria (the bank) is subject to the VaR methodology. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the VaR of the bank is deemed to be fairly representative of the Group.

The Bank continues to use VaR to estimate the potential losses that could occur on its positions as a result of movements in market factors.

The Bank uses the parametric method as its VaR methodology with an observation period of two years obtained from published data from pre-approved sources. VaR is calculated on the Bank's positions at close of business daily.

The table below shows the trading VaR of the Bank. The major contributors to the trading VaR are Treasury Bills and Foreign Exchange due to volatility in those instruments impacting positions held by the Bank during the period.

The assets included in the VaR analaysis are the held for trading assets.

The treasury bill trading VaR is NG₦106 million as at 31 December 2014 and reflects the potential loss given assumptions of a 10-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

The foreign exchange trading VaR was Nil as at 31 December 2014, reflecting the new regulatory Trading Open Position of Zero stipulated by the CBN. Hence, there was no open position as at year end.

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Group

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2014			
Foreign exchange risk	12	34	-
Interest rate risk	415	1,286	22
Total VaR	427	1,320	22
12 MONTHS TO 31 DECEMBER 2013			
Foreign exchange risk	16	52	-
Interest rate risk	528	1,738	38
Total VaR	544	1,790	38

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 Bank augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The Asset and Liability Committee (ALCO) is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates, exchange rates and equity prices. This covers all asset classes in the financial markets banking and trading books. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Non-trading portfolio

The principal objective of market risk management of non-trading portfolios is to optimise net interest income. Due to the size of the Bank's holdings in rate-sensitive assets and liabilities the Bank is exposed to interest rate risk.

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

The Bank uses a variety of tools to measure non-tradable interest rate risk such as:

- interest rate gap analysis (which allows the Bank to maintain a positive or negative gap depending on the perceived interest rate direction). The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to speculatively increase net interest income;
- forecasting and simulating interest rate margins;
- market value sensitivity;
- calculating earnings at risk (EaR) using various interest rate forecasts; and
- re-pricing risk in various portfolios and yield curve analysis.

Hedged non-trading market risk exposures

The Group's books have some key market risk exposures, which have been identified and are being managed using swaps and options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 2014 and 31 December 2013. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2014						
Financial assets						
Cash and balances with Central Banks	664,969	14,526	2,599	4,203	11,807	698,104
Loans and advances to banks	52,389	233,210	147,746	22,963	4,603	460,911
Loans and advances						
- Overdrafts	186,567	109,295	117	99	18,036	314,114
- Term loans	740,878	884,209	60,655	80,648	10,696	1,777,086
- Staff loans	6,600	-	42	-	819	7,461
- Project finance	15,767	60,048	-	1,743	-	77,558
- Advances under finance lease	2,761	-	-	-	-	2,761
Investment securities						
- Available-for-sale investments	422,296	67,136	-	1	5,142	494,575
- Held to maturity investments	147,651	-	-	-	10,834	158,485
Asset pledged as collateral	67,115	-	-	-	1,368	68,483
Financial assets at fair value through profit or loss	13,869	8,354	-	1,450	-	23,673
Other assets	16,627	5,215	238	1	4,520	26,601
	2,337,489	1,381,993	211,397	111,107	67,826	4,109,812
Financial liabilities						
Customer deposits	2,098,639	529,284	340,812	8,115	74,003	3,050,853
Deposits from banks	20,528	126,205	18,416	5,897	105	171,151
Financial liabilities at fair value through profit or loss	1,062	9,722	-	133	-	10,917
Borrowings	30,414	334,219	105	958	4,011	369,707
Other liabilities	74,546	20,240	21,724	3,433	5,814	125,757
Insurance contracts liability	8,260	-	-	-	-	8,260
Investment contracts	60,617	-	-	-	-	60,617
	2,294,066	1,019,670	381,057	18,536	83,933	3,797,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Naira ₦ million	USD ₦ million	GBP ₦ million	Euro ₦ million	Others ₦ million	Total ₦ million
31 DECEMBER 2013						
Financial assets						
Cash and balances with Central Banks	560,660	8,904	3,646	16,049	4,975	594,234
Loans and advances to banks	29,908	326,152	46,284	23,887	4,355	430,586
Loans and advances						
- Overdrafts	272,676	63,248	85	95	3,951	340,055
- Term loans	604,517	604,024	53,972	88,205	9,243	1,359,961
- Staff loans	5,670	254	32	-	260	6,216
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities						
- Available-for-sale investments	386,118	35,679	46,687	4	8,453	476,941
- Held-to-maturity investments	294,575	-	-	-	-	294,575
Asset pledged as collateral	52,405	-	-	-	1,245	53,650
Financial assets at fair value through profit or loss	7,769	1,598	-	784	136	10,287
Other assets	15,155	12,361	1,881	111	896	30,404
	2,281,698	1,062,873	152,587	129,135	33,514	3,659,807
Financial liabilities						
Customer deposits	1,950,222	688,267	223,116	9,007	58,469	2,929,081
Deposits from banks	6,038	44,263	15,688	15,665	378	82,032
Financial liabilities at fair value through profit or loss	1,697	-	-	-	4	1,701
Borrowings	28,698	95,442	140	2,012	10	126,302
Other liabilities	12,203	85,427	24,473	13,576	4,534	140,213
Insurance contracts liability	3,650	-	-	-	-	3,650
Investment contracts	68,721	-	-	-	-	68,721
	2,071,229	913,399	263,417	40,260	63,395	3,351,700

The Group is exposed to the US dollar and Euro currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in Naira against the US dollar and Euro. Management believe that a 5% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding US dollar and Euro denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 5% against the US dollar and Euro. For a 5% strengthening of Naira against the US dollar and Euro, there would be an equal and opposite impact on profit.

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Naira strengthens by 5% against the US dollar Profit/(loss)	**(18,116)**	(7,474)
Naira weakens by 5% against the US dollar Profit/(loss)	**18,116**	7,474
Naira strengthens by 5% against the Euro Profit/(loss)	**(4,629)**	(4,444)
Naira weakens by 5% against the Euro Profit/(loss)	**4,629**	4,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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.

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with Central Banks	698,104	8,238	8,001	681,865
Loans and advances to banks	460,911	195,319	86,706	178,885
Loans and advances:				
- Overdrafts	314,114	314,114	-	-
- Term loans	1,777,086	1,747,066	30,020	-
- Staff loans	7,461	-	7,461	-
- Project finance	77,558	77,558	-	-
- Advances under finance lease	2,761	2,761	-	-
Investment securities:				
Available-for-sale investments	553,154	515	495,646	56,994
Held-to-maturity investments	158,485	-	158,485	-
Assets pledged as collateral	68,483	-	68,483	-
Financial assets at fair value through profit or loss	27,601	144	17,521	9,936
Other assets	26,601	-	2,497	24,104
	4,172,319	2,345,715	874,820	951,784
Financial liabilities				
Customer deposits	3,050,853	1,349,992	1,156,095	544,766
Deposits from banks	171,151	138,576	22,565	10,010
Financial liabilities at fair value through profit or loss	10,917	-	1,002	9,915
Borrowings	369,707	176,317	193,390	-
Other liabilities	125,757	-	209	125,548
Insurance contracts liability	8,260	-	2,875	5,385
Investment contracts	60,617	60,617	-	-
	3,797,262	1,725,502	1,376,136	695,623
Interest rate mismatch		620,213	(501,316)	256,160

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Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2013				
Financial assets				
Cash and balances with Central Banks	594,234	181,281	-	412,954
Loans and advances to banks	430,586	300,831	129,755	-
Loans and advances				
- Overdrafts	340,055	340,054	1	-
- Term loans	1,359,961	1,316,539	43,422	-
- Staff loans	6,216	-	6,216	-
- Project finance	60,803	60,803	-	-
- Advances under finance lease	2,095	2,095	-	-
Investment securities:				
Available-for-sale investments	529,488	-	476,942	52,546
Held-to-maturity investments	294,575	-	294,575	-
Assets pledged as collateral	53,650	-	53,650	-
Financial assets at fair value through profit or loss	10,287	-	1,125	9,161
Other assets	30,404	-	-	30,404
	3,712,355	2,201,602	1,005,686	505,065
Financial liabilities				
Customer deposits	2,929,081	2,272,495	623,587	32,999
Deposits from banks	82,032	68,052	13,296	684
Financial liabilities at fair value through profit or loss	1,701	-	-	1,701
Borrowings	126,302	1,603	124,699	-
Other liabilities	140,213	-	-	140,213
Insurance contracts liability	3,651	1,223	-	2,428
Investment contracts	68,723	-	68,723	-
	3,351,704	2,343,373	830,306	178,025
Interest rate mismatch		(141,771)	175,380	327,040

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3.4.5 Interest rate sensitivity gap analysis

The table below summarises the repricing profile of FirstBank's non-trading book as at 31 December 2014. Carrying amounts of items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. The interest rate exposure of the other subsidiaries is considered insignificant to the Group. Thus, the repricing profile of the bank is deemed to be fairly representative of the Group.

	<=30 days ₦ billion	31-90 days ₦ billion	91-180 days ₦ billion	181-365 days ₦ billion	1-2 years ₦ billion	Over 2 years ₦ billion	Rate sensitive ₦ billion
Treasury bills	54	74	162	13	-	-	303
Government bonds	-	-	33	(2)	153	72	256
Corporate bonds	-	-	-	2	5	-	7
Loans and advances to banks	243	-	-	-	-	-	243
Project finance	20	28	4	4	4	-	60
Term loans	159	224	109	226	364	300	1,382
Overdraft	24	49	73	150	-	-	296
Equipment on lease	-	-	3	-	-	-	3
Staff loans	-	-	6	-	-	-	6
Total assets	500	375	390	393	526	372	2,556
Deposits from customers	412	365	172	211	190	439	1,789
Deposits from banks	20	-	-	-	-	-	20
Medium-term loan	54	129	8	-	1	142	334
Total liabilities	486	494	180	211	191	581	2,143
	14	(119)	210	182	335	(209)	413

Current and Savings deposits, which are included within customer deposits, are repayable on demand on a contractual basis. In practice however, these deposits form a stable base for the bank's operations and liquidity needs because of the broad customer base – both numerically and by depositor type. From the bank's experience, about 49% of these demand deposits are non-rate sensitive. These classes of deposits have been allocated into maturity buckets based on historical maturity patterns.

3.5 MANAGEMENT OF INSURANCE RISK

The Group, through its primary insurance business - FBN Insurance Limited, issues contracts that transfer insurance risk. This section summarises the nature and management of these risks.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 form 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 and job loss. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information are not readily available.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota - share. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 insurance contracts.

	31 December 2014			31 December 2013		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Individual traditional	1,927	-	1,927	1,028	-	1,028
Individual savings	2,875	-	2,875	1,223	-	1,223
Group credit life	765	-	765	814	-	814
Group Life – UPR incl AURR	357	(8)	349	104	(19)	85
General business – UPR incl AURR	573	-	573	-	-	-
Group Life - IBNR	133	(4)	129	317	(23)	293
Group School fees	-	-	-	8	-	8
Additional reserves	942	-	942	-	-	-
Outstanding claims	688	-	688	157	(30)	127
Total	8,260	(12)	8,248	3,651	(72)	3,578

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

	31 December 2014			31 December 2013		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Group Life	423	(71)	352	689	(96)	592
Group Credit Life	232	-	232	118	-	118
Individual Life	466	-	466	18	-	18
General business	466	(270)	196	-	-	-
Total	1,587	(341)	1,246	825	(96)	728

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 overall levels of mortality and the variability in policyholder behaviour.

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The insurance business offers varying products, from which the Group is exposed. The main products on offer and the associated risks are:

Product	Types of insurance risk	Product features	Risk
Flexi Education Plan (FlexiEdu)	Individual savings	1. Pays the maturity benefit in 4 equal annual instalments to fund the education of the ward. 2. In case of death before maturity, it pays a death benefit of 10% of the Sum Assured (agreed benefit amount at inception) annually subject to a maximum payout of the sum assured.	Death only
Flexi Save (FlexiSave)	Individual savings	1. Pays the account balance (contribution plus accrued interest) at maturity to the policyholders. 2. In case of death during the policy, 10% of the total contribution payable (subject to a minimum of NG₦100,000) will be paid in addition to the account balance at the point of death to the beneficiary. 3. Should death arise as a result of accident, the plan will pay an accidental death benefit of 200% of the total contribution payable (subject to a max. of NG₦5 million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lumpsum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no claim on the policy.	Death only
Family Income Protection Plan	Individual traditional	Pays a lumpsum to the beneficiary should any of the covered events happens to the policyholder, depending on the option chosen at inception.	Death with permanent disability and initial illness options
Group Life Assurance	Group Life	1. The scheme will pay a benefit of NG₦500,000.00 (subjected to NG₦1 million for a maximum of 2 lines) for a registered Airtel subscribers. 2. Maximum age to enjoy total permanent disability is 70 years thereafter a member shall only be insured for death benefit up to the age of 80 years.	Death only
Group School Fees	Group school fees	Pays out tuition fees of student till completion of education in the applicable institution from on death of parent.	Death of parent
Group Credit Life Assurance	Group credit life	1. The scheme pays the outstanding loan balance at the time of death of the borrower to the bank. 2. The scheme pays a maximum of 6 months instalment after loss of job by the borrower to the bank.	Death and loss of job

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 (FlexiSave)	Deposit reserve: Account balance at valuation date Risk reserve: Gross premium
Group Life and Group School Fees	UPR + IBNR + Expense reserve
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	Loss ratio estimation
Non-Life Business	Basic Chain Ladder + Loss ratio estimation + Bornheutter-Ferguson method

Individual business

A gross premium method was used for individual risk business. This is a monthly 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. This implies that no further testing is required as a result of the implementation of IFRS; or in other words the liability adequacy test has been met implicitly and a separate liability calculation will not be required for accounting purposes.

For the endowment plans the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The FlexiSave Plan offers an accidental death and funeral benefit, which are payable in addition to the account balance on the occurrence of an accidental death. The cost of cover is met by explicit risk premiums, which are deducted from the contributions made by policyholders. The life cover element of the FlexiSave policies (and corresponding risk premiums) was unbundled from the deposit components and reserves calculated via a gross premium cashflow approach as described above. This reserve calculation also considers the expected future expense cashflows.

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 company 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 company 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 (Basic Chain Ladder in 2013) 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 couldn’t 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. However, extremely large claims 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.

Gross valuation interest rate of 14.75% pa was adopted for all long term business, which has been applied as a single long term rate of return. As at 23 December 2014, FGN bond yields of a duration between five and 20 years were above 15%. The 20 year FGN bond yield was 15.2%. By comparison long term bonds were yielding 13% at December 2013.

For the purpose of determining the valuation interest rate, a 5% risk adjustment has been applied, i.e. 95% of the long-term bond yield has been adopted as a risk-adjusted yield. This makes some allowance for the volatility of the risk free yields. By adopting 95% of the closing yield, the valuation interest rate is in line with the average yields over 2014 (five to 20 year bonds).

	Rate
Long-term FGN bond yield	15.00%
Less 0.25% risk adjustment	(0.25%)
Gross valuation rate	14.75%

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

Type of business	Current valuation	Previous valuation
Risk products	14.75%	12.50%
Risk reserves for deposit-based policies	14.75%	12.50%

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; and
2. Allocated operating expenses.

The regulatory maintenance expense assumptions (per policy) are derived by adding a 10% additional prudent margin to the best estimate maintenance expense to form the required assumptions. This has consistently been adopted for IFRS purposes.

The Group performed an expense analysis during the year, which suggests actual expense experience over the year of:

1. Individual Life: ₦4,277 per policy;
2. Credit Life: ₦211 per policy; and
3. Group Life: 59% of premium.

The Group adopted a valuation expense assumption for individual business of ₦5,000 per policy per annum, and ₦250 per policy per annum for credit life business.

The valuation expense assumptions are as follows:

Type of business	Current valuation	Previous valuation
Individual Life	₦5,000 pp	₦3,500 pp
Credit Life	₦250 pp	₦115 pp

Expense inflation

The above expenses are subject to inflation at 8% per annum Consumer Price Inflation at 31 December 2014 was 7.9%. The difference makes for some allowance for expected future expense efficiencies and economies of scale being achieved as the in-force book grows. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A6770 (Assured Lives 1967(70)) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data which demonstrated a good fit to the A6770 table.

Future mortality improvements

No allowance is proposed for future mortality improvements. The Company does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cashflow and FlexiSave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the FlexiSave surrender values are based on the account balances.

Surrender rate was not applied in the current valuation however the reserves for the Cashflow Plans will be subjected to a minimum floor of the surrender value at the valuation date.

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Lapses

No allowance for lapses or surrenders is currently being made in the valuation as there were no lapses for business written within the year 2014, while lapses overall were on the low side for existing business. Further, many of the products in force have been written to provide no payout on surrender within the first 2 years, which may lead to a reduction in reserve on consideration of lapses/surrender.

(i) For individual policies the valuation age has been taken as age last birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium paying term.

(ii) The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

(iii) No specific adjustment has been made for immediate payment of claims.

(iv) No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e., they have been allocated the same level of expenses as premium paying policies.

(v) No allowance had been made for lapses or surrenders.

(vi) For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

(vii) Any policies subject to substandard terms were valued using the same basis as standard policies.

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 30% of gross premium was adopted. Group Life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable of 1% of premium, stamp duty of 0.15% and management expenses.

The following assumptions were adopted for the credit life valuation:

(i) Where no effective (start) date has been provided, we assumed the credit date.

(ii) Where no end date or tenor has been provided we assumed a tenor of 30 months; this is in line with the average policy term where data has been provided.

(iii) The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.

(iv) The IBNR was estimated based on an average claims notification delay period of three months, which was derived from the claims experience data.

Additional contingency reserves were made in addition to those provided for long-term business to be held. These contingencies are considered as standard for the 12 months following the valuation date, i.e., short term contingency only. Other liabilities such as expense and data contingencies reserves have been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	Current valuation	Previous valuation
Expense overrun	10%	10%
Worsening of mortality experience	10%	10%

Reinsurance agreements

Reinsurance is allowed for within the valuation, by having gross and reinsurance ceded records in the policy files. For IFRS compliance purposes all reserves have been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

Changes in assumptions

The Company did not change its assumptions for the insurance contracts.

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3.5.5 Insurance and Market risk sensitivities

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the available capital and shareholder risk tolerance levels.

The 'Assumption Changes' component of the analysis of change, in the table below, shows the impact on liabilities of the actual assumption changes made over the year.

The sensitivity analysis was performed using the under-listed variables:

a. valuation interest (discount) rate +/- 1%;

b. expenses +/- 10%;

c. expense inflation +/- 2%; and

d. mortality +/- 5% (including Group Life).

2014 ₦ million	Base	VIR		Expenses		Expense inflation	
		1%	(1%)	10%	(10%)	2%	(2%)
Individual traditional	1,927	1,542	2,311	1,994	1,861	1,959	1,899
Individual savings	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Group Credit Life	765	765	765	771	760	765	765
Group Life – UPR incl AURR	357	357	357	357	357	357	357
Group Life – IBNR	133	133	133	133	133	133	133
Additional reserves	943	942	943	947	938	943	942
Reinsurance	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Net liability	6,988	6,602	7,372	7,065	6,912	7,020	6,959
% change in net liability		94.5%	105.5%	101.1%	98.9%	100.5%	99.6%
Assets	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Surplus/deficit	1,746	2,132	1,362	1,669	1,822	1,714	1,775

2014 ₦ million	Base	Mortality	
		5%	(5%)
Individual traditional	1,927	1,936	1,918
Individual savings	2,875	2,875	2,875
Group Credit Life	765	765	765
Group Life – UPR incl AURR	357	357	357
Group Life – IBNR	133	133	133
Additional reserves	943	944	942
Reinsurance	(12)	(12)	(12)
Net liability	6,988	6,998	6,978
% change in net liability		100.1%	99.9%
Assets	8,734	8,734	8,734
Surplus/deficit	1,746	1,736	1,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

2013 ₦ million	Base	VIR		Expenses		Expense inflation	
		1%	(1%)	10%	(10%)	2%	(2%)
Individual risk reserves	1,028	966	1,107	1,064	993	1,045	1,013
FlexiSave deposits	1,223	1,223	1,223	1,223	1,223	1,223	1,223
Group Life – UPR	104	104	104	104	104	104	104
Group Life – IBNR	317	317	317	317	317	317	317
Group Credit Life incl school fees	1,022	1,022	1,022	1,026	1,018	1,022	1,022
Reinsurance	(43)	(43)	(43)	(43)	(43)	(43)	(43)
Net liability	3,651	3,589	3,730	3,691	3,612	3,668	3,636
% change in net liability		98.3%	102.2%	101.1%	98.9%	100.5%	99.6%
Assets	3,756	3,756	3,756	3,756	3,756	3,756	3,756
Surplus/deficit	105	167	26	65	144	88	120

2013 ₦ million	Base	Mortality	
		5%	(5%)
Individual risk reserves	1,028	1,032	1,023
FlexiSave deposits	1,223	1,223	1,223
Group Life – UPR	104	104	104
Group Life – IBNR	317	317	317
Group Credit Life incl school fees	1,022	1,022	1,021
Reinsurance	(43)	(43)	(43)
Net liability	3,651	3,655	3,645
% change in net liability		100.1%	99.9%
Assets	3,756	3,756	3,756
Surplus/deficit	105	101	111

Assumptions have been flexed on the basis used to calculate the value of in-force (VIF) business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

The expense sensitivity result shows the impact of reducing and increasing maintenance and 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 Solvency

The solvency level at the valuation date was 103% (103.1%: 2013). That is, assets representing life and non-life fund on the Group's balance sheet (₦8.5 billion) were 103% of the value of the actuarially calculated net liabilities (₦8.3 billion).

The assets backing the Life Fund are as follows:

	2014 ₦ million	2013 ₦ million
FGN bonds	**670**	499
Treasury bills	**7,208**	2,627
Cash and bank balances	**692**	630
Investment properties	**80**	-
Investment in quoted equity	**24**	-
Investment in unquoted equity	**61**	-
Total	**8,734**	3,756

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in section 25 of 2003 Insurance Act were met. The Life Fund shows a surplus of ₦137.1 million (2013: ₦105.4 million), while life and non-life shows a surplus of ₦227.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

3.6 EQUITY 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 are exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2014, the market value of quoted securities held by the Group is ₦7.42 billion (2013: ₦10.09 billion). If the all share index of the NSE moves by 1600 basis points from the 34,657.45 position at 31 December 2014, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦1.19 billion.

The Group holds a number of investments in unquoted securities with a market value of ₦55.1 billion (2013: ₦46.6 billion) of which investments in Airtel Nigeria Ltd (23%), African Finance Corporation (AFC) (63%) and Interswitch Ltd (9%) are the significant holdings. These investments were valued at ₦9.5 billion (cost ₦2.9 billion), ₦25.7 billion (cost ₦12.7 billion) and ₦3.7 billion (cost ₦31 million) respectively as at 31 December 2014. 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. Interswitch is an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and payment infrastructure to banks, government and corporate organisations. 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 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Financial assets at fair value through profit or loss				
Debt securities	13,426	300	-	13,726
Equity	3,927	-	-	3,927
Derivatives	-	9,948	-	9,948
Available-for-sale financial assets				
Investment securities - debt	443,916	50,659	-	494,575
Investment securities - unlisted equity	319	6,731	48,035	55,085
Investment securities - listed equity	3,493	-	-	3,493
Assets pledged as collateral	16,261	2,942	-	19,203
Financial liabilities at fair value through profit or loss				
Derivatives	-	10,917	-	10,917

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Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2013				
Financial assets at fair value through profit or loss				
Debt securities	1,125	-	-	1,125
Equity	4,150	-	-	4,150
Derivatives	-	4,160	852	5,012
Available-for-sale financial assets				
Investment securities - debt	404,002	72,939	-	476,941
Investment securities - unlisted debt				-
Investment securities - unlisted equity	-	3,460	43,150	46,610
Investment securities - listed equity	5,936	-	-	5,936
Assets pledged as collateral	20,381	-	-	20,381
Financial liabilities at fair value through profit or loss				
Derivatives	-	1,701	-	1,701

Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	**-**	**2,806**	**-**	**2,806**
31 DECEMBER 2013				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	-	2,515	-	2,515

a. **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily bonds and equity investments classified as trading securities or available-for-sale.

b. **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Specific valuation techniques used to value financial instruments include:

(i) quoted market prices or dealer quotes for similar instruments;

(ii) the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and

(iii) other techniques, such as discounted cash flow analysis, 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 explained below.

c. **Financial instruments in level 3**

Inputs for the asset or liability in this fair value hierarchy are not based on observable market data (unobservable inputs). This level includes equity investments with significant unobservable components.

Transfers in and out of level 3 instruments are recognised on the date of the event or change in circumstances that caused the transfer.

The following table presents changes in level 3 instruments

	Group
At 1 January 2013	
Transfer into level 3 due to change in observability of market data	50,362
Total gains/(losses) for the period:	
- Included in profit or loss	-
- Included in other comprehensive income	(6,360)
At 31 December 2013	44,002
Transfer into level 3 due to change in observability of market data	67
Total gains/(losses) for the period	
- Included in other comprehensive income	3,966
At 31 December 2014	**48,035**

Total gains or losses for the period included in profit or loss are presented in net gains/(losses) on investment securities.

Information about the fair value measurements using significant unobservable inputs (level 3)

Description	Valuation technique	Range of unobservable input (probability-weighted average)	Relationship of unobservable inputs to fair value
AIRTEL NIGERIA	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
NIBSS PLC	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFREXIM BANK LTD	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
INTERSWITCH LTD	EV/EBITDA	25% illiquidity discount	the higher the illiquidity discount the lower the fair value
AFRICA FINANCE CORPORATION	P/E multiples	10% illiquidity discount	the higher the illiquidity discount the lower the fair value
MOORHOUSE PROPERTIES LTD	Income approach (discounted cashflow)	5% minority discount	the higher the minority discount the lower the fair value
MAIN ONE CABLE COMPANY LTD	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value
RESOURCERY PLC	EV/EBITDA	20% illiquidity discount	the higher the illiquidity discount the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

EV/EBITDA or P/E valuation multiple – the Group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The Bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the Bank's investee company and the comparable public companies based on company-specific facts and circumstances.

Income approach (discounted cash flow) – the Group determines the free cash flow of the investee company, and discounts these cash flows using the relevant cost of equity. The cost of equity is derived by adjusting the yield on the risk-free 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 reasonable change in the illiquidity discount and minority discount will not result in a material change to the fair value of the investment.

3.7.2 Group's valuation process

The Group's asset 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. Table below shows the carrying value of financial assets not measured at fair value.

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Cash and balances with central banks	500	697,604	-	698,104
Loans and advances to banks	-	460,911	-	460,911
Loans and advances to customers:				
– Overdrafts	-	-	314,114	314,114
– Term loans	-	30,017	1,747,069	1,777,086
– Staff loans	-	388	7,073	7,461
– Project finance	-	-	77,558	77,558
– Advances under finance lease	-	-	2,761	2,761
Held-to-maturity investments	111,457	47,028	-	158,485
Asset pledged as collateral	47,920	1,360	-	49,280
Other assets	-	26,601	-	26,601
Financial liabilities				
Deposit from customers	-	3,050,853	-	3,050,853
Deposit from bank	-	171,151	-	171,151
Borrowing	141,819	227,888	-	369,707
Other liabilities	-	125,311	446	125,757
Investment contracts	-	60,617	-	60,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2013				
Financial assets	-	594,234	-	594,234
Cash and balances with central banks	-	430,586	-	430,586
Loans and advances to banks				
Loans and advances to customers:	-	340,055	-	340,055
- Overdrafts	-	1,359,961	-	1,359,961
- Term loans	-	-	6,216	6,216
- Staff loans	-	-	60,803	60,803
- Project finance	-	-	2,095	2,095
- Advances under finance lease	171,099	123,476	-	294,575
Held-to-maturity investments	33,269	-	-	33,269
Asset pledged as collateral	-	30,404	-	30,404
Other assets				
Financial liabilities				
Deposit from customers	-	2,929,081	-	2,929,081
Deposit from bank	-	82,032	-	82,032
Borrowing	-	126,302	-	126,302
Other liabilities	-	140,213	-	140,213
Investment contracts	-	68,721	-	68,721

Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Total ₦ million
31 DECEMBER 2014				
Financial assets				
Loans and advances to banks	**-**	**3,261**	**-**	**3,261**
Loans and advances to customers:				
- Staff loans	**-**	**-**	**80**	**80**
Held-to-maturity investments	**1,466**	**-**	**-**	**1,466**
Other assets	**-**	**14,111**	**-**	**14,111**
Financial liabilities				
Other liabilities	**-**	**7,950**	**-**	**7,950**
31 DECEMBER 2013				
Financial assets				
Loans and advances to customers:				
- Staff loans	-	-	72	72
Investment securities:				
- Loans and receivables	-	7,332	-	7,332
Other assets	-	42,831	-	42,831
Financial liabilities				
Other liabilities	-	3,519	-	3,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

Group

	At 31 December 2014		At 31 December 2013	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers				
- Fixed rate loans	35,828	33,804	49,639	48,646
- Variable rate loans	2,143,152	2,188,220	1,719,491	1,749,615
Investment securities (held-to-maturity)	158,484	124,995	294,575	262,172
Asset pledged as collateral	49,280	30,649	33,269	24,040
Financial liability				
Borrowings	369,707	407,765	2,096,974	2,084,473

Investment securities have been fair valued using the market prices and is within level 1 of the fair value hierarchy, while the loans and advances to customers have been fair valued using unobservable imputs and is within level 3 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for both the Company and Group approximate their fair values:

- cash and balances with central banks;
- loans and advances to banks;
- other assets (excluding prepayments);
- deposits from banks;
- deposits from customers; and
- other liabilities (excluding provisions and accruals).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

4 CAPITAL MANAGEMENT

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of Nigeria, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve the current capital requirement of at least 15% set by the Central Bank of Nigeria.

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors. The Group has an Internal Capital Adequacy Assessment Process which proactively evaluates capital needs vis-à-vis business growth and the operating environment. It also guides the capital allocation among the subsidiaries and the business units. The Group's internal capital adequacy assessment entails periodic review of risk management processes, monitoring of levels of risk and strategic business focus through a system of internal controls that provides assurance to those charged with governance on risk management models and processes.

The Group's capital is divided into two tiers:

- Tier 1 capital: core equity tier 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.
- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising from the fair valuation of financial instruments held as available for sale. Under the Basel II requirements, as implemented in Nigeria, tier 2 capital is restricted to 331/3% of tier 1 capital.

During the year, Nigerian banks based on regulatory requirements issued by the Central Bank migrated from the Basel I to Basel II in terms of capital adequacy monitoring and reporting. Basel II introduced capital charges for operational risk and market risks which hitherto were unweighted, in addition to the credit risk.

The Central Bank of Nigeria prescribed a minimum limit of 15% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks with international banking licence in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in subsidiaries and other regulatory adjustments.

The Group works to maintain adequate capital cover for its trading activities of the Bank, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

The table below summarises the Basel II capital adequacy ratio for 2014 and 2013 (December 2013 capital adequacy ratio for First Bank of Nigeria Limited of 16.76% was initially reported in accordance with the requirements of Basel 1 Accord as adopted by the Central Bank of Nigeria). It shows the composition of regulatory capital and ratios for the years. During those years, the Bank complied with all the regulatory capital requirements to which it was subjected.

First Bank of Nigeria

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
TIER 1 CAPITAL		
Share capital	**16,316**	16,316
Share premium	**189,241**	189,241
Statutory reserve	**63,231**	51,329
SMEEIS reserves	**6,076**	6,076
Retained earnings	**87,200**	67,166
Less: Goodwill/deferred tax	**(1,343)**	(3,655)
Less: Loan to subsidiary	**(14,541)**	-
Less: Investment in unconsolidated subsidiaries	**(29,493)**	(29,265)
Total qualifying for tier 1 capital	**316,687**	297,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

First Bank of Nigeria

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
TIER 2 CAPITAL		
Fair value reserve	16,126	13,063
Other borrowings	141,819	47,249
Total tier 2 capital	157,945	60,312
Tier 2 capital restriction	120,688	60,312
Less: Investment in unconsolidated subsidiaries	(29,493)	(29,265)
Total qualifying for tier 2 capital	91,195	31,047
Total regulatory capital	407,882	328,255
RISK-WEIGHTED ASSETS		
Credit risk	2,131,421	2,029,705
Operational risk	453,746	393,993
Market risk	46	783
Total risk-weighted assets	2,585,213	2,424,481
Risk-weighted Capital Adequacy Ratio (CAR)	15.78%	13.54%
Tier 1 CAR	12.25%	12.26%

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

a. **Impairment charges on financial assets**

The Group reviews its loan portfolios for impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 3.2.12 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

b. **Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 3.7 for additional sensitivity information for financial instruments.

c. **Held-to-maturity investments**

In accordance with IAS 39 guidance, the Group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. During the year, the held to maturity investment portfolio was not tainted.

d. **Retirement benefit obligation**

For defined benefit pension plans, the measurement of the Group's benefit obligation and net periodic pension cost/(income) requires the use of certain assumptions, including, among others, estimates of discount rates and expected return on plan assets. See note 38, 'Retirement benefits obligation', for a description of the defined benefit pension plans and sensitivity analysis. An actuarial valuation is performed by actuarial valuation experts on an annual basis to determine the retirement benefit obligation of the Group.

e. **Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

An impairment charge of ₦501 million arose in ICB Guinea in the retail segment during the course of year 2014, resulting in the carrying amount of the CGU being written down to its recoverable amount.

If the terminal growth rate had been higher by 0.5%, the Group would have recognised impairment lower by ₦20 million while if it had been lower by 0.5% a further charge of ₦19 million would have been recognised in the Group books. See note 30 for key assumptions on impairment testing for goodwill.

If the weighted average cost of capital rate had been lower by 0.5%, the Group would have recognised impairment lower by ₦45 million while if it had been higher by 0.5% a further charge of ₦43 million would have been recognised in the Group's books.

6 SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Group's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

The Group is divided into the following business units:

Commercial Banking Business Group

This is the Group's core business, which provides both individual and corporate clients/customers with financial intermediation services. This business segment includes the Group's local, international and representative offices offering commercial banking services.

Investment Banking and Asset Management Business Group (IBAM)

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.

Insurance Business Group

This includes the Group's legacy insurance brokerage business and the more recent full underwriting business. The underwriting business is performed by FBN Life Assurance Limited, a partnership with South African based Sanlam Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Other Financial Services Business Group

This includes the Group's non operating holding company and other non-banking financial services businesses, primarily FBN Micro finance bank which provides microfinance services to the mass-market retail segment and SPVs established by the Group.

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 Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Management Committee.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.

Segment result of operations

The segment information provided to the Group Executive Committee for the reportable segments for the period ended 31 December 2014 is as follows:

	Commercial Banking Group ₦ million	IBAM Group ₦ million	Insurance Group ₦ million	Other Financial Services Group ₦ million	Total ₦ million
AT 31 DECEMBER 2014					
Total segment revenue	455,475	23,560	6,539	22,467	508,041
Inter-segment revenue	(6,802)	(4,791)	(1,810)	(14,636)	(28,039)
Revenue from external customers	448,673	18,768	4,729	7,830	480,002
Profit/(loss) before tax	90,067	3,529	706	(1,418)	92,884
Income tax expense	(9,526)	(2,727)	(195)	2,403	(10,045)
Profit for the period	80,541	802	511	985	82,839
Impairment charge on credit losses	(25,362)	18	-	(312)	(25,656)
Impairment charge on doubtful receivables	(17)	(258)	(7)	(4)	(286)
Impairment charge on goodwill	(501)	-	-	-	(501)
Share of profit/(loss) from associates	521	78	-	-	599
Depreciation	(10,531)	(373)	(156)	(315)	(11,375)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	Commercial Banking Group ₦ million	IBAM Group ₦ million	Insurance Group ₦ million	Other Financial Services Group ₦ million	Total ₦ million
AT 31 DECEMBER 2014					
Total assets	4,080,258	99,384	17,505	145,519	4,342,666
Other measures of assets:					
Loans and advances to customers	2,150,086	1,872	74	26,948	2,178,980
Investment in associates	-	-	-	-	-
Expenditure on non-current assets	83,404	505	1,764	2,535	88,208
Investment securities	598,904	45,812	12,011	54,912	711,639
Total liabilities	3,649,993	77,405	10,500	81,878	3,819,776
AT 31 DECEMBER 2013					
Total segment revenue	371,681	20,129	3,665	76,167	471,642
Inter-segment revenue	(1,508)	(914)	(228)	(74,057)	(76,707)
Revenue from external customers	370,173	19,215	3,437	2,110	394,935
Profit/(loss) before tax	86,668	6,778	1,071	(3,180)	91,337
Income tax expense	(21,010)	528	(163)	(61)	(20,706)
Profit for the period	65,658	7,306	908	(3,241)	70,631
Impairment charge on credit losses	(20,257)	83	-	169	(20,005)
Impairment charge on doubtful receivables	(264)	-	(40)	-	(304)
Impairment charge on goodwill	(552)	-	-	-	(552)
Share of profit/(loss) from associates	875	-	-	131	1,006
Depreciation	(9,823)	(261)	(88)	(112)	(10,284)
AT 31 DECEMBER 2013					
Total assets	3,710,584	106,066	8,708	43,643	3,869,001
Other measures of assets:					
Loans and advances to customers	1,767,622	8	65	1,435	1,769,130
Investment in associates	6,227	-	-	802	7,029
Expenditure on non-current assets	78,491	1,224	228	1,356	81,299
Investment securities	733,254	77,231	6,732	6,846	824,063
Total liabilities	3,309,902	73,485	5,779	8,058	3,397,224

Geographical information

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
REVENUES		
Nigeria	438,385	368,060
Outside Nigeria	41,181	26,875
Total	479,566	394,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Geographical information

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
NON-CURRENT ASSET		
Nigeria	81,394	76,533
Outside Nigeria	6,814	4,766
Total	88,208	81,299

7 INTEREST INCOME

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Investment securities	92,153	86,174	2,760	921
Loans and advances to banks	19,216	17,423	122	–
Loans and advances to customers	251,210	220,024	4	3
	362,579	323,621	2,886	924

Interest income on loans and advances to customers for the Group includes interest income on impaired financial assets of ₦0.598 billion (2013: ₦1.3 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 INTEREST EXPENSE

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Customer deposits	98,017	79,495
Deposits from banks	2,713	2,631
Borrowings	17,995	11,380
	118,725	93,506

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Loans and advances to customers (see Note 21)		
Increase in collective impairment	4,149	1,141
Increase in specific impairment	23,768	21,573
	27,917	22,714
Net recoveries on loans previously written off	(2,261)	(2,709)
Other assets (see Note 32)		
Increase in impairment	286	304
	25,942	20,309

The Group impairment charge in the financial year ended December 2014 increased to ₦27.9 billion from ₦22.7 billion recorded in December 2013. This is due to the recognition of impairment in some small-medium sized exposures to fast track remedial action in line with the bank's delinquency management/loan workout process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

10 INSURANCE PREMIUM REVENUE

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Gross premium written	**7,113**	3,648
Unearned premium	**(344)**	(4)
	6,769	3,644
Change in insurance contract liabilities	**(3,449)**	(1,633)
	3,320	2,011

11 FEES AND COMMISSION INCOME

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Credit related fees	**2,492**	2,883
Commission on turnover	**15,289**	17,618
Letters of credit commissions and fees	**6,636**	5,472
Electronic banking fees	**11,465**	7,648
Money transfer commission	**2,195**	3,634
Commission on bonds and guarantees	**1,146**	617
Funds transfer and intermediation fees	**5,086**	3,388
Account maintenance	**8,344**	7,931
Brokerage and intermediations	**4,631**	3,810
Financial advisory fees	**5,693**	3,381
Fund management fees	**1,530**	906
Other fees and commissions	**2,476**	2,093
	66,983	59,381
11b FEES AND COMMISSION EXPENSE	**6,205**	5,296

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

12 NET GAINS ON FOREIGN EXCHANGE INCOME

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Fair value gains/(losses) on foreign exchange	**30,795**	(2,349)	**42**	-
Foreign exchange trading income	**14,110**	9,042	**-**	-
	44,905	6,693	**42**	-

Fair value gain in 2014 arose from exchange rate movement on translation of foreign currency balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

13 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Equity securities	(366)	961
Debt securities	136	1,938
	(230)	2,899

14 NET LOSSES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Derivatives	(871)	595
Trading losses on debt securities	(152)	(20)
Fair value losses on debt securities	(239)	(2,079)
	(1,262)	(1,504)

15a DIVIDEND INCOME

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
First Bank of Nigeria Limited	-	-	9,790	71,791
FBN Capital Limited	-	-	4,185	1,800
FBN Insurance Brokers Limited	-	-	188	215
FBN Insurance Limited	-	-	198	128
Others	1,469	1,227	109	124
Withholding tax on dividend	-	-	(723)	-
	1,469	1,227	13,747	74,057

15b OTHER OPERATING INCOME

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit on sale of property, plant and equipment	435	293	-	-
Other income	2,419	834	294	7
	2,854	1,127	294	7

Other income is largely made up of income made by the Group from private banking services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

16 OPERATING EXPENSES

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Auditors' remuneration	530	488	25	35
Directors' emoluments	6,795	6,884	751	306
Deposit insurance premium	13,027	11,070	-	-
AMCON resolution cost	17,132	13,853	-	-
Maintenance	19,571	22,308	45	15
Insurance premium	565	1,467	11	1
Rent and rates	4,394	2,710	171	90
Advert and corporate promotions	12,759	8,357	127	343
Legal and other professional fees	5,741	4,339	504	424
Donations and subscriptions	1,867	1,814	4	36
Stationery and printing	2,335	2,084	99	6
Communication, light and power	6,181	3,053	10	79
Cash handling charges	3,042	2,771	-	-
Operational and other losses	18,488	5,155	-	-
Passages and travels	5,134	5,092	192	192
Outsourced cost	12,247	9,850	-	-
Statutory fees	57	99	55	78
Underwriting expenses	1,539	703	-	-
Other operating expenses	11,796	6,186	123	53
	143,200	108,283	2,117	1,658

16a PERSONNEL EXPENSES

	Group 31 Dec 2014 ₦ million	Group 31 Dec 2013 ₦ million	Company 31 Dec 2014 ₦ million	Company 31 Dec 2013 ₦ million
Wages and salaries	75,011	55,370	1,147	50
Pension costs:				
- Defined contribution plans	2,954	2,550	12	8
- Defined benefit plans (Note 38)	1,636	3,211	-	-
- Retirement benefit cost - Gratuity (Note 38)	242	4,689	-	-
	79,843	65,820	1,159	58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

17 TAXATION – INCOME TAX EXPENSE AND LIABILITY

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Corporate tax	8,031	17,275
National fiscal levy	-	13
Education tax	138	1,360
Technology tax	889	808
Capital gains tax	3	27
(Over)/Under provision in prior years	(162)	11
Current income tax – current period	8,899	19,494
Origination and reversal of temporary deferred tax differences	1,146	1,212
Income tax expense	10,045	20,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	31 Dec 2014 ₦ million		31 Dec 2013 ₦ million	
Profit before income tax	**92,884**		**91,337**	
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	**27,865**	30%	**27,401**	30%
Effect of tax rates in foreign jurisdictions	**(129)**	-	**-**	-
Non-deductible expenses	**21,984**	24%	**5,830**	6%
Effect of education tax levy	**138**	-	**1,397**	2%
Effect of information technology	**889**	1%	**823**	1%
Effect of capital gains tax	**3**	-	**27**	-
Effect of minimum tax	**211**	-	**90**	-
Effect of excess dividend tax	**403**	-	**5,349**	6%
Effect of national fiscal levy	**22**	-	**-**	-
Tax exempt income	**(39,378)**	(42%)	**(19,536)**	(21%)
Effect of disposal of items of PPE	**-**	-	**(1)**	-
Effect of change in PBT due to IFRS adjustments	**-**	-	**15**	-
Tax incentives	**(201)**	-	**2**	-
Tax loss effect	**(2,220)**	(2%)	**405**	-
(Over)/under provided in prior years	**436**	-	**26**	-
Effect of prior period adjustment on deferred tax	**22**	-	**(1,122)**	(1%)
Total income tax expense in income statement	**10,045**	11%	**20,706**	23%
Income tax expense	**10,045**	11%	**20,706**	23%

The movement in the current income tax liability is as follows:				
At start of the period	**34,167**	23,389	**-**	-
Effect of adjustment on acquired entities	**38**	(729)	**-**	-
Reclassification to liabilities held for sale	**(69)**	-	**-**	-
Tax paid	**(31,329)**	(9,166)	**-**	-
Withholding tax credit utilised	**(31)**	(4)	**-**	-
Prior period under provision	**(52)**	217	**-**	-
AFS securities revaluation tax charge/(credit)	**(682)**	(282)	**-**	-
Income tax charge	**8,899**	19,494	**-**	-
Effect of changes in exchange rate	**888**	1,248		
At 31 December	**11,829**	34,167	**-**	-
Current	**11,829**	34,167	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

18 CASH AND BALANCES WITH CENTRAL BANKS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Cash	**63,308**	71,743
Balances with central banks excluding mandatory reserve deposits	**71,059**	181,280
	134,367	253,023
Mandatory reserve deposits with central banks	**563,737**	341,211
	698,104	594,234

Included in balances with central banks is a call placement of ₦7.5 billion for Group (31 December 2013: ₦137.04 billion)

Restricted deposits with central banks are not available for use in Group's day-to-day operations. FBNHoldings had restricted balances of ₦560.08 billion with Central Bank of Nigeria (CBN) as at 31 December 2014 (December 2013: ₦325 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 20% of non-government deposits (December 2013: 15%) and 75% of government deposit (December 2013: 50%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN UK, FBN Ghana, FBN Gambia, FBN Guinea and FBN Senegal had restricted balances of ₦0.43 billion, ₦0.97 billion, ₦0.16 million, ₦1.41 billion and ₦0.20 billion respectively with their respective central banks.

19 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities less than three months.

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Cash (Note 18)	**63,308**	71,743	**-**	-
Balances with central banks other than mandatory reserve deposits (Note 18)	**71,059**	181,280	**-**	-
Loans and advances to banks excluding long-term placements (Note 20)	**321,201**	326,024	**3,261**	1,477
Treasury bills included in financial assets at fair value through profit or loss (Note 22)	**7,240**	438	**-**	-
Treasury bills and eligible bills excluding pledged treasury bills (Note 23.1 and 23.2)	**69,648**	255,206	**1,466**	-
	532,456	834,691	**4,727**	1,477

20 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current balances with banks within Nigeria	**54,776**	4,863	**375**	1,477
Current balances with banks outside Nigeria	**156,595**	287,452	**-**	-
Placements with banks and discount houses	**109,831**	33,709	**2,886**	-
	321,202	326,024	**3,261**	1,477
Long-term placement	**139,709**	104,562	**-**	-
Carrying amount	**460,911**	430,586	**3,261**	1,477

Included in loans to banks is non-current placement of ₦139.7 billion for Group (31 December 2013: ₦104.6 billion) which does not qualify as cash and cash equivalent.

All other loans to banks are due within three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

21 LOANS AND ADVANCES TO CUSTOMERS

Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Overdrafts	**329,578**	**11,845**	**3,619**	**15,464**	**314,114**
Term loans	**1,803,762**	**15,932**	**10,744**	**26,676**	**1,777,086**
Staff loans	**7,529**	**-**	**68**	**68**	**7,461**
Project finance	**77,709**	**-**	**151**	**151**	**77,558**
	2,218,578	**27,777**	**14,582**	**42,359**	**2,176,219**
Advances under finance lease	**3,043**	**241**	**41**	**282**	**2,761**
	2,221,621	**28,018**	**14,623**	**42,641**	**2,178,980**
31 DECEMBER 2013					
Overdrafts	354,582	10,467	4,060	14,527	340,055
Term loans	1,388,767	9,479	19,327	28,806	1,359,961
Staff loans	6,432	31	185	216	6,216
Project finance	61,534	-	731	731	60,803
	1,811,315	19,977	24,303	44,280	1,767,035
Advances under finance lease	2,862	696	71	767	2,095
	1,814,177	20,673	24,374	45,047	1,769,130

Company

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2014					
Staff loans	**80**	**-**	**-**	**-**	**80**
	80	**-**	**-**	**-**	**80**
31 DECEMBER 2013					
Staff loans	72	–	–	–	72
	72	–	–	–	72

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	**1,166,338**	932,842	**13**	5
Non-current	**1,012,642**	836,288	**67**	67
	2,178,980	1,769,130	**80**	72

CBN/Bank of Industry facilities

Included in loans and advances to customers are term loans granted to customers in line with Central Bank of Nigeria (CBN) ₦200 billion intervention funds for refinancing and restructuring of banks' loans to the manufacturing sector. The on-lending facilities are for a maximum of 15 years' tenor at 6% interest per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

CBN/Commercial Agriculture Credit (CACS)

This relates to the balance on term loan facilities granted to customers under Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme. The facilities under the scheme are for a period of seven years at 9% interest per annum. These balances are included in the loans and advances.

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
CBN/Bank of Industry	14,514	7,429
CBN/Commercial Agriculture Credit	13,733	20,319

Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2014					
Specific impairment	10,467	9,479	696	31	20,673
Collective impairment	4,060	19,327	71	916	24,374
	14,527	28,806	767	947	45,047
Additional provision/(writeback)					
- Specific impairment	7,490	16,764	(455)	(31)	23,768
- Collective impairment	2,918	1,927	1	(697)	4,149
Loan write-off					
- Specific impairment	(6,445)	(10,317)	-	-	(16,762)
- Collective impairment	(3,360)	(10,470)	(31)	-	(13,861)
Acquisition through business combination					
- Specific impairment	335	77	-	-	412
- Collective impairment	-	2	-	-	2
Reclassification to asset held for sale					
- Specific impairment	-	(72)	-	-	(72)
- Collective impairment	-	(42)	-	-	(42)
	15,465	26,675	282	219	42,641
Specific impairment	11,845	15,932	241	-	28,018
Collective impairment	3,619	10,744	41	219	14,623
At 31 December 2014	15,464	26,676	282	219	42,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Overdrafts ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2013					
Specific impairment	6,882	10,372	-	-	17,254
Collective impairment	3,402	17,249	87	1,332	22,070
	10,284	27,621	87	1,332	39,324
Additional provision					
- Specific impairment	11,631	9,219	695	31	21,576
- Collective impairment	648	924	(15)	(416)	1,141
Loans written off	(8,693)	(10,447)	-	-	(19,140)
Acquisition through business combination					
- Specific impairment	648	322	-	-	970
- Collective impairment	9	1,167	-	-	1,176
	14,527	28,806	767	947	45,047
Specific impairment	10,467	9,479	696	31	20,673
Collective impairment	4,060	19,327	71	916	24,374
At 31 December 2013	14,527	28,806	767	947	45,047

Loans and advances to customers include finance lease receivables as follows:

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Gross investment in finance lease, receivable		
- No later than one year	168	547
- Later than one year and no later than five years	3,555	2,678
- Later than five years	-	24
	3,723	3,249
Unearned future finance income on finance leases	(680)	(387)
Impairment allowance on leases	(282)	(767)
Net investment in finance lease, receivable	2,761	2,095
Net investment in finance lease, receivable is analysed as follows		
- No later than one year	151	147
- Later than one year and no later than five years	2,610	1,925
- Later than five years	-	23
	2,761	2,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Nature of security in respect of loans and advances:

Group	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Legal mortgage/debenture on business premises, factory assets or real estates	**535,263**	597,208	**-**	-
Guarantee/receivables of investment grade banks and state government	**746,557**	178,923	**-**	-
Domiciliation of receivables	**630,801**	112,102	**-**	-
Clean/negative pledge	**79,749**	47,791	**-**	-
Marketable securities/shares	**14,755**	374,221	**-**	-
Otherwise secured	**110,394**	486,159	**80**	72
Cash/government securities	**104,102**	17,772	**-**	-
	2,221,621	1,814,177	**80**	72

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Treasury bills with maturity of less than 90 days	**7,240**	438	**-**	-
Treasury bills with maturity over 90 days	**2,254**	146	**-**	-
Bonds	**4,232**	541	**-**	-
Total debt securities	**13,726**	1,125	**-**	-
Listed equity securities	**3,927**	4,150	**-**	-
Total equity securities	**3,927**	4,150	**-**	-
Derivative assets	**9,948**	5,012	**-**	-
Total assets at fair value through profit or loss	**27,601**	10,287	**-**	-

The Group uses the following derivative strategies:

Economic hedges

The Group use of derivative instrument is very nascent and has been limited to hedging of risk exposures resulting from adverse movement in market risk factors. The Group's derivative transactions are principally in:

- Forward FX contracts entered into to hedge against foreign exchange risks arising from cross-currency exposures.
- Exchange rate risk in euro borrowing disbursed in USD is being managed by the use of Forward FX contracts that allows a notional accrual of euros that will close the open position over the life of the borrowing.

Customers' risk hedge needs

The Group offers its customers derivatives in connection with their risk-management objectives to transfer, modify or reduce foreign exchange risk for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. Currently all hedge transactions with the customers are backed by trade (visible and invisible) transactions. The Group also manages its derivative-risk positions through calculation of pre-settlement risk exposure and daily reporting of positions and risk measures to senior management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below:

	Group – 31 December 2014		
		Fair values	
	Notional contract amount ₦ million	Asset ₦ million	Liability ₦ million
Foreign exchange derivatives			
Forward FX contract	281,325	1,451	(1,975)
FX accumulator contract	565	-	(133)
Currency swap	14,884	-	(1,062)
Put options	52,996	8,354	(7,747)
Equity derivatives			
Put options	-	143	-
	349,770	9,948	(10,917)
Current	296,774	1,451	(3,170)
Non-current	52,996	8,497	(7,747)
	349,770	9,948	(10,917)

	Group – 31 December 2013		
		Fair values	
	Notional contract amount ₦ million	Asset ₦ million	Liability ₦ million
Foreign exchange derivatives			
Forward FX contract	189,302	2,522	(71)
Currency swap	19,617	12	(4)
Put options	34,361	1,626	(1,626)
Equity option			
Put options	3,228	852	-
	246,508	5,012	(1,701)
Current	195,509	2,534	(4)
Non-current	50,999	2,478	(1,697)
	246,508	5,012	(1,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

23 INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
23.1 SECURITIES AVAILABLE FOR SALE				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	64,067	255,206	-	-
– Treasury bills with maturity of more than 90 days	277,514	58,616	-	-
– Bonds	152,995	163,120	-	-
Equity securities – at fair value:				
– Listed	3,493	5,936	-	-
Equity securities – at fair value:				
– Unlisted	55,085	46,610	2,806	2,515
	553,154	529,488	2,806	2,515
Assets pledged as collateral				
Debt securities – at fair value:				
– Treasury bills	19,203	20,178	-	-
– Bonds	-	203	-	-
	19,203	20,381	-	-
Total securities classified as available for sale	572,357	549,869	2,806	2,515
23.2 SECURITIES HELD TO MATURITY				
Debt securities – at amortised cost:				
– Treasury bills with maturity of less than 90 days	5,581	-	1,466	-
– Treasury bills with maturity of more than 90 days	7,845	19,108	-	-
– Bonds	145,059	275,467	-	-
	158,485	294,575	1,466	-
Assets pledged as collateral				
Debt securities – at amortised cost:				
– Treasury bills	3,963	-	-	-
– Bonds	45,317	33,269	-	-
	49,280	33,269	-	-
Total securities classified as held-to-maturity	207,765	327,844	1,466	-
Total investment securities	780,122	877,713	4,272	2,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

24 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		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Available-for-sale debt securities (Note 23.1)	**19,203**	20,381	**-**	-
Held-to-maturity debt securities (Note 23.2)	**49,280**	33,269	**-**	-
	68,483	53,650	**-**	-
The related liability for assets held as collateral include:				
Bank of Industry	**14,791**	7,394	**-**	-
Central Bank of Nigeria/Commercial Agriculture Credit Scheme Intervention fund	**15,624**	21,305	**-**	-
Due from Deustche Bank	**6,731**	-	**-**	-

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above.

Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of ₦40.24 billion (2013: ₦41.6 billion) for which there is no related liability.

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	**23,166**	20,178	**-**	-
Non-current	**45,317**	33,472	**-**	-
	68,483	53,650	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

25 INVESTMENT IN SUBSIDIARIES

25.1 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
First Bank of Nigeria Limited (Note 25a)	205,557	205,557
FBN Capital Limited (Note 25b)	4,300	4,300
FBN Insurance Limited (Note 25c)	2,262	2,262
FBN Insurance Brokers Limited (Note 25d)	25	25
FBN Microfinance Bank Limited (Note 25e)	-	2,000
New Villa Limited (Rainbow Town Development Limited) (Note 25f)	2,550	2,550
Kakawa Discount House Limited (Note 25g)	16,000	-
FBN Trustees Limited (Note 25h)	25,533	25,533
FBN Funds Limited (Note 25i)	4,550	4,550
	260,777	246,777

During the year, First Bank of Nigeria Limited made additional investments of ₦2.677 billion and ₦135.3 million in FBN Mortgages and FBN Bank Guinea respectively. Also, FBN Capital Limited made additional investments of ₦123.5 million and ₦150 million in FBN Capital Asset Management Limited and FBN Securities Limited respectively.

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 FBNBank DRC, FBN Insurance Limited, New Villa Limited (Rainbow Town Development Limited) and Oasis Insurance Plc in which it owned 75%, 65%, 55% and 65% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is ₦4.03 billion (2013: ₦4.51 billion).

SUBSIDIARY	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the Group (%)	Statutory year end
First Bank of Nigeria Limited (Note 25a)	Banking	Nigeria	100	100	31 December
FBN Capital Limited (Note 25b)	Investment Banking and Asset Management	Nigeria	100	100	31 December
FBN Insurance Limited (Note 25c)	Insurance	Nigeria	65	65	31 December
FBN Insurance Brokers Limited (Note 25d)	Insurance	Nigeria	100	100	31 December
FBN Microfinance Bank Limited (Note 25e)	Banking	Nigeria	100	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 25f)	Investment and General Trading	Nigeria	55	55	31 December
Kakawa Discount House Limited (Note 25g)	Discount House	Nigeria	100	100	31 December
FBN Trustees Limited (Note 25h)	Trusteeship	Nigeria	100	100	31 December
FBN Funds Limited (Note 25i)	Investment Banking and Asset Management	Nigeria	100	100	31 December

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

a. First Bank of Nigeria Limited

The bank commenced operations in Nigeria in 1894 as a branch of Bank of British West Africa (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. The Bank was the parent company of the Group until 30 November 2012, when a business restructuring was effected in accordance with the directives of the Central Bank of Nigeria and FBN Holdings Plc became the parent company of the Group.

b. FBN Capital Limited

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

c. 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, FirstBank incorporated a subsidiary, FBN Life Assurance Limited. FirstBank has a holding of 65% in the equity of FBN Life Assurance Limited. Consequent upon the restructuring of 2012, the investment is transferred to FBN Holdings Plc and the name of the company was changed to FBN Insurance Limited in 2014.

d. FBN Insurance Brokers Limited

The Company was incorporated under the Companies and Allied Matters Act CAP C20 LFN 2004, as a limited liability company on 31 March 1994 with the name 'Trust Link Insurance Brokers Limited'. The Company prepared financial statements up to 31 March 1998 after which it became dormant. The Company was resuscitated on 1 April 2000 as FBN Insurance Brokers Limited. The principal activity of the Company is insurance brokerage business.

e. FBN Microfinance Limited

The Bank was incorporated in Nigeria on 18 March 2008 under the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 with registration number RC736874. The Bank was licensed to carry on the business of microfinance banking on 25 August 2008 by the Central Bank of Nigeria. It commenced microfinance banking business on 19 January 2009.

f. New Villa Limited (Rainbow Town Development Limited)

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

g. Kakawa Discount House Limited

Kakawa Discount House Limited was incorporated in Nigeria as a limited liability company on 14 February 1995 and was granted a license to carry on the business of a discount house and commenced operations on 16 November 1995.

h. FBN Trustees Limited

First Trustees Nigeria 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, financial/investment advisory services and loan syndication.

i. FBN Funds Limited

First 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

25.2 CONDENSED SUBSIDIARY ACCOUNTS

31 December 2014	Banking Group ₦ million	Holdco ₦ million	FBN Capital ₦ million	FBN Trustees ₦ million	FBN Funds ₦ million
SUMMARISED INCOME STATEMENT					
Operating income	338,593	16,969	8,709	3,106	14
Operating expenses	(218,631)	(11,286)	(3,222)	(1,384)	(562)
Impairment charge	(25,730)	-	(150)	-	-
Operating profit	94,232	5,683	5,337	1,722	(548)
Associate	136	-	-	-	-
Profit before tax	94,368	5,683	5,337	1,722	(548)
Tax	(9,526)	-	(1,530)	(1,028)	6
Profit/(Loss) for the year	84,842	5,683	3,807	694	(542)
Other comprehensive income	4,818	291	(81)	(416)	888
Total comprehensive income	89,660	5,974	3,726	278	346
Total comprehensive income allocated to non-controlling interest	15	-	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-
SUMMARISED FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	697,601	-	1	-	-
Due from other banks	430,053	3,261	2,791	2,427	734
Loans and advances	2,193,563	80	1,869	3	-
Financial assets at fair value through profit or loss	10,708	-	2,021	-	143
Investment securities	598,904	4,272	12,228	5,197	3,679
Assets pledged as collateral	64,527	-	3,956	-	-
Inventory	-	-	-	-	-
Investment properties	-	-	-	-	-
Investment in subsidiaries	-	260,777	27,527	-	-
Investment in associates	-	1,500	1,330	-	-
Other assets	39,457	14,361	8,912	433	2,558
Deferred tax	2,384	-	82	1,032	140
Intangible assets	8,104	-	124	-	1
Property, plant and equipment	83,404	1,518	466	24	12
Assets held for sale	2,931	2,000	-	-	-
	4,131,636	287,769	61,307	9,116	7,267
Financed by					
Customer deposits	2,989,735	-	-	-	-
Due to other banks	163,710	-	1,307	-	-
Financial liabilities at fair value through profit or loss	9,915	-	-	-	-
Liability on investment contracts	-	-	-	-	-
Liability on insurance contracts	-	-	-	-	-
Borrowings	362,976	-	6,731	-	2,928
Tax payable	8,529	-	2,442	105	88
Other liabilities	131,702	9,590	8,829	4,060	72
Retirement benefit obligations	2,012	-	-	-	-
Deferred income tax liabilities	38	-	-	-	-

* These entities are direct subsidiaries of FBN Capital Limited. In line with IFRS 10, FBN Capital Limited has opted not to prepare consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

FBN Securities* ₦ million	FBN Microfinance ₦ million	FBN Insurance Brokers ₦ million	FBN Insurance ₦ million	Rainbow Town ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
727	1,202	792	4,704	(1,123)	4,527	378,221	(24,192)	354,028
(1,348)	(913)	(553)	(3,371)	(339)	(3,371)	(245,494)	9,693	(235,801)
18	(6)	(4)	(3)	-	(418)	(26,293)	351	(25,942)
(603)	283	234	1,330	(1,462)	224	106,433	(14,148)	92,285
-	-	-	-	-	-	136	463	599
(603)	283	234	1,330	(1,462)	224	106,569	(13,686)	92,884
(248)	(176)	46	(242)	-	2,651	(10,045)	-	(10,045)
(851)	108	280	1,088	(1,462)	2,875	96,522	(13,683)	82,839
68	-	(1)	(88)	-	(3,806)	1,672	905	2,577
(783)	108	279	1,000	(1,462)	(931)	98,194	(12,778)	85,416
-	-	-	381	(657)	1	(260)		
-	-	-	107	-	-	107		
-	90	-	500	-	1	698,194	(90)	698,104
3,443	3,619	881	755	209	28,255	476,428	(15,517)	460,911
-	1,594	74	-	-	26,867	2,224,050	(45,071)	2,178,980
14	-	-	48	-	14,666	27,601	-	27,601
246	149	107	11,903	-	86,299	722,984	(11,345)	711,639
-	-	-	-	-	-	68,483	-	68,483
-	-	-	-	40,775	-	40,775	(2,970)	37,805
-	-	-	322	-	2,504	2,826	-	2,826
-	-	-	-	-	830	289,134	(289,134)	-
-	-	-	-	-	-	2,830	(2,830)	-
19	158	114	1,484	1,325	1,216	70,037	(29,345)	40,692
138	-	32	-	-	5,185	8,992	-	8,992
-	2	3	301	9	27	8,572	1,523	10,094
2	284	78	1,687	16	1,001	88,492	(284)	88,208
-	-	-	-	-	-	4,931	3,400	8,331
3,862	5,896	1,289	17,000	42,334	166,851	4,734,329	(391,663)	4,342,666
1,133	1,291	-	-	-	68,819	3,060,979	(10,126)	3,050,853
-	1,950	-	-	-	10,208	177,175	(6,023)	171,151
-	-	-	-	-	1,002	10,917	-	10,917
-	-	-	-	-	60,703	60,703	(86)	60,617
-	-	-	8,260	-	-	8,260	-	8,260
-	-	-	-	41,913	5,755	420,304	(50,597)	369,707
6	69	100	271	7	281	11,898	(69)	11,829
1,734	163	178	4,154	2,216	2,811	165,508	(32,875)	132,633
-	-	17	-	-	-	2,029	-	2,029
-	29	-	68	-	81	216	(29)	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

31 December 2014	Banking Group ₦ million	Holdco ₦ million	FBN Capital ₦ million	FBN Trustees ₦ million	FBN Funds ₦ million
Liabilities held for sale	-	-	-	-	-
	3,668,617	9,590	19,309	4,165	3,088
Equity and reserves	463,017	278,179	41,999	4,951	4,181
SUMMARISED CASH FLOWS					
Operating activities					
Interest received	342,481	1,917	-	1,157	736
Interest paid	(96,306)	-	(516)	-	(465)
Income tax paid	(30,276)	-	(654)	(32)	(17)
Cash flow generated from operations	(676,144)	(4,023)	18,128	(3,891)	(2,371)
Net cash generated from operating activities	(460,245)	(2,106)	16,958	(2,767)	(2,116)
Net cash used in investing activities	(14,290)	41,210	(8,093)	1,943	3,220
Net cash used in financing activities	198,831	(35,895)	(3,186)	(902)	15
Increase in cash and cash equivalents	(275,704)	3,210	5,679	(1,726)	1,119
Cash and cash equivalents at start of year	762,421	1,476	1,017	3,343	94
Effect of exchange rate fluctuations on cash held	(438)	42	-	-	-
Cash and cash equivalents at end of year	486,279	4,728	6,696	1,617	1,213

* These entities are direct subsidiaries of FBN Capital Limited. In line with IFRS 10, FBN Capital Limited has opted not to prepare consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

FBN Securities* ₦ million	FBN Microfinance ₦ million	FBN Insurance Brokers ₦ million	FBN Insurance ₦ million	Rainbow Town ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
-	-	-	-	-	-	-	1,592	1,592
2,873	3,502	295	12,753	44,136	149,660	3,917,990	(98,214)	3,819,776
988	2,393	996	4,247	(1,802)	17,191	816,340	(293,451)	522,890
186	-	114	1,060	15	21,406	369,072	(17,032)	352,041
-	-	-	-	-	(15,054)	(112,341)	19,024	(93,316)
(10)	(88)	(98)	(63)	-	(155)	(31,393)	64	(31,329)
(2,348)	(2,357)	(133)	6,943	(6,405)	(12,198)	(684,799)	(31,479)	(716,278)
(2,172)	(2,445)	(117)	7,941	(6,390)	(6,001)	(459,460)	(29,422)	(488,882)
304	(84)	(30)	(2,093)	5	22,707	44,799	(57,626)	(12,827)
150.00	(31)	(188)	(305)	5,653	1,160	165,302	33,534	198,836
(1,718)	(2,560)	(335)	5,542	(731)	17,866	(249,358)	(53,516)	(302,874)
5,321	6,416	1,209	846	940	14,105	797,188	37,503	834,691
-	-	7	-	-	-	(389)	1,028	639
3,603	3,856	881	6,389	208	31,971	547,440	(14,985)	532,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

BREAKDOWN OF OTHERS IN NOTES 25.2

31 December 2014	FBN Capital Partners* ₦ million
SUMMARISED INCOME STATEMENT	
Operating income	96
Operating expenses	(61)
Impairment charge	-
Operating profit	35
Associate	-
Profit before tax	35
Tax	(8)
(Loss)/Profit for the year	27
Other comprehensive income	(3)
Total comprehensive income	24
Total comprehensive income allocated to non-controlling interest	-
Dividends paid to non-controlling interest	-
SUMMARISED FINANCIAL POSITION	
Assets	
Cash and balances with central bank	-
Due from other banks	81
Loans and advances	-
Financial assets at fair value through profit or loss	-
Investment securities	-
Assets pledged as collateral	-
Inventory	-
Investment properties	-
Investment in subsidiaries	-
Investment in associates	-
Other assets	69
Deferred tax	-
Intangible assets	-
Property, plant and equipment	-
Assets held for sale	-
	150
Financed by	
Customer deposits	-
Due to other banks	-
Financial liabilities at fair value through profit or loss	-
Liability on investment contracts	-
Liability on insurance contracts	-
Borrowings	-
Tax payable	1
Other liabilities	68

* These entities are direct subsidiaries of FBN Capital Limited. In line with IFRS 10, FBN Capital Limited has opted not to prepare consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

FBN Capital Asset Management* ₦ million	FBN Heritage Fund ₦ million	40th Century* ₦ million	Liquidity Management Fund* ₦ million	Twin Peaks* ₦ million	Kakawa Discount House ₦ million	IDF* ₦ million	FRED* ₦ million	Total ₦ million
1,711	216	(127)	1,431	192	1,594	(108)	(478)	4,521
(1,459)	(187)	-	(1,359)	-	(781)	(36)	(2)	(3,885)
-	-	-	-	-	(310)	-	(108)	(418)
252	29	(127)	72	192	503	(144)	(588)	224
-	-	-	-	-	-	-	-	-
252	29	(127)	72	192	503	(144)	(588)	224
80	-	-	-	-	2,580	-	-	2,651
332	29	(127)	72	192	3,083	(144)	(588)	2,875
-	(26)	-	(1,716)	-	(1,681)	(10)	(369)	(3,806)
332	3	(127)	(1,644)	192	1,402	(152)	(957)	(931)
-	1	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	1	-	-	1
297	711	-	24,452	357	1,896	395	66	28,255
-	-	-	-	-	26,867	-	-	26,867
-	1,582	-	5,718	-	7,366	-	-	14,666
484	2,375	-	29,083	-	50,641	2,740	976	86,299
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	380	-	881	-	-	1,243	2,504
-	-	-	-	-	-	-	830	830
-	-	-	-	-	-	-	-	-
283	57	1	239	42	525	-	-	1,216
-	-	-	-	-	5,185	-	-	5,185
-	-	-	-	-	27	-	-	27
-	-	-	-	-	1,001	-	-	1,001
-	-	-	-	-	-	-	-	-
1,064	4,725	381	59,492	1,280	93,509	3,135	3,115	166,851
-	-	-	-	-	68,819	-	-	68,819
-	-	-	-	-	6,229	3,979	-	10,208
-	-	-	-	-	1,002	-	-	1,002
-	-	-	60,703	-	-	-	-	60,703
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,755	5,755
195	-	-	-	-	85	-	-	281
446	32	-	656	1	1,415	187	6	2,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

31 December 2014	FBN Capital Partners* ₦ million
Retirement benefit obligations	-
Deferred income tax liabilities	-
Liabilities held for sale	-
	69
Equity and reserves	81
SUMMARISED CASH FLOWS	
Operating activities	
Interest received	-
Interest paid	-
Income tax paid	-
Cash flow generated from operations	(14)
Net cash generated from operating activities	(14)
Net cash used in investing activities	-
Net cash used in financing activities	(16)
Increase in cash and cash equivalents	(30)
Cash and cash equivalents at start of year	111
Effect of exchange rate fluctuations on cash held	-
Cash and cash equivalents at end of year	81

* These entities are direct subsidiaries of FBN Capital Limited. In line with IFRS 10, FBN Capital Limited has opted not to prepare consolidated financial statement.

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FBN Capital Asset Management* ₦ million	FBN Heritage Fund ₦ million	40th Century* ₦ million	Liquidity Management Fund* ₦ million	Twin Peaks* ₦ million	Kakawa Discount House ₦ million	IDF* ₦ million	FRED* ₦ million	Total ₦ million
-	-	-	-	-	-	-	-	-
-	-	-	-	-	81	-	-	81
-	-	-	-	-	-	-	-	-
641	32	-	61,359	1	77,632	4,166	5,761	149,660
424	4,692	381	(1,866)	1,279	15,877	(1,031)	(2,646)	17,191
-	268	-	7,554	-	13,584	-	-	21,406
-	-	-	(6,136)	-	(8,918)	-	-	(15,054)
(51)	-	-	-	-	(104)	-	-	(155)
(1,004)	(322)	-	(12,969)	(4)	2,247	24	(156)	(12,198)
(1,055)	(54)	-	(11,551)	(4)	6,809	24	(156)	(6,001)
219	776	-	23,873	-	(2,161)	-	-	22,707
28	(58)	-	-	-	1,206	-	-	1,160
(808)	664	-	12,322	(4)	5,854	24	(156)	17,866
863	47	-	12,130	361	-	371	222	14,105
		-	-					-
55	711	-	24,452	357	5,854	395	66	31,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

26 ACQUISITION OF SUBSIDIARY

The Group concluded a number of acquisitions during the period. Details of these acquisitions are provided below:

a. Oasis Insurance Plc

In February 2014, FBN Insurance Limited acquired 100% equity interest in Oasis Insurance Plc. This acquisition will enable the insurance segment of the Group to undertake general insurance business in addition to the existing life insurance business. As a result of this acquisition, the Insurance segment of the Group will increase it market share of the insurance business. This will enhance the Group's insurance liabilities by about 14%. The accounting for the acquisition of this subsidiary was completed in December 2014 which resulted in a goodwill of ₦262 million.

Oasis Insurance Plc contributed net insurance premium of ₦837 million and fee commission of ₦86 million to the Group for the period March 2014 to December 2014 and a profit before tax of ₦205 million. If the acquisition had occurred on I January 2014, the Group net insurance premium would be higher by ₦251 million, Group fee income ₦8 million, and Group profit before tax ₦55 million.

b. ICB Senegal

In June 2014, First Bank of Nigeria Limited acquired 80% equity interest in ICB Senegal. This concluded the acquisition of the West Africa operations of International Commercial Bank (ICB) from International Commercial Bank Financial Group Holdings AG (ICBFGH) which commenced in 2013 with the acquisition of equity interests in four entities (ICB Ghana, ICB Sierra Leone, ICB Guinea, ICB Gambia) in October 2013. As a result of these acquisitions, the Commercial Banking segment of the Group will consolidate its position as one of the largest corporate and retail banking financial institutions in sub-Sahara Africa (excluding South Africa). This acquisition will enhance the Group's total asset base by about 1%. The accounting for the acquisition of these subsidiaries was completed in September 2014 and this resulted in an increase of ₦1.081 billion to goodwill from the provisional amount recognised in the 2013 consolidated financial statements.

ICB Senegal contributed interest income of ₦326 million and fee commission of ₦61 million to the Group for the period June 2014 to December 2014 but a loss before tax of ₦104 million. If the acquisition had occurred on I January 2014, the Group interest income would be higher by ₦232 million, Group fee income higher by ₦39 million, but Group profit before tax lower by ₦228 million.

c. Kakawa Discout House Limited

In September 2014, FBN Holdings Plc. acquired 100% equity interest in Kakawa Discount House Limited (KDH) in which the Group previously held 46% equity and accounted for as an associate. KDH has an approval in-principle (AIP) from the Central Bank of Nigeria (CBN) to convert to a merchant bank. As a result of this acquisition, the Other Financial Services segment of the Group will extend its business portfolio to merchant banking business and increase its share of the financial services industry in Nigeria. This acquisition will enhance the Group's total asset by about 2%.

As at 31 December 2014. the fair values of acquired assets, liabilities and goodwill for Kakawa Discount House Limited have been determined on provisional basis as this acquisition was done close to the year end, pending finalisation of the post acquisition review of the fair value of the acquired net assets.

The initial acquisition accounting for business combination is yet to be finalised. However, where applicable, the Group will adjust the provisional amounts recognised as permitted and required by IFRS 3. The measurement period, which cannot exceed one year, ends when an acquirer obtains the additional information that it was seeking about facts and circumstances that existed as of the date of acquisition or it concludes that such information is not obtainable. This period comes to an end in September 2015.

Kakawa Discount House Limited contributed interest income of ₦4.24 billion to the Group for the period October 2014 to December 2014 and a profit before tax of ₦503 million. If the acquisition had occurred on 1 January 2014, the Group interest income would be higher by ₦8.31 billion and Group profit before tax higher by ₦1.3 billion.

Acquisition consideration

The table on the next page summarises the consideration paid for the subsidiaries, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

The cash and balances with central banks did not include any mandatory or restricted balances.

The goodwill of ₦6.14 billion from the acquisition of the five ICB entities, Oasis Insurance Plc, and Kakawa Discount House Limited arises from a number of factors such as expected synergy through combining a highly skilled workforce and obtaining economies of scale.

The treasury bills are not marked to market as at acquisition date. The treasury bills are highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. The maturity of the treasury bills ranges between seven days and 28 days. The amount represents its fair value.

The carrying amount of cash and balances with central bank and loans and advances to banks represents their respective fair value.

The gross contractual amount for loans and advances to customers is ₦35.7 billion which excludes a loan loss provision of ₦2.9 billion.

The gross carrying value of other assets is ₦7.2 billion, which includes an account receivable of ₦0.15 billion. None of the trade receivables has been impaired and it is expected that the full contractual amount can be collected. The difference between the fair value and the gross amount is the result of discounting over the expected timing of the cash collection.

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for ICB Ghana, ICB Sierra Leone, ICB Gambia and ICB Guinea have been finalised in the current year with no material changes to the fair value disclosed in the 2013 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	ICB Ghana 31 October 13 ₦ million	ICB Sierra Leone 31 October 13 ₦ million	ICB Guinea 31 October 13 ₦ million	ICB Gambia 31 October 13 ₦ million	ICB Senegal 31 May 14 ₦ million	Oasis Insurance 19 February 14 ₦ million	Kakawa Discount House 30 September 14 ₦ million
Consideration							
Cash	10,559	1,686	2,243	1,435	2,038	2,547	8,640
Contingent Consideration	-	-	-	-	-	-	-
Total consideration transferred	10,559	1,686	2,243	1,435	2,038	2,547	8,640
Fair value of equity interest in KDH held before the business combination (Note 28)	-	-	-	-	-	-	7,360
Total consideration	10,559	1,686	2,243	1,435	2,038	2,547	16,000

Recognised amounts of identifiable assets acquired and liabilities assumed

	ICB Ghana Fair value ₦ million	ICB Sierra Leone Fair value ₦ million	ICB Guinea Fair value ₦ million	ICB Gambia Fair value ₦ million	ICB Senegal Fair value ₦ million	Oasis Insurance Fair value ₦ million	Kakawa Discount House Provisional Fair value ₦ million
Cash and balances with central banks	1,768	416	2,846	949	139	-	2
Investment securities	10,632	1,647	1,501	767	4,422	946	88,008
Loans and advances to banks	404	-	3,073	-	952	889	799
Loans and advances to customers	9,316	1,111	1,655	659	3,218	-	16,869
Inventory	-	-	-	-	-	-	-
Deferred tax asset	76	14	-	-	-	-	2,523
Other assets	277	238	234	73	62	895	2,908
Investment properties	-	-	-	-	-	343	-
Property, plant and equipment	319	14	67	22	102	1,052	1,006
Intangible assets	725	172	202	60	88	15	30
Deposits	(11,687)	(1,999)	(7,284)	(1,517)	(4,743)	-	(95,841)
Insurance contract liabilities	-	-	-	-	-	(834)	-
Deferred tax liability	-	-	-	-	-	(35)	(101)
Other liabilities	(4,695)	(217)	(706)	(84)	(2,438)	(63)	(1,728)
Total identifiable net assets	7,135	1,396	1,588	929	1,802	3,208	14,475
Non-controlling interest	-	-	-	-	-	924	-
Goodwill	3,424	290	655	506	236	263	1,525
Cash and cash equivalents acquired from the subsidiary is made up of the following:							
Cash and balances with central banks	723	416	1,230	782	(12)	-	2
Treasury bills	10,632	1,647	1,501	767	1,288	-	26,241
Loans and advances to banks	404	-	3,073	-	952	889	799
	11,759	2,063	5,804	1,549	2,228	889	27,042
Net cash on acquisition of subsidiary	1,200	377	3,561	114	190	(1,658)	18,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

27 DISCONTINUED OPERATIONS

Asset classified as held for sale.
The assets and liabilities held for sale relate to the property development portfolio of First Mortgages Limited (part of the retail banking segment) and the Group's interest in FBN Microfinance Bank Limited based on Group's decision to sell its interest in the company.

The property development portfolio of First Mortgages Limited is being presented as held for sale following the commitment to its sale by the Group in compliance with the Central Bank of Nigeria's (CBN) regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which requires banks in Nigeria to concentrate on banking businesses. In August 2012, as part of the capital restructuring scheme of the FirstBank Group, shareholders approved the full divestment by FirstBank, of all property development business of FBN Mortgages, prior to the CBN cut off date of June 2013. Subsequently, the CBN again extended the cut off date to 30 June 2014 to afford all affected Primary Mortgage Banks sufficient time to exercise any of the options for capital raising and business combination. The prior year balance was restated during the period. See details of the impact of the restatement in note 54.

Management assessed the appropriateness of the continued classification of the assets in line with IFRS 5 and remains committed to completing the sale.

Following the board's approval to dispose the Group's interest in FBN Microfinance Bank Limited on 12 August 2014, the Group's interest was classified as asset held for sale, having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount is expected to be recovered principally by a sale rather than through continuing use. However, the operating results of FBN Microfinance Bank Limited is included in the Group's operating results from continuing operations because the disposal Group does not meet the definition of discontinued operations. The expected completion date for the transaction is June 2015.

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

	Group		Company	
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Assets classified as held for sale				
Cash and balances with central banks	90	-	-	-
Loans and advances to banks	3,124	-	-	-
Loans and advances to customers	1,594	-	-	-
Investment securities	149	-	-	-
Other assets	157	-	-	-
Inventory	2,931	4,549	-	-
Investment in subsidiaries	-	-	2,000	-
Property, plant and equipment	284	-	-	-
Intangible assets	2	-	-	-
	8,331	4,549	2,000	-
Liabilities classified as held for sale				
Deposit from banks	46	-	-	-
Deposit from customers	1,291	-	-	-
Company income tax liability	69	-	-	-
Other liabilities	157	-	-	-
Deferred tax	29			
	1,592	-	-	-
Net asset	6,739	4,549	2,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

28 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

i. Kakawa Discount House Limited

As at 1 January 2014, FBN Holdings Plc. and its subsidiaies (FBNH) had 46% Shareholding in Kakawa Discount House Limited (KDH). During the year FBNH acquired the balance 54% equity stake in KDH, thus becoming a fully owned subsidiary of FBNH. Consequently, equity accounting was discontinued and the investment in KDH classified as investment in subsidiaries and consolidated accordingly.

KDH is a company incorporated in Nigeria and is involved in trading in, holding and provision of discount and re-discount facilities for treasury bills, commercial bills and other eligible financial instruments normally purchased by banks, corporate bodies and the investing public. KDH 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. KDH is not publicly traded and there is no published price information.

ii. Seawolf Oilfield Services Limited (SOSL)

FBN Holdings Plc. holds 42% shareholding in Seawolf Oilfields Services Limited (SOSL). During the year, Asset Mananagement Corporation of Nigeria (AMCON), a major creditor of SOSL, appointed a receiver manager to take over the business, resulting in the loss of significant influence of FBN Holdings Plc in the company.

SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital which 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.

iii. FBN Heritage Fund

FBN Holdings Plc. and its subsidiaries have 64% shareholding in FBN Heritage Fund, with FBN Holdings Plc. alone owning 36%.

FBN Heritage Fund is an open-ended Securities and Exchange Commission (SEC) registered mutual fund that invests in stocks, bonds, money market instruments, real estate and other securities in the Nigerian Capital Markets. FBN Heritage Fund is not publicly traded. However, the fund manager publishes 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 ₦115.99.

Due to the exercise of control over FBN Heritage Fund at Group level, the entity is being accounted for as a subsidiary and consolidated accordingly.

	Group		Company	
	2014 ₦ million	2013 ₦ million	2014 ₦ million	2013 ₦ million
KDH				
Balance at beginning of period	**7,029**	6,321	**-**	-
Share of profit/(loss)	**599**	1,006	**-**	-
Share of other comprehensive income	**-**	(298)	**-**	-
Fair value gain/(loss) from acquisition of control	**(269)**	-	**-**	-
Transfer to investment in subsidiaries	**(7,360)**	-	**-**	-
At end of year	**-**	7,029	**-**	-
SOSL				
Balance at beginning of period	**-**	-	**7,781**	10,375
Impairment loss	**-**	-	**(7,781)**	(2,594)
At end of year	**-**	-	**-**	7,781
FBN HERITAGE FUND				
Balance at beginning of period	**-**	-	**1,500**	1,500
At end of year	**-**	-	**1,500**	1,500
	-	7,029	**1,500**	9,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	SOSL	KDH
	2013 ₦ million	2013 ₦ million
SUMMARISED BALANCE SHEET IS AS FOLLOWS		
Cash and balances with CBN	-	-
Loans and advances to banks	687	1,039
Loans and advances to customers	-	25,661
Financial assets at fair value through profit or loss	-	6,330
Investment securities	-	48,696
Pledged assets	-	19,900
Other assets	247,826	73
Property and equipment	47,198	1,051
Intangible assets	-	30
Deferred tax assets	-	2,533
Total assets	295,711	105,313
Due to banks	-	38,123
Due to customers	-	52,541
Derivative financial instruments	-	265
Borrowing	128,858	-
Current income tax liability	774	87
Other liabilities	203,586	792
Deferred tax liabilities	-	101
Total liabilities	333,218	91,909
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Discount and similar income	-	12,418
Discount and similar expense	(6,733)	(9,629)
Net discount income	(6,733)	2,789
Impairment (charge) for/reversal of credit losses (net)	-	-
Net interest income after net impairment charge	(6,733)	2,789
Net gains from financial assets through profit or loss	-	933
Net gains from investment securities at fair value	-	(241)
Other operating income	9,561	607
Operating income	2,828	4,088
Operating expenses	(11,074)	(1,746)
Income tax	-	(176)
Profit/(loss) for the year from continuing operations	(8,246)	2,166
Profit for the year from discontinued operations	-	23
Profit/(loss) for the year	(8,246)	2,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	SOSL 2013 ₦ million	KDH 2013 ₦ million
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Net gains on available-for-sale financial assets		
– Unrealised net gains arising during the period, before tax	-	(648)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR NET OF TAX	-	(648)
Total comprehensive income/(loss) for the year	(8,246)	1,541

The information above reflects the amounts presented in the financial statements of the associates and not FBN Holdings Plc's share of those amounts.

Reconciliation of summarised financial information presented to the carrying amount of its interest in associates.

	SOSL 2013 ₦ million	KDH 2013 ₦ million
Opening net assets on 1 January	(22,469)	14,712
Adjustment	(6,791)	-
Profit or loss for the period	(8,246)	2,189
Other comprehensive income	-	(648)
Closing net assets/(liabilities)	(37,506)	16,253
Interest in associates	(15,753)	7,477
Carrying value	-	7,029

KDH and SOSL did not have any commitment or contingent liabilities as at 31 December 2013.

29 PROPERTY, PLANT AND EQUIPMENT

Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Plant and machinery ₦ million	Work in progress ₦ million	Total ₦ million
COST									
At 1 January 2013	33,182	13,626	11,414	33,735	15,927	7,185	24	10,880	125,973
Additions	4,170	3,092	2,873	2,700	1,276	2,245	34	1,530	17,920
Acquisition of new subsidiary	226	134	109	134	228	57	36	24	948
Reclassifications	639	1,410	(7)	1,809	130	(414)	(36)	(3,541)	(10)
Other adjustments	-	-	-	-	-	-	-	(1,776)	(1,776)
Disposals	(357)	(63)	(1,833)	(495)	(2,139)	(115)	-	-	(5,002)
Write-offs	(87)	-	(3,423)	(8,226)	(7,302)	(1,894)	-	-	(20,932)
Exchange difference	26	-	44	151	52	2	-	-	275
At 31 December 2013	37,799	18,199	9,177	29,808	8,172	7,066	58	7,117	117,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	Improvement and buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Plant and machinery ₦ million	Work in progress ₦ million	Total ₦ million
ACCUMULATED DEPRECIATION									
At 1 January 2013	3,875	-	7,162	21,740	13,246	4,521	22	-	50,566
Exchange differences	-	-	(21)	(41)	(55)	(33)	-	-	(150)
Charge for the year	849	-	1,933	4,763	1,777	957	5	-	10,284
Acquisition of new subsidiary	192	4	83	98	176	43	26	-	622
Reclassifications	258	1,410	4	1,815	123	(81)	(36)	(3,493)	-
Disposals	(61)	-	(1,449)	(488)	(2,143)	(137)	(27)	-	(4,305)
Write-offs	(85)	-	(3,423)	(8,216)	(7,302)	(1,894)	-	-	(20,920)
At 31 December 2013	5,028	1,414	4,289	19,671	5,822	3,376	(10)	(3,493)	36,097
Net book amount at 31 December 2013	32,771	16,785	4,888	10,137	2,350	3,690	68	10,610	81,299
COST									
At 1 January 2014	37,799	18,199	9,177	29,808	8,172	7,066	58	7,117	117,396
Additions	1,557	2,658	2,484	4,728	2,333	782	13	2,361	16,916
Acquisition of new subsidiary	1,716	223	439	144	176	158	19	-	2,875
Reclassifications	1,648	398	(64)	1,549	81	338	-	(4,448)	(498)
Disposals	-	(601)	(1,064)	(49)	(10)	(10)	(2)	(41)	(1,777)
Write-offs	-	-	(32)	(4)	(3)	(3)	-	(344)	(386)
Exchange difference	490	37	142	140	234	80	2	160	1,285
At 31 December 2014	43,210	20,914	11,082	36,316	10,983	8,411	90	4,805	135,811
ACCUMULATED DEPRECIATION									
At 1 January 2014	5,028	1,414	4,289	19,671	5,822	3,376	(10)	(3,493)	36,097
Exchange differences	70	-	94	61	192	53	1	-	471
Charge for the year	1,143	6	2,152	4,944	1,884	1,233	13	-	11,375
Acquisition of new subsidiary	100	-	290	97	151	87	15	-	740
Reclassifications	(72)	(1,410)	(37)	(1,882)	(198)	(146)	37	3,493	(215)
Disposals	-	-	(799)	(49)	(9)	(8)	-	-	(865)
Write-offs	-	-	-	-	-	-	-	-	-
At 31 December 2014	6,269	10	5,989	22,842	7,842	4,595	56	-	47,603
Net book amount at 31 December 2014	36,941	20,904	5,093	13,474	3,141	3,816	34	4,805	88,208

Exchange difference on property, plant and equipment

The exchange difference on property, plant and equipment occurs as a result of translation of balances relating to the foreign entities of the Group as at reporting date. The subsidiaries whose translation gave rise to the difference are FBN Bank (UK) and FBN Bank (Congo).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Company

	Improvement and buildings ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings and equipment ₦ million	Work in progress ₦ million	Total ₦ million
COST							
At 1 January 2013	-	23	7	-	-	-	30
Additions	-	146	13	1	212	717	1,089
At 31 December 2013	-	169	20	1	212	717	1,119
ACCUMULATED DEPRECIATION							
At 1 January 2013	-	-	-	-	-	-	-
Charge for the year	-	19	4	-	24	-	47
At 31 December 2013	-	19	4	-	24	-	47
Net book amount at 31 December 2013	-	150	16	1	188	717	1,072
COST							
At 1 January 2014	-	169	20	1	212	717	1,119
Additions		87	2	2	7	578	676
Reclassifications	615	-	428	-	252	(1,295)	-
At 31 December 2014	615	256	450	3	471	-	1,795
ACCUMULATED DEPRECIATION							
At 1 January 2014	-	19	4	-	24	-	47
Charge for the year	61	52	47	1	68	-	229
At 31 December 2014	61	71	51	1	92	-	276
Net book amount at 31 December 2014	554	185	399	2	379	-	1,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

30 INTANGIBLE ASSETS

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
COST						
At 1 January 2013	1,646	-	-	-	4,861	6,507
Additions	-	-	-	-	1,144	1,144
Reclassification	-	-	-	-	116	116
Write-off	-	-	-	-	(2,218)	(2,218)
Other changes	(542)	-	-	-	-	(542)
Acquisition of subsidiary	6,034	-	-	-	151	6,185
Exchange difference	-	-	-	-	19	19
At 31 December 2013	7,138	-	-	-	4,073	11,211
Additions	-	-	-	-	2,208	2,208
Reclassification	-	-	-	-	-	-
Write-off	-	-	-	-	(732)	(732)
Other changes	(1,081)	52	330	699	-	-
Acquisition of subsidiary	2,133	-	-	-	461	2,594
Exchange difference	(996)	-	-	-	126	(870)
At 31 December 2014	7,194	52	330	699	6,136	14,411
AMORTISATION AND IMPAIRMENT						
At 1 January 2013	-	-	-	-	2,984	2,984
Amortisation charge	-	-	-	-	912	912
Reclassification	-	-	-	-	116	116
Impairment charge	552	-	-	-	-	552
Write-off	-	-	-	-	(2,218)	(2,218)
Acquisition of subsidiary	-	-	-	-	108	108
Disposals	-	-	-	-	-	-
Exchange difference	-	-	-	-	9	9
At 31 December 2013	552	-	-	-	1,911	2,463
Amortisation charge	-	20	207	139	1,018	1,384
Reclassification	-	-	-	-	-	-
Impairment charge	501	-	-	-	-	501
Write-off	-	-	-	-	(512)	(512)
Acquisition of subsidiary	-	-	-	-	393	393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	Group					
	Goodwill ₦ million	Customer relationship ₦ million	Brand ₦ million	Core deposits ₦ million	Computer software ₦ million	Total ₦ million
Disposals	-	-	-	-	-	-
Exchange difference	-	-	-	-	88	88
At 31 December 2014	1,053	20	207	139	2,898	4,317
NET BOOK VALUE						
At 31 December 2014	6,141	32	123	560	3,238	10,094
At 31 December 2013	6,586	-	-	-	2,161	8,748

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

The goodwill balance of ₦6.14 billion includes ₦0.55 billion attributable to the acquisition of Banque International du Credit (BIC) in the Democratic Republic of Congo concluded in 2013; ₦3.80 billion attributable to the acquisition of the ICB West Africa entities in 2013 and 2014; ₦0.26 billion attributable to the acquisitin of Oasis Insurance Plc in 2014; and ₦1.53 billion attributable to the acquisition of Kakawa Discount House Limited in 2014.

See note 26 on goodwill arising on acquisition of ICB entities and Oasis Insurance Plc and provisional goodwill arising on acquisition of Kakawa Discount House Limited.

Impairment tests for goodwill

Goodwill is monitored on the operating segment level. The entity to which the goodwill relates is recognised as a cash generating unit (CGU) and segmented as part of the retail business outside Nigeria.

In the previous year, the value of goodwill on the FBNBank DRC acquisition was reduced to the recoverable amount by an impairment loss which is recognised in operating expenses in the income statement. In the current year, the value of goodwill in FBNBank Guinea was reduced to the recoverable amount by an impairment loss which has been recognised in operating expenses in the income statement.

The impairment in Guinea arose as a result of the outbreak of Ebola which has led to an adverse effect on the economy. The epidemic has recently been brought under control, and this is expected to reflect positively on the economy with time.

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 discount rate used is pre-tax.

Impairment testing on cash generating units containing goodwill

The key assumptions used in the value-in-use calculation for 2014 are as follows:

	BIC	ICB Ghana	ICB Guinea	ICB The Gambia
Terminal growth rate: %	6	6	10	6
Discount rate: %	24	27	31	25
Deposit growth rate: %	12	15	15	18
Recoverable amount of the CGU: (₦ million)	12,983	8,776	2,065	1,448

	ICB Sierra Leone	ICB Senegal	Oasis Insurance	Kakawa Discount House
Terminal growth rate: %	7	5	6	7
Discount rate: %	30	18	15	23
Deposit growth rate: %	18	15	-	7
Gross premium income growth rate: %	-	-	40	-
Recoverable amount of the CGU: (₦ million)	2,053	2,927	35,089	170,548

Management determined deposits to be the key value driver in each of the entities within the banking Group and gross premium income for the insurance business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

	BIC	ICB Ghana	ICB Guinea	ICB The Gambia
Goodwill (₦ million)	1,104	2,285	678	478
Net asset (₦ million)	6,158	5,272	1,937	925
Total carrying amount (₦ million)	7,262	7,557	2,615	1,403
Excess of recoverable amount over carrying amount	5,721	1,219	(550)	45

	ICB Sierra Leone	ICB Senegal	Oasis Insurance	Kakawa Discount
Goodwill (₦ million)	291	230	263	1,525
Net asset (₦ million)	1,556	1,755	4,598	15,873
Total carrying amount (₦ million)	1,847	1,985	4,860	17,398
Excess of recoverable amount over carrying amount	206	942	30,228	153,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

31 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% (2013: 30%, 2012: 30%).

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:		
DEFERRED TAX ASSETS		
Property and equipment	(8,219)	(363)
Allowance for loan losses	3,426	3,238
Tax losses carried forward	15,578	2,313
Other assets	1,318	(580)
Other liabilities	(7,488)	(630)
Defined benefit obligation	3,265	3,142
Prior year adjustment	987	-
Effect of changes in exchange rate	125	-
	8,992	7,120
DEFERRED TAX LIABILITIES		
Property and equipment	116	-
Allowance for loan losses	(15)	-
Tax losses carried forward	(2)	-
Other assets	24	-
Other liabilities	65	37
	188	37
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	7,501	8,165
- Deferred tax asset to be recovered within 12 months	1,491	(1,045)
	8,992	7,120
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	86	-
- Deferred tax liability to be recovered within 12 months	102	37
	188	37

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P&L ₦ million	Recognised in OCI ₦ million	Assets classified as held for sale ₦ million	31 Dec 2014 ₦ million
Movements in deferred tax assets during the year:						
Property and equipment	(500)	-	(7,719)	-	-	(8,219)
Allowance for loan losses	3,631	-	(205)	-	-	3,426
Tax losses carried forward	419	2,523	12,636	-	-	15,578
Other assets	(405)	-	1,723	-	-	1,318
Other liabilities	(629)	-	(6,859)	-	-	(7,488)
Defined benefit obligation	3,145	-	(2)	122	-	3,265
Prior year adjustment	1,459	-	(471)	-	-	987
Effect of changes in exchange rate	-	-	125	-	-	125
	7,120	2,523	(772)	122	-	8,992

Group

	1 Jan 2013 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P&L ₦ million	Recognised in OCI ₦ million	31 Dec 2013 ₦ million
Movements in deferred tax assets during the year:					
Property and equipment	9,255	(115)	(9,640)	-	(500)
Allowance for loan losses	3,171	(258)	436	282	3,631
Tax losses carried forward	1	(426)	844	-	419
Other assets	752	(5)	(1,152)	-	(405)
Other liabilities	(10,286)	-	9,657	-	(629)
Defined benefit obligation	5,308	206	(3,004)	635	3,145
Prior year adjustment	-	-	1,459	-	1,459
	8,201	(598)	(1,400)	917	7,120

Group

	1 Jan 2014 ₦ million	Adjustment on acquired entities ₦ million	Recognised in P&L ₦ million	Recognised in OCI ₦ million	Liabilities classified as held for sale ₦ million	31 Dec 2014 ₦ million
Movements in deferred tax liabilities during the year:						
Property and equipment	-	101	15	-	-	116
Allowance for loan losses	-	-	(15)	-	-	(15)
Tax losses carried forward	-	-	27	-	(29)	(2)
Other assets	-	-	24	-	-	24
Other liabilities	37	34	(6)	-	-	65
	37	135	45	-	(29)	188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Group	1 Jan 2013 ₦ million	Recognised in P&L ₦ million	Recognised in OCI ₦ million	31 Dec 2013 ₦ million
Movements in deferred tax liabilities during the year				
Other liabilities	225	(188)	-	37

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. Temporary difference relating to the Group's investment in subsidiaries is ₦89.5 billion (2013: ₦64.8 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.

32 OTHER ASSETS

	Group		Company	
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
FINANCIAL ASSETS				
Premium debtors	**578**	471	**-**	-
Accounts receivable	**27,431**	31,466	**14,111**	42,831
	28,009	31,937	**14,111**	42,831
Less specific allowances for impairment	**(1,408)**	(1,533)	**-**	-
	26,601	30,404	**14,111**	42,831
NON-FINANCIAL ASSETS				
Inventory	**1,884**	2,464	**-**	-
Prepayments	**12,207**	12,772	**250**	454
	14,091	15,236	**250**	454
Net other assets balance	**40,692**	45,640	**14,361**	43,285

	Group		Company	
	2014 ₦ million	2013 ₦ million	2014 ₦ million	2013 ₦ million
RECONCILIATION OF IMPAIRMENT ACCOUNT				
At start of period	**1,533**	6,519	**-**	-
Acquisition of subsidiary	**11**	-	**-**	-
Write-off	**(422)**	(5,290)	**-**	-
Increase in impairment	**286**	304	**-**	-
At end of period	**1,408**	1,533	**-**	-

All other assets on the statement of financial position of the Group had a remaining period to contractual maturity of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

33 INVENTORY

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Work in progress	**18,323**	10,771
Interest capitalised	**10,868**	10,868
Stock of properties	**8,614**	8,614
At 31 December	**37,805**	30,253
Current	**8,614**	8,614
Non-current	**29,191**	21,639
	37,805	30,253

Inventory relates to real estate development of Rainbow Town Development Limited.

34 INVESTMENT PROPERTIES

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
At start of period	**2,413**	4,003
Acquisition of subsidiary	**343**	-
Addition and capital improvement	**13**	-
Net gains/(losses) from fair value adjustment	**57**	52
Other changes	**-**	(1,642)
	2,826	2,413

Included in investment properties are mainly land acquired by the Group for capital appreciation. As the reporting period, the properties were valued by registered valuer. The open market values of the properties were determined using recent comparable market prices. The properties are located in Abuja and Lagos and were valued by Jide Taiwo & Co and Ubosi Eleh & Co. The investment properties fall into level 2 fair value hierarchy.

A rental income amounting to ₦3.4 million (2013: Nil) arose from the investment properties during the year. This amount, as well as the fair value adjustment, is included in other income in the income statement. No direct operating expense was incurred on the investment properties.

35 DEPOSITS FROM BANKS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Due to banks within Nigeria	**78,859**	7,047
Due to banks outside Nigeria	**92,292**	74,985
	171,151	82,032

Deposits from banks only include financial instruments classified as liabilities at amortised cost and has a remaining period to contractual maturity of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

36 DEPOSITS FROM CUSTOMERS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Current	747,627	922,097
Savings	728,728	665,670
Term	1,049,023	716,677
Domiciliary	515,476	616,368
Electronic purse	9,999	8,269
	3,050,853	2,929,081
Current	2,891,164	2,849,476
Non-current	159,689	79,605
	3,050,853	2,929,081

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

37 BORROWINGS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Long-term borrowing comprise:		
FBN EuroBond (i)	141,819	47,249
Due to European Investment Bank (ii)	565	1,603
Due to Deutsche Bank (iii)	6,731	-
On-lending facilities from financial institutions (iv)	32,449	31,389
Borrowing from correspondence banks (v)	188,143	46,061
	369,707	126,302
Current	206,299	55,739
Non-current	163,408	70,563
	369,707	126,302
At start of the year	126,302	75,541
Acquisition of subsidiary	2,497	937
Proceeds of new borrowings	315,792	96,297
Finance cost	17,995	4,100
Foreign exchange (gains)/losses	(9,721)	(1,611)
Repayment of borrowings	(71,308)	(46,473)
Interest paid	(11,850)	(2,489)
At end of year	369,707	126,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2013: Nil).

(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 seven years. The notes I bear interest at 8.25% per annum up to the bank call date of 7 August 2018, while notes II bear interest at 8.00% per annum to the bank call date of 23 July 2019. From the call date up to the maturity date, the notes I and II bear interest at a fixed rate of 6.875% and 6.488% per annum respectively plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of two years. The loans are redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and of 23 July 2019, and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) Due to European Investment Bank:

Facility represents a medium-term loan (callable notes) secured from European Investment Bank. The loan is divided into tranche A of euro 35 million for a tenure of five years and tranche B of euro 15 million for a tenure of eight years, which qualifies it as tier II capital. Interest is payable half-yearly at 2% and 3% above LIBOR rate for tranche A and tranche B respectively. The outstanding balance at 31 December 2014 relates to tranche B.

(iii) Due to Deutsche Bank:

Facility represents a medium-term loan secured from Deustche Bank on 15 August 2014 for a period of 5 years to augment working capital. The loan bears interest at the rate of 2.68% per annum.

(iv) On-lending Facilities:

Included in on-lending facilities from financial institutions are disbursements from other banks and Financial Institutions which are guaranteed by FBN 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 ₦200 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, the Bank of Industry (BOI) disbursed an additional ₦9.16 billion (2013: ₦2.4 billion) to First Bank of Nigeria Limited.The fund disbursed is for a period of 15 years effective from the disbursement date at an interest rate of 7% per annum.

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, First Bank of Nigeria Limited received ₦6.8 billion (2013: ₦3.77 billion) for on-lending to customers as specified by the guidelines. Loans granted under the scheme are for a seven year period at an interest rate of 9% p.a.

(v) Borrowings from correspondence banks:

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

38 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Defined contribution plan	-	11
Defined benefits plan		
Gratuity scheme (i)	17	480
Defined benefits - pension (ii)	1,636	1,111
Gratuity scheme (iii)	376	322
	2,029	1,924

Plan liabilities are based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2014 and 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Gratuity scheme 1

FBN Pension Custodian, FBN Insurance Brokers and FBN Microfinance each have a non-contributory defined gratuity scheme whereby on separation, staff who have spent a minimum number of five years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the enity.

On 30 June 2014, FBN Pension Custodian funded the schemes and transferred the balance of ₦343 million to a Fund Manager. When the scheme was funded, it was transferred from Gratuity Scheme (1) into Defined Benefit Scheme (2). The staff gratuity scheme was discontinued with effect from 31 December 2014 and the calculated curtailment loss was adjusted in the current year.

Amounts recognised in the statement of financial position are shown below.

Movement in the present value of the defined benefit obligation (gratuity scheme 1) in the current year is as follows:

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
DEFINED BENEFIT PENSION OBLIGATIONS AT 1 JANUARY 2013	14,645	-	14,645
Service cost	2,003	-	2,003
Interest cost	1,753	(4)	1,749
Remeasurement			
Curtailment (gains)/losses	2,855	-	2,855
Plan amendments	1,123		1,123
- Return on plan asset not included in net interest cost on pension scheme	(1,078)	(2)	(1,080)
- Change in demographic assumptions	(2,167)	-	(2,167)
Payments:			
- Benefit payment	(9,328)	-	(9,328)
Reclassification of curtailed liability	(9,271)	(49)	(9,320)
Defined benefit pension obligations at 31 December 2013	535	(55)	480
Transfer to defined benefits - pension (ii)	(343)	-	(343)
Service cost	45	-	45
Interest cost	8	(7)	1
Remeasurement			
- Return on plan asset not included in net interest cost on pension scheme	-	2	2
- Change in demographic assumptions	(12)	-	(12)
Contributions:			
- Employer	-	(72)	(72)
Payments:			
- Benefit payment	(85)	1	(84)
Defined benefit pension obligations at 31 December 2014	148	(131)	17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Composition of plan assets

Group

	2014 Quoted ₦ million	2014 Unquoted ₦ million	2014 Total ₦ million	2013 Quoted ₦ million	2013 Unquoted ₦ million	2013 Total ₦ million
Debt instruments			131			55
– Government	-	103		-	54	
– Money market investments	-	27		-	1	
Others	-	1		-	-	
Total	-	131	131	-	55	55

Defined benefit – Pension 2

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.

The movement in the defined benefit obligation over the year is as follows:

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Net ₦ million
Defined benefit pension obligations at 1 January 2013	13,596	(9,233)	4,363
Interest expense/(income)	1,439	(984)	455
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	(216)	(216)
- Change in demographic assumptions	(1,719)	-	(1,719)
Contributions:			-
- Employer	-	(1,772)	(1,772)
Payments:			-
- Benefit payment	(1,515)	1,515	-
Defined benefit pension obligations at 31 December 2013	11,801	(10,690)	1,111
Transfer from gratuity scheme (1)	343	-	343
Interest expense/(income)	1,255	(1,190)	65
Service cost	69	-	69
Curtailment losses	23	-	23
Remeasurement:			
- Return on plan asset not included in net interest cost on pension scheme	-	1,861	1,861
- Change in demographic assumptions	(1,445)	-	(1,445)
Contributions:			
- Employer	-	(381)	(381)
Payments:			
- Benefit payment	(1,608)	1,598	(10)
Defined benefit pension obligations at 31 December 2014	10,438	(8,802)	1,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

Composition of plan assets

Group

	2014 Quoted ₦ million	2014 Unquoted ₦ million	2014 Total ₦ million	2013 Quoted ₦ million	2013 Unquoted ₦ million	2013 Total ₦ million
Equity instruments			1,556			3,316
– Banking	1,470			3,220		
– Oil service	53			44		
– Real estate	33			52		
Debt instruments			7,246			7,374
– Government		5,737			5,436	
– Corporate bond		466			155	
– Money market investments		976			1,564	
Money on call		67			209	
Others		-			10	
Total	1,556	7,246	8,802	3,316	7,374	10,690

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

Arising from the defined benefit pension plan, the Group is exposed to a number of risk, the most significant of which are deailed 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 that better match the liabilities. In equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long term objectives of the fund whilst taking advantage of selling of Government Bonds to enter duration at attractive yields.

Changes In bond yields: A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

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 seven years and retirement age of 60 years.

Under the funded plan, the Legacy scheme, the Group ensures that the investment positions are managed within the Asset-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.

The weighted average duration of the defined benefit obligation is six years.

	31 Dec 2014 %	31 Dec 2013 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	14	11
Inflation rate	9	9
Future pension increases	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in table below:

	Assumption %	Defined benefit obligation ₦ million	Impact on liability %
Discount rate	14	10,079	-
	15	9,584	(4.9)
	13	10,628	5.4
Life expectancy	Base	10,079	-
	Improved by 1 year	10,148	0.7
	Decreased by 1 year	10,010	(0.7)

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.

Gratuity scheme 3

This relates to the schemes operated by the subsidiaries of the bank as follows:

Banque International de Credit (BIC) Congo has a scheme whereby on separation, staff who have spent a minimum of three years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank.

ICB Guinea and ICB Sierra Leone each have graduated gratuity schemes for staff on separation where staff receives a lump sum based on their qualifying basic salaries on the number of year spent. The aggregate balance on this scheme is deemed immaterial.

39 OTHER LIABILITIES

	Group		Company	
	31 Dec 2014 ₦ million	Restated h31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
FINANCIAL LIABILITIES:				
Customer deposits for letters of credit	34,264	58,029	-	-
Accounts payable	52,313	47,386	-	-
Creditors	16,457	16,212	7,950	3,519
Bank cheques	14,964	12,823	-	-
Collection on behalf of third parties	7,759	5,763	-	-
	125,757	140,213	7,950	3,519
NON-FINANCIAL LIABILITIES:				
Accruals	6,876	9,393	1,640	191
Other liabilities balance	132,633	149,606	9,590	3,710

Other liabilities are expected to be settled within no more than 12 months after the date of the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

40 LIABILITY ON INVESTMENT CONTRACTS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Long-term clients	-	-
Short-term clients	60,617	68,723
	60,617	68,723
Current	60,617	68,723
Non-current	-	-

41 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Outstanding claims	556	157
Unearned premium	917	104
Short-term insurance contract – claims incurred but not reported (IBNR)	264	317
Liability on long-term insurance contract – Life Fund	6,523	3,073
	8,260	3,651
Current	557	828
Non-current	7,703	2,823
	8,260	3,651

42 SHARE CAPITAL

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
AUTHORISED		
50 billion ordinary shares of 50 kobo each (2009: 30 billion)	25,000	25,000

Issued and fully paid

	Number of shares ₦ million	Ordinary shares ₦ million
MOVEMENTS DURING THE PERIOD		
At 31 December 2013	32,632	16,316
At 31 December 2014	32,632	16,316

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
- **Available for Sale (AFS) fair value reserve:** the AFS fair value reserve shows the effects of the fair value measurement of financial instruments classified as available for sale presented in other comprehensive income. No gains or losses are recognised in the consolidated income statement.
- **SSI 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.
- **Treasury share:** this represents the purchase consideration of the shares of FBN Holdings Plc. held by one of its subsidiaries as at 31 December 2014 (2013: ₦2.28 billion). These shares are reported to a separate reserve. Gains and losses on sales or redemption of own shares are credited or charged to reserves.
- **Foreign currency translation reserve (FCTR):** records exchange movements on the Group's net investment in foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

44 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Profit before tax from continuing operations	92,884	91,337	5,683	70,631
Adjustments for:				
- Depreciation and amortisation	12,758	11,196	229	47
- Impairment of goodwill (Note 30)	501	552	-	-
- Profit from disposal of property and equipment	(435)	(293)	-	-
- Foreign exchange gains	(9,721)	(1,611)	(42)	-
- Loss from disposal of investment securities	230	(2,811)	-	-
- Net gains from financial assets at fair value through profit or loss	1,262	1,504	-	-
- Impairment on loans and advances	27,917	22,714	-	-
- Write off of PPE and intangible assets	606	-	-	-
- Change in provision in other assets	286	304	-	-
- Change in provision for impairment of investments	-	-	7,781	2,594
- Change in retirement benefit obligations	(258)	(15,599)	-	-
- Share of profit from associates	(599)	(1,006)	-	-
- Dividend income	(1,469)	(1,227)	(13,747)	(74,057)
- Interest income	(362,580)	(323,621)	(2,886)	(924)
- Interest expense	118,725	93,506	-	-
Increase/(decrease) in operating assets				
Cash and balances with the Central Bank (restricted cash)	(222,526)	(149,502)	-	-
Inventories	(7,551)	(8,577)	-	-
Loans and advances to banks	(38,269)	(103,856)	-	-
Loans and advances to customers	(406,121)	(240,347)	(8)	-
Financial assets at fair value through profit or loss	(11,773)	(5,435)	-	-
Other assets	12,464	2,613	210	(43,121)
Pledged assets	(14,833)	(3,541)	-	-
Assets held for sale	1,618	2,194	-	-
Increase/(decrease) in operating liabilities				
Deposits from banks	54,031	(7,099)	-	-
Deposits from customers	50,199	512,242	-	-
Financial liabilities	9,217	(95)	-	-
Liability on investment contracts	(8,106)	13,729	-	-
Liability on insurance contracts	3,776	1,524	-	-
Liability held for sale	-	(1,089)	-	-
Other liabilities	(18,510)	21,956	(1,244)	2,626
Cash flow used in operations	(716,278)	(90,339)	(4,024)	(42,204)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

45 COMMITMENTS AND CONTINGENCIES

45.1 CAPITAL COMMITMENTS

At the balance sheet date, the company had no capital commitments (2013: ₦569 million) in respect of authorised and contracted capital projects.

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Authorised and contracted		
Group	375	1,142
Company	-	569

45.2 OPERATING LEASE RENTALS

At 31 December 2014, the Group was committed to making the following future payments in respect of operating leases for land and buildings. Subsisting lease agreements are expected to expire in June 2031 and February 2017 respectively.

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Within one year	257	250
Between two and five years	834	918
More than five years	2,265	2,173
	3,356	3,341

45.3 LEGAL PROCEEDINGS

The Group is a party to a number of legal actions arising out of its normal business operations.

The Directors believe that, based on currently available information and advice of counsel, none of the proceedings will result in an outcome that has a material adverse effect on the financial position of the Group, either individually or in the aggregate. Consequently, no provision has been made in these financial statements.

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 listed below.

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Performance bonds and guarantees	429,279	459,723
Letters of credit	272,718	233,892
	701,997	693,615

45.5 LOAN COMMITMENTS

	Group	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Undrawn irrevocable loan commitments	90,379	408,008

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments is disclosed in note 3.7.3b

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

45.6 COMPLIANCE WITH COVENANTS

The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In the event of default, the lenders are entitled to take various actions, including the acceleration of amounts due under the loan agreements and all actions permitted to be taken by a secured creditor which would have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, liquidity and/or prospects.

First Bank of Nigeria Limited is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel II. The Group complied with this loan covenant. See Note 4 for the calculation of the composition of the Group's capital in accordance with the Basel Accord. Other covenants are a maximum non performing loans (NPL) ratio, a maximum related party lending ratio, a minimum liquidity ratio, and minimum provisions for NPLs. Management believes that First Bank of Nigeria Limited is in compliance with these covenants at 31 December 2014 and 31 December 2013.

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 as at 31 December 2014 are as follows:

	Gross amount before offsetting in the statement of financial position (a) ₦ million	Gross amounts set off in the statement of financial position (b) ₦ million	Net amounts after offsetting in the statement of financial position (c)=(a)-(b) ₦ million	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amounts of exposure (f)=(c)-(d)-(e) ₦ million
				Financial instruments (d) ₦ million	Cash collaterals received (e) ₦ million	
ASSETS						
Financial assets at fair value through profit or loss	9,258	-	9,258	-	5,983	3,275
Reinsurance receivables	558	-	558	28	-	530
Total assets subject to offsetting, master netting and similar arrangements	9,816	-	9,816	28	5,983	3,805
LIABILITIES						
Financial derivatives	7,946	-	7,946	-	-	7,946
Trade payables	28	-	28	28	-	-
Total liabilities subject to offsetting, master netting and similar arrangements	7,974	-	7,974	28	-	7,946

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position. The Group also made margin deposits with Merril Lynch and Goldman Sachs as collateral for its oustanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default.

In the insurance business, reinsurance payable and receivables create for the parties to the agreement, a right of set-off on recognised amounts that is enforceable only following a predetermined 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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 financial holding company licensed by the Central Bank of Nigeria. In 2014, there were no related-party transactions other than loan granted to a director.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are listed below.

47.1 LOANS AND ADVANCES TO RELATED PARTIES

The company granted various credit facilities to other companies that have common directors with the Company and those that are members of the Group. The rates and terms agreed are comparable to other facilities being held in the Company's portfolio. Details of these are described below:

	Directors and other key management personnel and close family members	Subsidiaries
31 DECEMBER 2014		
Loans and advances to customers		
Loans outstanding at 1 January	52	7,332
Loans issued during the year	-	969
Loan repayments during the year	(15)	(8,301)
Loans outstanding at 31 December	37	-
31 DECEMBER 2013		
Loans and advances to customers		
Loans outstanding at 1 January	67	6,411
Loans issued during the year	-	921
Loan repayments during the year	(15)	-
Loans outstanding at 31 December	52	7,332

No impairment loss has been recognised in respect of loans given to related parties

The loans to directors and other key management personnel are repayable from various cycles ranging from monthly to annually over the tenor and have average interest rates ranging from 5% to 24%.

47.2 DEPOSITS FROM RELATED PARTIES

The company had no deposits from related parties in 2014 (2013: Nil).

47.3 OTHER TRANSACTIONS WITH RELATED PARTIES

	Subsidiaries ₦ million
31 DECEMBER 2014	
Interest income	969
Intercompany payable	7,844
Intercompany receivable	(571)
31 DECEMBER 2013	
Interest income	921
Intercompany payable	3,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

47.4 KEY MANAGEMENT COMPENSATION

Key management includes executive directors and members of the Management Committee. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Salaries and other short-term employee benefits	**1,007**	844	**208**	113
Post-employment benefits	**389**	567	**6**	1
Other long-term benefits	**-**	3,000	**-**	-
	1,396	4,411	**214**	114

48 EMPLOYEES

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

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Executive directors	**1**	1	**1**	1
Management	**198**	74	**4**	3
Non-management	**10,265**	9,748	**19**	17
	10,464	9,823	**24**	21

See note 15 for compensation for the above staff.

The number of persons employed by the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Below ₦2,000,000	**1,575**	1,383	**7**	10
₦2,000,001–₦2,800,000	**734**	95	**-**	3
₦2,800,001–₦3,500,000	**481**	655	**-**	3
₦3,500,001–₦4,000,000	**55**	46	**1**	-
₦4,000,001–₦5,500,000	**2,368**	2,635	**1**	3
₦5,500,001–₦6,500,000	**1,703**	1,596	**1**	-
₦6,500,001–₦7,800,000	**764**	1,051	**2**	-
₦7,800,001–₦9,000,000	**462**	281	**2**	-
₦9,000,001 and above	**2,322**	2,077	**12**	1
	10,464	9,819	**26**	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

49 DIRECTORS' EMOLUMENTS

Remuneration paid to the Group's directors (excluding certain allowances) was:

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million
Fees	49	48
Sitting allowances	8	6
Executive compensation	83	104
Other director expenses	611	148
	751	306
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	45	44
Highest paid director	83	104

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

	31 Dec 2014	31 Dec 2013
₦3,000,001 and above	8	7
	8	7

50 COMPLIANCE WITH REGULATIONS

No penalty was paid by the company during the year.

51 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant event occurred after the reporting date.

52 DIVIDENDS PER SHARE

A dividend of ₦35.9 billion at ₦1.10 per share (2012: ₦32.6 billion) that relates to the period to 31 December 2013 was paid in May 2014.

53 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the Group and held as treasury shares.

The Company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	Group		Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Profit from continuing operations attributable to owners of the parent (million)	83,059	70,135	5,683	70,631
Weighted average number of ordinary shares in issue (million)	32,630	32,473	32,632	32,632
Basic/diluted earnings per share (expressed in naira per share)	2.55	2.16	0.17	2.16

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

54 RESTATEMENT

The Group has restated its previously issued Consolidated Statements of Financial Position as at 31 December 2013 and 31 December 2012 to correct for an error made in the reporting of the 'Held for Sale' property development portfolio of a subsidiary, FBN Mortgages.

The restatement is to adjust for wrong classifications into the held for sale portfolios in 2012 and 2013. The restatement impacted the following balances:

(i) Other assets;
(ii) Other liabilities;
(iii) Assets held for sale;
(iv) Liabilities held for sale.

The effect of the above errors is limited to the Consolidated Statement of Financial Position and as such the restatement has no impact on the Consolidated Income Statement and Consolidated Statement of Changes in Equity.

(i) Impact of restatement on consolidated statement of financial position.

(a)	As at 31 December 2013 previously reported ₦ million	Restatement adjustment ₦ million	As at 31 December 2013 restated ₦ million
ASSETS			
Other assets	41,405	4,235	45,640
Asset held for sale	10,784	(6,235)	4,549
LIABILITIES			
Other liabilities	149,859	(253)	149,606
Liabilities held for sale	1,747	(1,747)	-

(b)	As at 31 December 2012 previously reported ₦ million	Restatement adjustment ₦ million	As at 31 December 2012 Restated ₦ million
ASSETS	40,252	5,740	45,992
Other assets	12,978	(7,757)	5,221
Asset held for sale			
LIABILITIES	2,836	(2,017)	819
Liabilities held for sale			

VALUE ADDED STATEMENT

	Group			
	31 Dec 2014 ₦ million	%	31 Dec 2013 ₦ million	%
Gross income	480,602		395,942	
Interest and fee expense	(124,930)		(98,802)	
	355,672		297,140	
Administrative overheads	(144,244)		(107,926)	
Value added	211,428	100	189,214	100
DISTRIBUTION				
Employees				
Salaries and benefits	79,843	38	65,820	35
Government				
Taxation	10,045	5	20,706	11
The future				
Asset replacement (depreciation)	11,375	5	10,284	5
Asset replacement (amortisation)	1,384	1	1,464	1
Asset replacement (provision for losses)	25,942	12	20,309	11
Expansion (transfers to reserves)	82,839	39	70,631	37
	211,428	100	189,214	100

VALUE ADDED STATEMENT

	Company			
	31 Dec 2014 ₦ million	%	31 Dec 2013 ₦ million	%
Gross income	16,969		74,988	
Interest and fee expense	-		-	
	16,969		74,988	
Administrative overheads	(2,117)		(1,658)	
Value added	14,852	100	73,330	100
DISTRIBUTION				
Employees				
Salaries and benefits	1,159	8	58	-
Government				
Company income tax	-	-	-	-
The future				
Asset replacement (depreciation)	229	2	47	-
Asset replacement (amortisation)	-	-	-	-
Asset replacement (provision for losses)	7,781	52	2,594	4
Expansion (transfers to reserves)	5,683	38	70,631	96
	14,852	100	73,330	100

FIVE-YEAR FINANCIAL SUMMARY – GROUP

STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				
	31 Dec 2014 ₦ million	Restated 31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2011 ₦ million	31 Dec 2010 ₦ million
ASSETS:					
Cash and balances with central bank	**698,104**	594,234	300,532	199,228	75,517
Loans and advances to banks	**460,911**	430,586	439,853	463,328	575,467
Loans and advances to customers	**2,178,980**	1,769,130	1,541,377	1,252,154	1,160,293
Financial assets at fair value through profit or loss	**27,601**	10,287	6,112	5,964	16,636
Investment securities	**711,639**	824,064	718,040	694,826	254,708
Assets pledged as collateral	**68,483**	53,650	50,109	72,129	122,009
Inventory	**37,805**	30,253	21,676	25,609	23,081
Managed funds	**-**	-	-	-	-
Investment in associates	**-**	7,029	6,321	7,489	8,996
Investment in subsidiaries	**-**	-	-	-	-
Other assets	**40,692**	45,640	45,992	63,061	39,282
Investment properties	**2,826**	2,413	4,003	4,055	2,440
Intangible assets	**10,094**	8,748	3,523	1,008	494
Property, plant and equipment	**88,208**	81,299	75,407	65,889	63,634
Deferred tax	**8,992**	7,120	8,201	6,954	12,274
Assets held for sale	**8,331**	4,549	5,221	-	-
	4,342,666	3,869,001	3,226,367	2,861,693	2,354,831
FINANCED BY:					
Share capital	**16,316**	16,316	16,316	16,316	16,316
Share premium	**254,524**	254,524	254,524	254,524	254,524
Reserves	**248,018**	196,432	167,927	96,251	129,607
Non-controlling interest	**4,033**	4,505	2,548	964	1,148
Deposits from banks	**171,151**	82,032	89,430	183,500	148,352
Deposits from customers	**3,050,853**	2,929,081	2,395,148	1,951,011	1,447,600
Financial liabilities at fair value through profit or loss	**10,917**	1,701	1,796	2,857	1,639
Liabilities on investment contracts	**60,617**	68,723	54,995	49,440	76,446
Liabilities on insurance contracts	**8,260**	3,651	2,127	824	-
Borrowings	**369,707**	126,302	75,541	106,204	126,350
Retirement benefit obligations	**2,029**	1,924	19,380	15,081	11,426
Current income tax	**11,829**	34,167	23,389	24,328	20,052
Other liabilities	**132,633**	149,606	122,202	159,325	120,470
Deferred income tax liabilities	**188**	37	225	1,069	901
Liabilities held for sale	**1,592**	-	819	-	-
	4,342,666	3,869,001	3,226,367	2,861,693	2,354,831

FIVE-YEAR FINANCIAL SUMMARY – GROUP

INCOME STATMENT

	As reported under IFRS				As reported under N-GAAP
	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	12 months ended 31 Dec 2012 ₦ million	12 months ended 31 Dec 2011 ₦ million	12 months ended 31 Dec 2010 ₦ million
Gross earnings	**480,602**	396,235	370,167	273,811	232,079
Net operating income	**355,070**	296,426	301,072	237,027	178,062
Insurance claims	**(1,043)**	(488)	(498)	(81)	-
Operating expenses	**(235,801)**	(185,298)	(193,513)	(146,064)	(119,274)
Group's share of associate's results	**599**	1,006	(592)	(1,507)	(3,657)
Impairment charge for credit losses	**(25,942)**	(20,309)	(12,549)	(38,011)	(21,590)
(Loss) on sale of assets to AMCON	**-**	-	-	(15,501)	-
Exceptional item	**-**	-	-	-	226
Profit before taxation	**92,884**	91,337	93,920	35,863	33,767
Taxation	**(10,045)**	(20,706)	(17,120)	(17,227)	(4,590)
Profit from continuing operations	**82,839**	70,631	76,800	18,636	29,177
Profit from discontinuing operations	**-**	-	-	-	-
Profit for the year	**82,839**	70,631	76,800	18,636	29,177
Profit attributable to:					
Owners of the parent	**83,059**	70,135	77,020	19,520	27,244
Non-controlling interest	**(220)**	496	(220)	(884)	1,933
	82,839	70,631	76,800	18,636	29,177
Earnings per share in kobo (basic/diluted)	**255**	216	237	57	89

In line with IFRS 1.22(b), the figures reported in the above statement of financial position for years 2010 to 2014 and income statement for years 2011 to 2014 have been prepared using relevant IFRS guidelines and standards. In contrast, the figures in the above income statement for the year 2010 have been prepared using the relevant Nigerian Generally Accepted Accounting Principle (N-GAAP) guidelines and standards.

Therefore, the numbers in the affected areas listed below should not be compared when using the financial statements without making necessary adjustments to the N-GAAP numbers. The nature of the main adjustments that would make the numbers comply with IFRSs are:

Financial statement area	Nature/main adjustments to convert 2010 balances to IFRS
Interest income and expense	Measured using the effective interest rate method
Impairment charge for credit losses	Test loans and advances for impairment in accordance with IAS 39 and assess provisions per prudential guidelines.

FINANCIAL SUMMARY – COMPANY

STATEMENT OF FINANCIAL POSITION

	31 Dec 2014 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS			
Cash and balances with central bank	-	-	-
Loans and advances to banks	3,261	1,477	-
Loans and advances to customers	80	72	-
Financial assets at fair value through profit or loss	-	-	-
Investment securities	4,272	9,847	15,771
Assets pledged as collateral	-	-	-
Investment in associates	1,500	9,281	11,875
Investment in subsidiaries	260,777	246,777	243,065
Other assets	14,361	43,285	236
Intangible assets	-	-	-
Property, plant and equipment	1,519	1,072	30
Deferred tax	-	-	-
Assets held for sale	2,000	-	-
	287,770	311,811	270,977
FINANCED BY			
Share capital	16,316	16,316	16,316
Share premium	254,524	254,524	254,524
Reserves	7,339	37,261	(947)
Deposits from banks	-	-	-
Deposits from customers	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-
Borrowings	-	-	-
Retirement benefit obligations	-	-	-
Current income tax	-	-	-
Other liabilities	9,590	3,710	1,084
Deferred income tax liabilities	-	-	-
	287,769	311,811	270,977

FINANCIAL SUMMARY – COMPANY

INCOME STATMENT

	12 months ended 31 Dec 2014 ₦ million	12 months ended 31 Dec 2013 ₦ million	1 month ended 31 Dec 2012 ₦ million
Gross earnings	16,969	74,988	1
Net operating income	7,800	72,289	-
Gain from disposal of subsidiary	-	-	-
Operating expenses	(2,117)	(1,658)	(819)
Impairment charge for credit losses	-	-	-
(Loss) on sale of assets to AMCON	-	-	-
Exceptional item	-	-	-
Profit before taxation	5,683	70,631	(819)
Taxation	-	-	-
Profit after taxation	5,683	70,631	(819)
Earnings per share in kobo (basic)	17	216	(3)

SHAREHOLDER INFORMATION

Resources for shareholders including a glossary of ratios, a summary of abbreviations and Group contact details.

SHAREHOLDER RESOURCES

GLOBAL DEPOSITARY RECEIPTS (GDR) PROGRAMME

FBNHoldings (previously FirstBank) commenced a USD100 million GDR programme in May 2007.

A global depositary receipt (GDR) is a negotiable certificate representing ownership of shares. It is held by a depositary bank and represents a specific number of shares of a stock traded on a stock exchange of many countries. GDRs are quoted, traded and dividends usually paid in US dollars. GDRs facilitate the trading and holding of non-US securities by foreign investors.

At inception of the programme, 7,700,400 units were created, with each unit represented by 50 units of FirstBank ordinary shares. Over the years, several investors in the programme have converted their holdings in GDR to nominal FBNHoldings shares for the purpose of trading in the Nigerian equity capital market. Currently, there are 3,754 units outstanding.

On 26 November 2012, FBNHoldings was listed on the Nigerian Stock Exchange, replacing FirstBank, and the existing shareholders in FirstBank exchanged ordinary shares in FBNHoldings equal to the number of shares held in FirstBank.

As at 31 December 2014, the closing price of the GDR at the over-the-counter (OTC) market was USD2.40.

SHARE STATISTICS

	2014	2013
MARKET INDICATORS		
NSE all share index	**34,663.92**	41,329.19
SHARE STATISTICS		
Share price		
High for the year ₦	**16.29**	21.50
Low for the year ₦	**7.79**	15.20
Closing ₦	**8.80**	16.30
Shares traded		
Number of shares (million)	**620.15**	4,458
Value of shares (₦ million)	**4,676.47**	80,879

DIVIDEND HISTORY

FIRST BANK NIGERIA LTD

Payment number	Year end	Div type	Date declared	Total net div amt (₦)	Div per share	Net div amt unclaimed as at Dec 2013	% net div amt unclaimed
46	31 Mar 2003	final	4 Aug 2003	3,811,263,675.00	1.50	113,604,459.28	2.98
47	31 Mar 2004	final	23 Aug 2004	5,513,901,111.80	1.55	107,098,665.56	1.94
48	31 Mar 2005	final	29 Aug 2005	6,403,122,540.00	1.60	93,576,691.55	1.46
49	31 Mar 2006	final	28 Aug 2006	5,239,237,558.00	1.00	91,717,276.20	1.75
50	31 Mar 2007	final	3 Sept 2007	10,479,845,385.00	1.00	318,938,485.38	3.04
51	31 Mar 2008	final	25 Aug 2008	21,481,234,960.68	1.20	312,426,948.64	1.45
52	31 Mar 2009	final	24 Aug 2009	30,207,986,658.90	1.35	333,953,358.19	1.11
53	31 Dec 2009	final	31 May 2010	2,610,566,748.54	0.10	300,617,158.16	11.52
54	31 Dec 2010	final	6 Jun 2011	17,621,325,552.24	0.60	750,553,878.85	4.26
55	31 Dec 2011	final	4 Jun 2012	23,495,100,736.32	0.80	796,389,083.16	3.39
				126,863,584,926.48		3,218,876,004.97	2.54

FBN HOLDINGS PLC

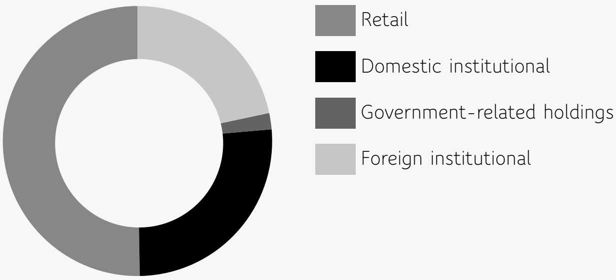
Payment number	Year end	Div type	Date declared	Total net div amt (₦)	Div per share	Net div amt unclaimed as at Dec 2014	% net div amt unclaimed
1	31 Dec 2012	Interim	3 Jun 2013	29,434,858,173.90	1.00	1,457,520,111.58	4.95
2	27 May 2013	Final	26 May 2014	32,408,788,807.89	1.10	4,126,854,890.97	12.73
				61,843,646,981.79		5,584,375,002.55	9.03

SHAREHOLDER RESOURCES

SHAREHOLDER ANALYSIS AS AT 31 DECEMBER 2014

Type of shareholding	Percentage held
Retail	50.14
Domestic institutional	26.23
Foreign institutional	21.68
Government-related holdings	1.95
	100

Breakdown of shareholders by type



2015 FBNHOLDINGS FINANCIAL REPORTING CALENDAR

Date	Event
Tuesday 7 April	Release of FY 2014 results on the floor of the NSE
Monday 13 April	FBNHoldings publication of FY 2014 results in the national dailies
Tuesday 14 April	FY 2014 results conference call
Thursday 23 April	FirstBank Annual General Meeting
Friday 24 April	Release of Q1 2015 results on the floor of the NSE
Tuesday 5 May	FBNHoldings publication of Q1 2015 results in national dailies
Thursday 21 May	FBNHoldings Annual General Meeting
Wednesday 29 July	Release of FBNHoldings H1 2015 on the floor of the NSE
Thursday 30 July	FBNHoldings publication of H1 2015 results in the national dailies
Thursday 30 July	FirstBank publication of H1 2015 results in the national dailies
Wednesday 5 August	H1 2015 results conference call
Tuesday 27 October	Release of 9M 2015 results on the floor of the NSE
Thursday 29 October	FBNHoldings publication of 9M 2015 results in national dailies
Thursday 29 October	FirstBank publication of audited 9M 2015 results in the national dailies
Friday 30 October	9M 2015 results conference call

These dates are subject to change. Please ensure you refer to the investor relations website for updates.

SHAREHOLDER RESOURCES

SHARE CAPITALISATION HISTORY

Year	Authorised Increase (₦)	Authorised Cumulative (₦)	Paid up Increase (₦)	Paid up Cumulative (₦)	Cumulative no of shares	Consideration
31 Dec 1973	-	10,000,000	-	9,700,000	9,700,000	Cash
10 Jun 1975	5,000,000	15,000,000	1,940,000	11,640,000	11,640,000	Bonus
27 July 1976	-	15,000,000	2,328,000	13,968,000	13,968,000	Bonus
28 July 1977	10,000,000	25,000,000	6,984,000	20,952,000	20,952,000	Bonus
27 July 1978	5,000,000	30,000,000	8,381,000	29,333,000	29,333,000	Bonus
28 Dec 1978	10,000,000	40,000,000	-	29,333,000	29,333,000	-
26 July 1979	10,000,000	50,000,000	14,666,200	43,999,200	43,999,200	Bonus
24 July 1980	-	70,000,000	9,262,990	55,577,937	55,577,937	Bonus
26 July 1980	20,000,000	70,000,000	2,315,747	46,314,947	46,314,947	-
29 Apr 1981	-	70,000,000	5,557,792	61,135,729	61,135,729	Bonus
29 Apr 1982	50,000,000	150,000,000	-	61,135,729	61,135,729	-
16 Apr 1986	-	150,000,000	6,113,574	67,249,303	67,249,303	Bonus
9 Apr 1987	-	150,000,000	13,449,862	80,699,165	80,699,165	Bonus
8 Apr 1988	-	150,000,000	-	80,699,165	80,699,165	-
27 Apr 1989	-	150,000,000	-	80,699,165	161,398,330	Stock split from ₦1.00 to 50 kobo
26 Apr 1990	-	150,000,000	-	80,699,165	161,398,330	-
26 Apr 1991	-	150,000,000	-	80,699,165	161,398,330	-
27 Apr 1992	-	150,000,000	-	80,699,165	161,398,330	-
29 Apr 1993	-	150,000,000	26,899,721	107,598,886	215,197,772	Bonus
28 Apr 1994	150,000,000	300,000,000	107,598,882	215,197,768	430,395,536	Bonus
25 Apr 1995	-	300,000,000	53,799,441	268,997,209	537,994,418	Bonus
25 Apr 1996	-	300,000,000	67,249,301	336,246,510	672,493,020	Bonus
22 May 1997	700,000,000	1,000,000,000	1,000,000,000	436,246,510	872,493,020	Cash
22 May 1997	-	1,000,000,000	84,061,627	520,308,137	1,040,616,274	Bonus
23 July 1998	-	1,000,000,000	130,077,034	650,385,171	1,300,770,342	Bonus
27 July 2000	-	1,000,000,000	162,596,292	812,981,463	1,625,962,926	Bonus
26 July 2001	2,000,000,000	3,000,000,000	203,245,365	1,016,226,828	2,032,453,656	Bonus
31 July 2002	-	3,000,000,000	254,056,705	1,270,283,533	2,540,567,066	Bonus
31 July 2003	-	3,000,000,000	254,056,705	1,524,340,238	3,048,680,476	Bonus
19 Nov 2003	-	3,000,000,000	254,056,705	1,778,396,943	3,556,793,886	Cash
19 Aug 2004	-	3,000,000,000	222,299,589	2,000,696,532	4,001,393,063	Bonus
20 Jun 2005	-	3,000,000,000	500,174,160	2,500,870,692	5,001,741,383	Bonus
3 Jan 2006	-	-	20,009,495	2,520,880,187	5,041,760,373	FBN Holdings Plc shares issued in exchange for minority shares in FBN merchant bankers
3 Jan 2006	-	-	64,196,005	2,585,076,192	5,170,152,383	FBN Holdings Plc shares issued in exchange for MBC shares
3 Jan 2006	-	-	34,258,503	2,619,334,694	5,238,669,388	FBN Holdings Plc shares issued to majority shareholders in FBN merchant bank arising from the consolidation
24 Aug 2006	7,000,000,000	10,000,000,000	2,619,334,694	5,238,669,388	10,477,338,776	Increase/Bonus
22 Aug 2007	-	-	873,111,565	6,111,780,953	12,223,561,906	Bonus
1 July 2007	-	-	3,833,235,233	9,945,016,186	19,890,032,371	2007 hybrid offer
22 Aug 2008	5,000,000,000	15,000,000,000	2,486,254,046	12,431,270,232	24,862,540,463	Bonus
20 Aug 2009	-	15,000,000,000	2,487,000,000	4,143,756,743	29,006,297,206	Bonus (1 for 6)
27 Aug 2010			-	3,625,787,150	32,632,084,356	Bonus (1 for 8)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the third Annual General Meeting (AGM) of members of FBN HOLDINGS PLC will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415 Adetokunbo Ademola Street, Victoria Island, Lagos, on Thursday, 21 May 2015 at 10.00am to transact the following:

ORDINARY BUSINESS:

1. To receive the audited accounts for the year ended 31 December 2014 together with the reports of the Directors, Auditors and Audit Committee thereon;
2. To declare a dividend;

3a. To elect Directors by Single Resolution;

3b. To appoint/re-elect retiring Directors;

4. To approve the appointment of PricewaterhouseCoopers as Auditor;
5. To authorise the Directors to fix the remuneration of the Auditor; and
6. To elect members of the Audit Committee.

SPECIAL BUSINESS:

To consider, and if thought fit, pass the following as special resolutions:

7. To approve the remuneration of Directors;
8. 'That pursuant to the Articles of Association of the Company, the Directors having so recommended to capitalise the sum of ₦1,631,604,218 from the Share Premium account and accordingly that such sum be set free for distribution among the members on the Register of Members at the close of business on Thursday, 30 April 2015, on condition that the same be not paid in cash but applied in paying up in full at par 3,263,208,436 ordinary shares of 50 kobo each to be allotted, distributed and credited as fully paid-up to and among such members in the proportion of one new ordinary share for every 10 ordinary shares held by them on that day, and such new shares shall rank for all purposes pari passu with the existing issued ordinary shares of the Company, the shares so distributed being treated for all purposes as capital and not as income and these new shares shall not qualify for payment of dividend in respect of the 2014 accounts, and the Directors shall give effect to this resolution on receipt of the necessary permission from the authorities.'

PROXY

A member entitled to attend and vote at the AGM is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not also be a member. A proxy form is at the end of the financial statements. All instruments of proxy should be duly stamped at the Stamp Duties Office and deposited at the registered Office of the Company or the Office of the Registrar, First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos not later than 48 hours before the time for holding the meeting.

DIVIDEND WARRANTS

If the dividend recommended by the Directors is approved by members at the AGM, the dividend warrants will be posted on 25 May 2015 to members whose names appear in the Register of Members at the close of business on 30 April 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members and transfer books of the Company will be closed from 4 May to 8 May 2015 (both dates inclusive) for the purpose of payment of dividend.

AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act (CAMA), any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and must reach the Company Secretary not less than 21 days before the Annual General Meeting. The Code of Corporate Governance of the Securities and Exchange Commission and Central Bank of Nigeria (CBN) respectively indicated that some of the members of the Audit Committee should have basic financial literacy and be knowledgeable in internal control processes. We would therefore request that nominations should be accompanied by a copy of the nominee's Curriculum Vitae.

ELECTION/RE-ELECTION OF DIRECTORS

i. Election of Directors

Dr Hamza Wuro Bokki, PhD, is being proposed for election as Independent Non-Executive Director while Omatseyin Ayida and Adebola Osibogun are being proposed for election as Non-Executive Directors.

Dr Hamza Wuro Bokki, Ph.D., was appointed as an Independent Non-Executive Director on 12 August 2014 while Omatseyin Ayida and Adebola Osibogun were appointed as Non-Executive Directors on 27 January 2015. Their appointments are being presented for shareholders' approval at the AGM subject to the approval of the CBN.

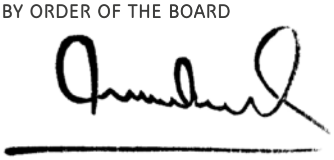
ii. Re-election of Directors

Oye Hassan-Odukale, MFR, and Abdullahi Mahmoud are retiring by rotation at the current meeting in line with section 259 of CAMA. The retiring Directors, being eligible, are therefore offering themselves for re-election as Non-Executive Directors at the AGM. The profiles of the Directors are contained in the Annual Reports and Accounts.

Re-election of Directors aged 70 years or more

Pursuant to Section 256 of the Companies and Allied Matters Act, special notice is hereby given that Alhaji Abdullahi Mahmoud, who is eligible for re-election, is 70 years old.

BY ORDER OF THE BOARD



Tijjani Borodo
FRC201300000002367
Company Secretary
35 MARINA, LAGOS
Dated this 24th day of March 2015

ELECTRONIC ANNUAL REPORT REQUEST FORM

*Name of shareholder ....

*Email address ....

IMPORTANT

Please insert your name and email address in BLOCK CAPITALS where asterisked. Kindly forward the completed form to the office of First Registrars Nigeria Limited, 2 Abebe Village Road, Iganmu, Lagos.

Please note that email addresses will not be used for any purpose other than communicating with you as a shareholder.

PROXY FORM
FBN HOLDINGS PLC (RC 916455)

Third Annual General Meeting to be held at the Zinnia Hall, Eko Hotel and Suites, Victoria Island, Lagos on Thursday, 21 May 2015 at 10am.

*We ....
(Name of Shareholder in block letters)

The undersigned, being a member of the above named Company hereby appoint

....
or failing him/her the Chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21 May 2015 and at any adjournment thereof.

Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2015

Signature ....

NOTES:

1. This form of proxy together with the Power of Attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the office of FBNH's registrars: **First Registrars Nigeria Limited, 2, Abebe Village Road, Iganmu, Lagos** not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office.

We desire this proxy to be used in favour of or against the resolution as indicated alongside

RESOLUTION	FOR	AGAINST
1) To receive the consolidated Annual Report and Account		
2) To declare a dividend		
3a) To elect directors by single resolution		
3b) To re-elect the following directors; 1. Oye Hassan-Odukale, MFR 2. Abdullahi Mahmoud And appoint the following directors; 1. Dr. Hamza Wuro Bokki 2. Omatseyin Ayida 3. Adebola Osibogun		
4) To appoint Auditor		
5) To fix remuneration of Auditor		
6) To appoint Audit Committee Members		
7) To fix the remuneration of Directors		
8) To issue bonus shares		

Please indicate with 'X' in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

ADMISSION FORM FBN HOLDINGS PLC (RC 916455)

ANNUAL GENERAL MEETING TO BE HELD at the Zinnia Hall, Eko Hotel and Suites, Victoria Island on Thursday, 21 May 2015 at 10am.

*Name of shareholder ....

*Name of proxy .... (IF YOU ARE UNABLE TO ATTEND THE MEETING)

A member (shareholder) entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of him. A Proxy need not be a member. The above proxy form has been prepared to enable you to exercise your right to vote.

IMPORTANT

Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person whether a member of the Company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

First Registrars

E-PRODUCTS ACTIVATION FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

You need not worry about the safety of your shares any more. Simply stay aboard with our e-products and services.

E-share notifier SMS alert on transactions that occur on your share account (AGM and EGM, dividend payments, bonuses, debits/credits etc.)

M-access The smart way to access your stock balances, dividend amount etc. via SMS on your mobile phone. Simply send your assigned PIN to 6591. The service is available only in Nigeria and attracts ₦20/SMS by network operator.

Online access Online access to your share account statements. You can view and print your account statement, make a change of address and access dividend information etc.

INSTRUCTION

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars Nigeria Ltd, 2 Abebe Village Road, Iganmu, PMB 12692, Lagos, Nigeria.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2

City State* Country

GSM no (Mobile)* GSM no (Telephone)*

Email address*

Signature(s)* Corporate stamp/seal*

CHARGES:

Individual: ₦1,000 per annum/product
Corporate bodies: ₦2,000 per annum/product

Please tick (✓) the product(s) you are activating.

All payments should be made into each product's account number respectively:

- [ ] E-share notifier activation Account No. 2013302579
- [ ] M-access activation Account No. 2011760908
- [ ] Online access activation Account No. 2013798370

in any FirstBank branch nationwide with a copy of the payment slip attached to this form upon submission.

First Registrars

E-DIVIDEND FORM

1. Complete, sign and date the form.
2. Fill out all compulsory (*) fields.
3. Fill out in CAPITAL LETTERS.

AFFIX PASSPORT
(To be stamped by bankers)

INSTRUCTION

Only clearing banks are acceptable.

Please fill in the form and return to the address below:

THE REGISTRARS

First Registrars Nigeria Ltd, 2 Abebe Village Road, Iganmu, PMB 12692, Lagos, Nigeria.

We hereby request that from now on, all my/our dividend warrant(s) due to me/us from my/our holdings be paid directly to my/our bank named below:

Bank name.. Bank branch..

Bank address..

Bank no (NUBAN).. Old bank no*..

* Mandatory for shareholders with existing bank mandate instruction with us.

SHAREHOLDER ACCOUNT INFORMATION

Surname* First name* Other names

Address line 1*

Address line 2

City State Country

Mobile telephone* Email address*

Signature(s)* Joint/Company's signatories* Company's seal

Branch sort code (very important)

Authorised signature of banker Authorised stamp of banker

STOCKBROKER E-LODGEMENT ACTIVATION FORM (FBN HOLDINGS PLC)

To:
The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu, PMB 12692
Marina, Lagos
Nigeria

E-LODGEMENT is a special product designed for stockbrockers. It is the electronic transfer of verified share certificates from First Registrars into the depository of CSCS. Here, stockbrokers are given access to view all lodgements made to CSCS on their behalf. It also allows stockbrokers to concentrate more on their core while saving time and money through E-LODGEMENT.

FOR STOCKBROKERS ONLY

Important! The form should be completed in CAPITAL LETTERS using a black or dark blue ballpoint/fountain pen. Characters and numbers should be similar in style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z   1 2 3 4 5

Please fill in the form and return to the address above.

Name of stockbrokers ....

Address ....

....

....

....

Mobile phone ....

Email ....

Authorised signatory/seal ....

NOTE: This service costs ₦25,000 per annum and all cheques should be made payable to The Registrar, First Registrars Nigeria Limited, Account No 2013798363

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	Interest expense (on deposits) / Average deposit (i.e. opening + closing balance)/2
Basic earnings per share	=	Profit attributable to ordinary shareholders (after deduction of debenture interest and tax) / Weighted average number of shares in issue
Cost of borrowed funds	=	Expense on borrowed funds / Average borrowed funds (opening + closing)/2
Cost of funds	=	Interest expense / Average interest-bearing liabilities (opening + closing)/2
Cost of interbank takings	=	Interest expense on interbank takings / Average interbank takings (opening + closing)/2
Cost of managed funds	=	Expense on managed funds / Liabilities on investment contracts
Cost of risk	=	Loan loss expense / Average loans
Cost to income ratio (1)	=	Total cost (interest expense, operating cost before loan loss expense) / Gross earnings
Cost to income ratio (2)	=	Total overhead cost (operating cost before loan loss expense) / Total net revenue
Debt to capital	=	Long-term debt / Long-term debt + equity
Dividend per share	=	Dividend / Number of shares in issue
Debt to EBITDA	=	Long-term debt / Operating income
Gearing ratio	=	Long-term debt / Total shareholders' funds
Interest earning assets	=	Due from other banks + treasury bills + trading securities (bonds) + loans and advances
Leverage	=	Total assets / Total shareholders' funds
Liquidity ratio	=	Liquid assets / Deposit liabilities (as prescribed by the CBN)
Loan to deposit ratio	=	Total loans / Total deposit
Marginal cost of fund	=	Increase in interest expense during the month / Increase in average deposits during the same month (annualised)
Net interest margin (1)	=	Net interest income / Average interest-earning assets (i.e. opening + closing)
Net interest margin (2)	=	Net interest income / Total interest income
Net loans	=	Gross loans – loan loss provision
Net revenue	=	Net interest income + net fee and commission income + other income
Net revenue from funds	=	Interest income – (interest expense + loan expense)
NPL coverage	=	Loan loss provision (including interest in suspense) / Gross NPLs
NPL ratio	=	Non-performing loans / Gross loans
Operating profit margin	=	Operating profit / Gross earnings
Pre-provision operating profit	=	Operating profit + impairment charge on credit losses / Impairment charge on credit losses
Provisioning level (non-performing loans coverage)	=	Total provision / Total NPL

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Price to book	=	$\frac{\text{Share price}}{\text{Total assets – intangible assets and liabilities}}$
Price earnings	=	$\frac{\text{Market value per share}}{\text{Earnings per share}}$
Return on average assets	=	$\frac{\text{PAT}}{\text{Average total assets}} \times 100$
Return on average equity	=	$\frac{\text{PAT}}{\text{Average total equity}} \times 100$
Risk asset ratio	=	$\frac{\text{Total loans}}{\text{Total assets}}$
Risk-weighted assets*	=	Assets x weight of risks
Tier 1 ratio	=	$\frac{\text{Total tier 1 capital}}{\text{Risk-weighted assets}}$
Tier 2 ratio	=	$\frac{\text{Total tier 2 capital}}{\text{Risk-weighted assets}}$
Total capital adequacy ratio	=	$\frac{\text{Total qualifying capital}}{\text{Risk-weighted assets}}$
Yield on interest earning assets	=	$\frac{\text{Interest income}}{\text{Average interest earning assets}}$

*Risk asset is computed using risk weights supplied by CBN/Basel.

ABBREVIATIONS

AC	Audit Committee
AGM	Annual General Meeting
ALCO	Assets & Liabilities Management Committee
ALM	Asset and Liability Management
AMCON	Asset Management Corporation of Nigeria
AML	Anti Money Laundering
AOB	Any other business
AOM	Area Operations Manager
ASI	All Share Index
ATM	Automated teller machine
AUM	Assets under management
BARAC	Board Audit & Risk Assessment Committee
BC	Board Committee
BCC	Board Credit Committee
BCMS	Business Continuity Management System
BDM	Business Development Manager
BDO	Business Development Office
BEC	Board Establishment Committee
BFGP	Board Finance & General Purpose Committee
BFIC	Board Finance & Investment Committee
BGC	Board Governance Committee
BGCI	Board Governance Committee (in attendance)
BIC	Banque Internationale de Crédit SARL
BOD	Board of Directors
BOFIA	Bank and Other Financial Institutions Act
BOM	Branch Operations Manager
BPC	Board Promotions and Disciplinary Committee
BRCC	Business Risk and Compliance Committee
BT	Board Tenders Committee
BU	Business Units
CAAP	Control Administrative and Accounting Procedure
CACS	Commercial Agriculture Credit Scheme
CAGR	Compound annual growth rate
CAM	Classified Assets Management
CAMA	Companies and Allied Matters Act
CAP	Credit Analysis & Processing
CAR	Capital adequacy ratio
CASA	Current and savings accounts
CBG	Corporate Banking group
CBI	Centre for Business Integrity
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CCTV	Closed-circuit television
CEO	Chief Executive Officer
CFP	Contingency funding plan
CFT	Countering the Financing of Terrorism
CGRS	Corporate Governance Rating System
CIS	Collective investment schemes
COE	Centre of Excellence
COSO	Committee of Sponsoring Organisation
COT	Commission on turnover
CPC	Centralised Processing Centre
CPI	Consumer Price Index
CPFA	Closed Pension Fund Administrator
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral risk rating
CRSA	Control risk self-assessment
CSCS	Central Securities Clearing System
CSR	Corporate social responsibility
DNFBPs	Designated non-financial businesses and professionals
DPS	Dividend Per Share
DRC	Democratic Republic of Congo
DRCe	Disaster Recovery Centre
EaR	Earnings at risk
ECA	Export Credit Agencies
ECM	Equity capital markets
ED	Executive Director
EGM	Extraordinary General Meeting
EME	Emerging Market Economies
EMTS	Emerging Markets Telecommunication Services (Etisalat)
EPS	Earnings per share
ERM	Enterprise Risk Management
ESGMS	Environmental, Social and Governance Management System
EVP	Executive Vice President
EVPs	Employee Value Propositions
EVS	Employee Volunteering Scheme
EXCO	Executive Committee
FATCA	Foreign Account Tax Compliance Act
FBN BDC	FBN Bureau de Change Ltd
FBN MB	FBN Microfinance Bank Ltd
FBN UK	FBN Bank (UK) Ltd

ABBREVIATIONS

FCA	Fellow Institute of Chartered Accountants of Nigeria
FCCA	Fellow of the Association of chartered Certified Accountants
FCIB	Fellow of the Chartered Institute of Bankers of Nigeria
FCT	Federal Capital Territory
FFL	First Funds Ltd
FGN	Federal Government of Nigeria
FIOD	Fellow of the Institute of Directors, Nigeria
FIRS	Federal Inland Revenue Service
FMAN	Fund Managers Association of Nigeria
FMCG	Fast-moving consumer goods
FPCNL	First Pension Custodian Nigeria Limited
FRNL	First Registrars Nigeria Ltd
FRR	Facility risk rating
FSA	Financial Services Authority
FSRCC	Financial Sector Regulatory Coordinating Committee
FSS	Financial System Strategy
FTNL	First Trustees Nigeria Ltd
FX	Foreign exchange
GDP	Gross Domestic Product
GDR	Global depositary receipt
GEC	Group Executive Committee
GMD	Group Managing Director
GPI	Gross premium income
HCMD	Human Capital Management and Development
HNI	High net worth individual
HR	Human Resources
IBAM	Investment Banking and Asset Management
IBG	Institutional Banking group
IBNR	Incurred but not reported
ICAFAS	Internal Control & Anti-Fraud Automated Solution
ICAN	Institute of Chartered Accountants of Nigeria
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGRC	Integrated Governance, Risks and Compliance
IMF	International Monetary Fund
IR	Investor Relations
IRS	Internal Revenue Service
ISF	Information Security Forum
ISMD	Information Security Management Department
ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information technology
ITF	Industrial Training Fund
JAMB	Joint Admissions and Matriculation Board
KPI	Key Performance Indicator
KRI	Key risk indicator
KYB	Know Your Customer's Business
KYC	Know Your Customer
L&D	Learning and Development
LAD	Loans and advances
LASACS	Large-Scale Agricultural Credit Scheme
LASG	Lagos State Government
LASMI	Lagos State Microfinance Institution
LEAP	League of Abiriba Professionals
LGD	Loss given default
LRP	Liquidity Risks Package
M&A	Mergers & Acquisitions
MANCO	Management Committee
MATs	Management Action Triggers
MBC	MBC International Bank
mb/d	Million barrels a day
MCC	Management Committee Credit
MCG	Management Committee General
MDAs	Ministries, departments and agencies
MDRI	Market Development and Restructuring Initiatives
MDSA	My Daily Savings Account
MENA	Middle East and North Africa
MFBs	Microfinance Banks
MGC	Management General Committee
MPC	Monetary Policy Committee
MPR	Monetary policy rate
MRAC	Management Risk and Assessment Committee
MRLP	Market Risk Limits Package
MRPC	Market Risk Policy Committee
₦	Naira
NAICOM	National Insurance Commission
NASB	Nigerian Accounting Standards Board
NBA	Nigerian Bar Association
NBFS	Non-banking financial services
NBS	National Bureau of Statistics
NDDC	Niger Delta Development Commission
NDIC	Nigeria Deposit Insurance Corporation

ABBREVIATIONS

NED	Non-Executive Directors
NESG	Nigeria Economic Summit Group
NFIU	Non-Financial Institutions Unit
NGN	Nigerian naira
NGO	Non-governmental organisation
NIM	Net interest margins
NLI	Nigeria Leadership Initiative
NPL	Non-performing loan
NSE	Nigerian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OFR	Officer of the Federal Republic
OPEX	Operating expenditure
OPL	Open Position Limit
ORM	Operational Risk Management
ORMC	Operational Risk Management Committee
ORR	Obligor risk rating
OTC	Over The Counter
P&L	Profit and Loss Account
PAT	Profit after tax
P/B	Price to Book
PBOC	People's Bank of China
PBT	Profit before tax
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of Default
PDCA	Plan-Do-Check-Act
P/E	Price Earnings
PE	Private equity
PFA	Pension fund administrator
PFMS	People First Management System
PFP	Pay for Performance
PFR	Pay for Role
POS	Point of sale
PPP	Public Private Partnership
PSQA	Process and service quality assurance
QSP	Quick service points
RAC	Risk acceptance criteria
RBS	Risk-Based Supervision
RCSA	Risk and control self-assessment
RDAS	Retail Dutch Auction System
RICO	Resident Internal Control Officer
RM	Relationship Manager
RMA	Relationship Management Application
RMD	Risk Management Directorate
RMU	Remedial Management Unit
ROE	Return on Equity
ROM	Regional Operations Manager
RSA	Retirement Savings Accounts
RTGS	Real-Time Gross Settlement System
RTU	Risk Taking Unit
RUFFIN	Rural Finance Institution
SAC	Statutory Audit Committee
SAS	Statistical analysis software
SBU	Strategic Business Unit
SCUML	Special Control Unit on Money Laundering
SEC	Securities and Exchange Commission
SIFE	Students in Free Enterprise
SLA	Service level agreement
SLD	Specialised Lending Department
SME	Small and Medium Enterprises
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SMS	Short Message Service
SRF	Strategic Resource Function
SSA	Sub-Saharan Africa
TAT	Turnaround time
TRAP	Triggers for Accrual Portfolios
UAT	User acceptance testing
VaR	Value-at-risk
WARR	Weighted Risk Rating

CONTACT INFORMATION

	BUSINESS ADDRESS	TELEPHONE NUMBER
SUBSIDIARY		
First Bank of Nigeria Limited	35 Samuel Asabia House, Marina, Lagos	0700 FIRSTCONTACT, +234 1 4485500
FBNBank (UK) Limited	28 Finsbury Circus, London, EC2M 7DT, UK	+44 207 920 4920
FBNBank DRC SA	191 Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 81 555 8858
FBN Capital Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2777800-1
FBN Mortgages Limited	76 Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
FBN Trustees Limited	16-18 Keffi Street, Off Awolowo Road, S/W, Ikoyi, Lagos	+234 1-4622673; +234 1-4622831-34; +234 1-4605120-24; +234 1-4605124; +2347080653100
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 905 4444, +234 1 905 4428 and +234 1 9054364
FBN Microfinance Bank Limited	305 Herbert Macaulay Way, Yaba, Lagos	+234 1 3428703, +234 1 3425517
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	01-4622181-5
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
FBN Funds Limited	90 Awolowo Road, South-West, Ikoyi, Lagos	+234 1 2793910-9
Kakawa Discount House Limited	2 Broad Street, Lagos	+234 1 2702290, 2702291, 2702292, 2702293, 2702294
FBNBank Ghana	Meridian House, Ring Road Central, Private Mail Bag No 16, Accra North, Accra, Ghana	+233 302 23 6133 / 235611
South Africa Rep Office	Ex-cite Chemin de Fer, Immeuble Mamou, BP 3547, Conakry, Republic of Guinea	+224657256667, +224657321105
FBNBank Sierra Leone	22 Rawdon Street, Freetown, Sierra Leone	+232 76 741 737, +232 22222877, +232 22222273, +232 22222814; +232-99-3056-00
FBNBank Gambia	48 GIEPA House, KSMD, PO Box 1600, Banjul, the Gambia	+2207993502, +2204377889, +2209147426
International Commercial Bank (Senegal)	18 Av Léopold Sédar Senghor, Dakar, Senegal	+221 842 07 42
FIRSTBANK REPRESENTATIVE OFFICES		
South Africa Rep Office	The Forum Building, 10th Floor No 2 Maude Street, Sandton 2146, Johannesburg, South Africa	+27 11 7849922
Beijing Rep Office	Unit 1431, Tower B COFCO Plaza No 8 Jianguomennei Street, Dong Cheing District, Beijing, China	+86 10 65286820
UAE Rep Office	Salam HQ Plot No C6, Sector E, Abu Dhabi, UAE	+97 02 43319915, +97 5092777394

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FBNHoldings

CONTACT DETAILS AND FEEDBACK

Head, Investor Relations
Oluyemisi Lanre-Phillips
Email: investor.relations@fbnholdings.com
Tel: +234 1 9052720

CUSTOMER ENQUIRIES

Email: firstcontact@firstbanknigeria.com
Tel: 0700 FIRSTCONTACT
Tel: +234 1 4485500
Tel: +234 708 0625000

SHAREHOLDER ENQUIRIES

Email: info@firstregistrarsnigeria.com
Tel: +234 1 2799880
www.firstregistrarsnigeria.com

REGISTERED ADDRESS

Samuel Asabia House
35 Marina, Lagos
PO Box 5216, Nigeria

Registration No. RC916445

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