FBNHoldings

Connected.

FBN Holdings Plc | Annual Report and Accounts 2013

Connected.

Growth through connected solutions

As a Group, we are exploiting synergies and optimising cross-selling between our subsidiary businesses to become more effective and increase value for our shareholders.

Being more 'connected' as a Group means we can create an improved service for all our customers. By listening to them and understanding their diverse needs, we can provide innovative products and solutions that better connect us to them.

It is this sort of forward thinking that has helped us evolve to become one of the leading financial services in Sub-Saharan Africa.

IN THIS REPORT

GROUP OVERVIEW

CORPORATE PROFILE	7
HOW ARE WE STRUCTURED?	9
WHAT DO WE DO?	11
CHAIRMAN'S STATEMENT	16
FINANCIAL HIGHLIGHTS	19
CHIEF EXECUTIVE OFFICER'S REVIEW	20
RECOGNITION OF OUR PERFORMANCE	23

OUR APPROACH

HOW IS OUR MARKETPLACE EVOLVING?	27
HOW DO WE GENERATE LONG-TERM VALUE?	29
WHAT MAKES THE BUSINESS MODEL SUSTAINABLE?	32
LEADERSHIP AND GOVERNANCE	34
RISK MANAGEMENT APPROACH	37

GOVERNANCE

BOARD OF DIRECTORS	47
ATTENDANCE AT BOARD MEETINGS	48
COMMITTEE REPORTS	49
OPERATIONAL STRUCTURE	52
DIRECTORS' REPORT	53

FINANCIAL STATEMENTS

RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS	57
REPORT OF THE INDEPENDENT AUDITORS	58
INCOME STATEMENT	60
STATEMENT OF COMPREHENSIVE INCOME	61
STATEMENT OF FINANCIAL POSITION	62
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	64
COMPANY STATEMENT OF CHANGES IN EQUITY	66
CONSOLIDATED STATEMENT OF CASH FLOWS	67
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	68
VALUE ADDED STATEMENT	188
FIVE-YEAR FINANCIAL SUMMARY – GROUP	190
FINANCIAL SUMMARY – COMPANY	192

SHAREHOLDER INFORMATION

SHAREHOLDER RESOURCES	195
NOTICE OF ANNUAL GENERAL MEETING	199
PROXY FORM	201
E-PRODUCTS ACTIVATION FORM	203
STOCKBROKER E-LODGEMENT ACTIVATION FORM	205
GLOSSARY OF RATIOS	207
ABBREVIATIONS	209
CONTACT INFORMATION	212
REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS	213

The term 'FBN Holdings Plc' or the 'Group' means FBN Holdings 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 32,632,084,345 ordinary shares of 50 kobo each (₦16,316,042,172.50). 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, FBN Bank (UK) Limited, Banque Internationale de Crédit (BIC), First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include the International Commercial Banks (ICB) in Ghana, Guinea, The Gambia and Sierra Leone. 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, First Trustees Nigeria Limited, First Funds Limited and FBN Securities Limited. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Life Assurance Limited (now FBN Insurance) and FBN Insurance Brokers Limited.
- Other Financial Services business group includes FBN Microfinance Bank Limited.

This report encompasses the FBN Holdings Plc financial report made up of First Bank of Nigeria Limited, FBN Capital Limited, FBN Insurance Limited, FBN Insurance Brokers Limited and FBN Microfinance Bank Limited, all of which are direct subsidiaries of the holding company.

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 2013 to the corresponding 12 months of 2012, and the balance sheet comparison relates to the corresponding position at 31 December 2012. 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 FBN Holdings report and the First Bank of Nigeria report as well as standard PDFs of other 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.

Connected solutions

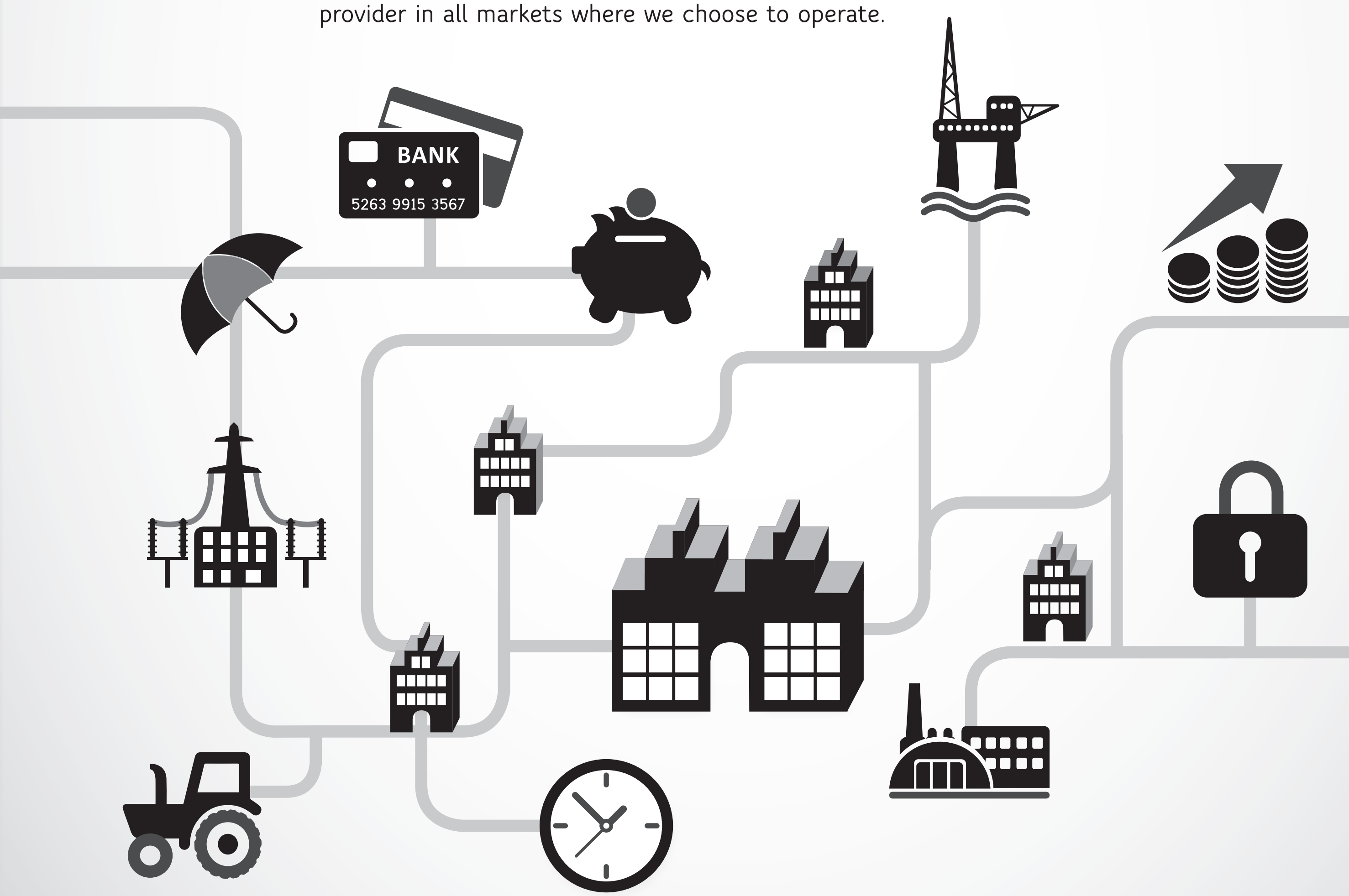
Creating innovative products and services

Serving over 8.5 million active customer accounts across 11 countries, we have evolved to become one of the leading financial services providers in Africa, by gaining a clear understanding of our clients and designing tailor-made services to meet their needs. We have invested in e-channels and products, which offer greater convenience and improved customer experience, and our state-of-the-art contact centre caters round-the-clock to customer enquiries.

Connected **business**

An integrated holding company to drive synergies

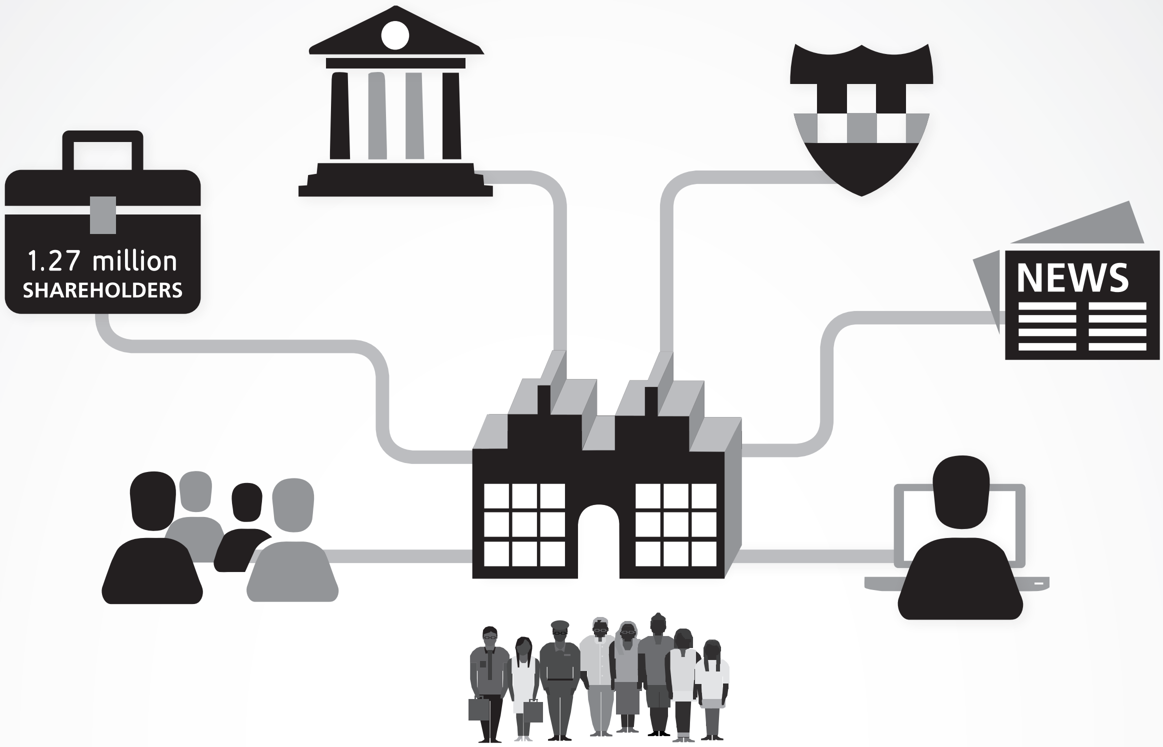
Led by a highly experienced and reputable management team, the Group's holding company is structured to enable clear management focus and capacity to optimise cross-selling potential. This allows us to benefit from synergies and improve cost efficiency by leveraging shared distribution platforms across the Group as we seek to be the leading financial services provider in all markets where we choose to operate.



Connected Africa

Growing our footprint through international expansion

Through our commercial banking franchise, we have significantly extended our banking business footprint, particularly across West Africa, with the acquisition of the West African operations of the International Commercial Bank (ICB) in 2013. With this acquisition, we are now providing full banking services in four additional countries – Ghana, Gambia, Guinea and Sierra Leone. In line with our growth strategy, we will continue to upscale our reach in existing and new markets, through organic expansion and targeted acquisitions, helping us to maintain our leading market position. Our unrivalled business network provides our clients with greater choice and flexibility regarding how and where they deliver services.



Connected to stakeholders

A clear strategy and unwavering commitment to stakeholders

In delivering value to our stakeholders, we have a strategy of continuously growing our operations in a controlled and profitable manner as we seek new opportunities across our target markets. Our strategy is delivered through our consistent business model, which enables us to provide effective service solutions for our clients, generate healthy returns for our shareholders and build a sustainable business. We maintain our leadership position across all markets where we operate by providing unique financial services that meet the individual needs of our clients.

GROUP OVERVIEW

We are a well-diversified financial services Group and the largest private sector financial services provider in Sub-Saharan Africa (excluding South Africa). We have leading positions in many of the markets in which we participate, a market leading distribution capability and a well-recognised brand with a large customer base.

p19

Financial highlights

"We made significant progress integrating our business planning process and harmonising our investment decisions in a way that allowed the entire Group to take full advantage of opportunities in non-banking spaces."

Dr. Oba Otudeko, CFR

Group Chairman

p16

"Our goal is to enhance the contributions of the non-banking subsidiaries to the Group through synergy extraction and investment in other areas within the financial services landscape."

Bello Maccido

Group Chief Executive Officer

p20

CORPORATE PROFILE

FBN Holdings (HoldCo) is the non-operating holding company of the FirstBank Group. The business groups within HoldCo 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.

HoldCo's principal bank subsidiary is First Bank of Nigeria Ltd (FirstBank), a commercial bank with operations in 11 countries.

We also have FBN Capital, a leading investment banking and asset management company; FBN Insurance, a life insurance business until March 2014, now a composite insurance company; FBN Insurance Brokers; and FBN Microfinance Bank, which offers microfinance services. The bank and non-bank subsidiaries of HoldCo operate in Nigeria, as well as through overseas branches and subsidiaries and representative offices.

The strategic vision for the Group in 2014-16 is 'to become the pre-eminent financial services group in Middle Africa, providing value to our stakeholders.

OUR VISION

Our corporate strategy supports the Group vision of being recognised as the leading Sub-Sahara African financial services group by shareholders, customers, staff and our communities. We are focused on producing long-term, profitable growth by building great franchises and delivering value to all our stakeholders.

9,563 employees

867 business locations and **2,437** ATMs

6.46 million cards in circulation

8.5 million active customer accounts

₦3.9 trillion Total assets

₦395.9 billion Gross earnings

CORPORATE PROFILE

KEY:
Head office · Subsidiary · Branch of FBN UK · Representative office

LONDON, UK

Subsidiary

Name	FBN Bank (UK) Ltd
Est.	2002
Type	Licensed bank
Total assets	₦536 billion
Total deposits	₦296 billion
Net loan book	₦291 billion
Profit before tax	₦8.0 billion

PARIS, FRANCE

Branch of FBN UK

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

WEST AFRICA

Name	ICB (Ghana, Gambia, Guinea, Sierra Leone)
Est.	Ghana – 1996 Gambia – 2004 Guinea – 1996 Sierra Leone – 2004
Type	Licensed bank

LAGOS, NIGERIA

Subsidiary

Name	First Bank of Nigeria Ltd
Est.	1894
Type	Licensed bank
Total assets	₦3.7 trillion
Total deposits	₦2.9 trillion
Net loan book	₦1.8 trillion
Profit before tax	₦87.5 billion

LAGOS, NIGERIA

Head office

Name	FBN Holdings Plc
Est.	2012
Type	Financial holding company
Total assets	₦3.9 trillion
Total deposits	₦2.9 trillion
Net loan book	₦1.8 trillion
Profit before tax	₦91.3 billion

KINSHASA, DRC

Subsidiary

Name	Banque Internationale de Crédit
Est.	1994
Type	Licensed bank
Total assets	₦53.6 billion
Total deposits	₦37.6 billion
Net loan book	₦24.4 billion
Profit before tax	₦1.7 billion

BEIJING, CHINA

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

ABU DHABI, UNITED ARAB EMIRATES

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

JOHANNESBURG, SOUTH AFRICA

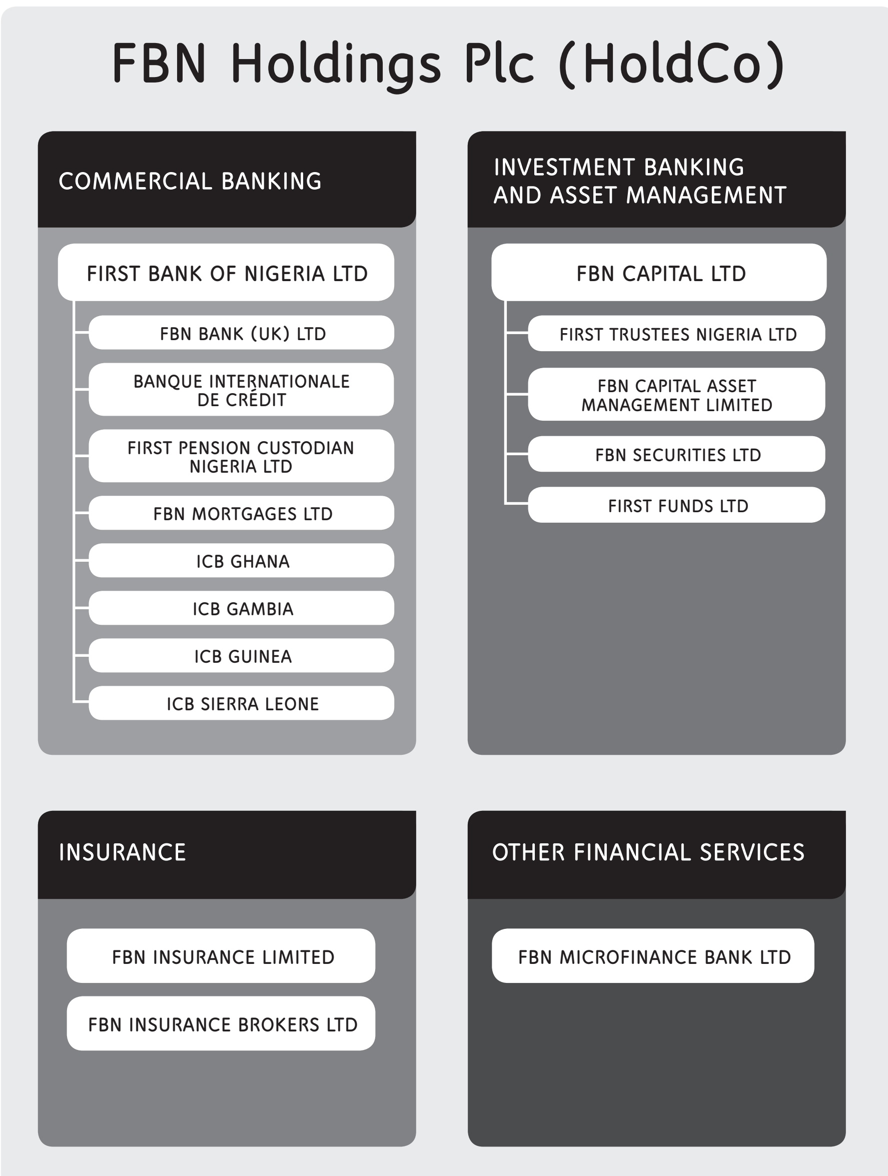
Name	First Bank of Nigeria Ltd
Est.	2004
Type	Representative office

All loans and deposits are to customers only.

HOW ARE WE STRUCTURED?

In 2012, in response to the Central Bank of Nigeria (CBN) new policy framework, the Group adopted a holding company structure and all non-banking subsidiaries were transferred to the holding company, while the Bank retained the banking businesses and subsidiaries.

OUR GROUP STRUCTURE



REPORTING BY BUSINESS GROUP

FBN Holdings Plc is made up of four business groups (as shown left).

The CBN's primary objectives for the banking sector reforms were:

- ensuring the protection of depositor funds by ring-fencing banking from non-banking business;
- redefining the licensing model of banks and minimum requirements to guide operations going forward;
- effectively regulating the business of banks without hindering their growth aspirations; and
- facilitating more effective regulator intervention in public interest entities.

The FirstBank Group aspires to become a diversified global financial services group. We therefore opted to adopt a holding company structure in order to capitalise on potential synergies across the business units. This revised structure was developed to provide a stronger platform to support the Group's ambitions for future growth, both domestically and internationally. It is based on the notion that the optimal legal structure for such a global financial services group is not necessarily the same as the optimal operating structure for managing the business.

FBN Holdings (HoldCo) is the Nigerian-based (non-operating) financial holding company for the banking and non-banking operations of the FirstBank Group. The FBN Holdings structure consists of a corporate centre and four business groups responsible for commercial banking; investment banking and asset management; insurance; and microfinance. These entities represent both our banking and non-banking financial services and we strongly believe in their natural synergy and potential for medium- and long-term growth. Meanwhile, the corporate centre acts as a 'strategic architect' and serves to enhance our industry competitiveness while streamlining and coordinating our various operations and further increasing opportunities for effective cooperation between our business groups.

OPERATING STRUCTURE

HoldCo oversees four major business groups in financial services sectors we believe have significant growth potential. We have grouped similar businesses 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 the heads of the 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 i.e. a pension fund custodian and a primary mortgage institution. All of our global banking subsidiaries and representative offices also fall under the Commercial Banking group.

Investment Banking & 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 more recent full underwriting business, FBN Insurance from a Life Assurance business. The underwriting business is performed by FBN Insurance Limited, a partnership with South African-based Sanlam Group.

Other Financial Services – Currently serves as a quasi-incubator for our smaller non-banking financial services businesses including a microfinance bank, FBN Microfinance bank, which provides microfinance services to the mass-market retail segment.

GOVERNANCE STRUCTURE

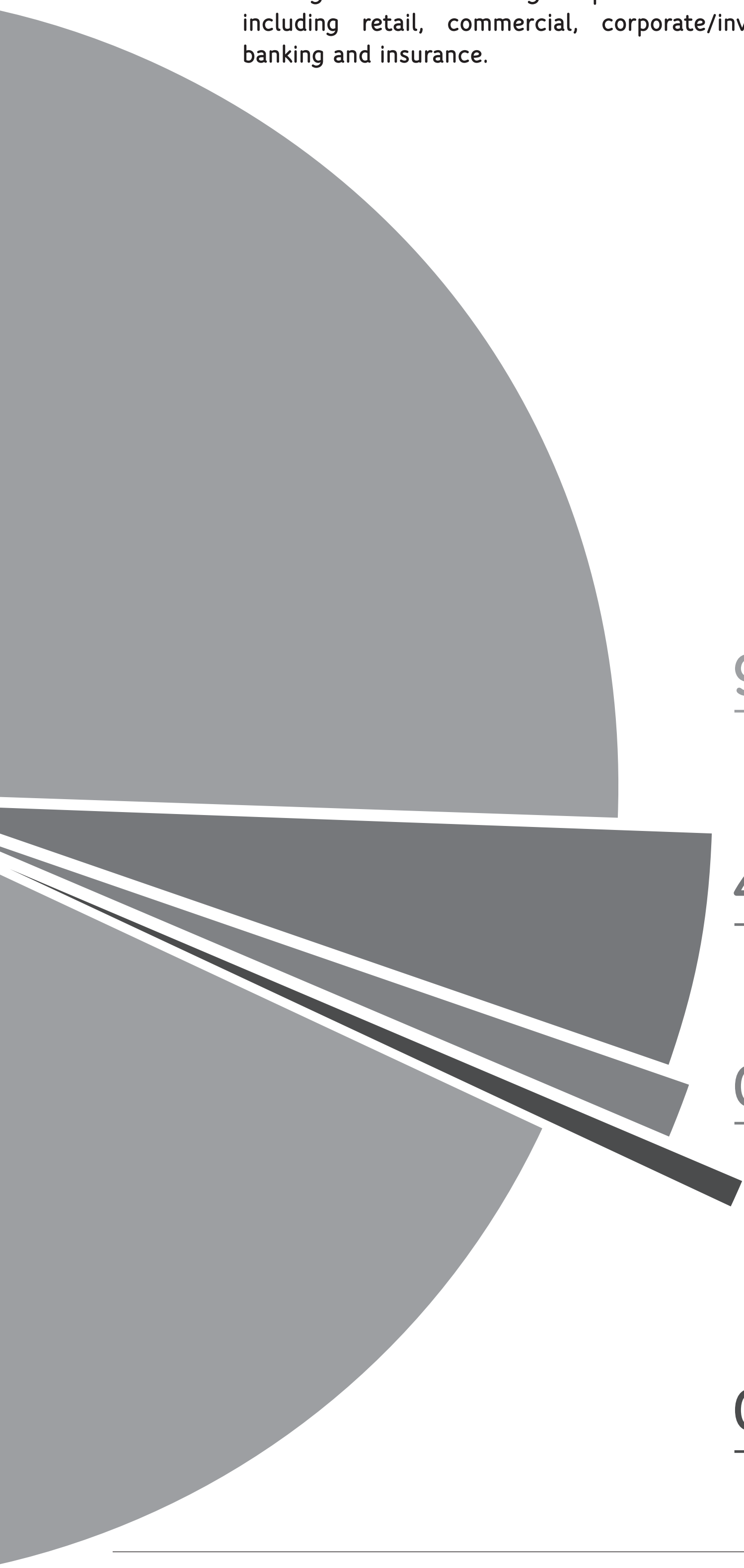
FBN Holdings is led by a CEO, whose focus is on developing the long-term Group vision and executing a growth strategy for our businesses, ensuring business groups successfully identify and exploit synergies. The HoldCo Board is responsible for top-level strategic/governance issues and oversight for executive management across the groups. Similarly, the executive management of each business group is responsible for strategy development/implementation, and key management and operational decisions that drive business success. Regular meetings are established to ensure adequate tracking and business performance against approved plans and budgets of the Group. A Group Executive Committee (GEC), consisting of the HoldCo CEO and the MD/CEOs of the individual business groups, has also been set up to sit between HoldCo and the business groups to ensure the right level of operational supervision of the activities of the business groups. FirstBank has envisaged a holdings structure that will evolve in phases over time, with the corporate centre gradually taking greater responsibility for optimising revenue and cost within the Group, facilitating group synergy and alignment and providing centralised services to the various subsidiary businesses.

For further information, see Governance on page 46.

WHAT DO WE DO?

The diverse range of businesses that make up FBN Holdings offer a broad range of products and services, including retail, commercial, corporate/investment banking and insurance.

HoldCo's principal subsidiary is First Bank of Nigeria Ltd (FirstBank), a commercial bank with operations in 11 countries. We also have FBN Capital, a leading investment banking and asset management company; FBN Insurance, a life insurance business until March 2014, now a composite insurance company; FBN Insurance Brokers; and FBN Microfinance Bank, which offers microfinance services. The bank and non-bank subsidiaries of HoldCo operate nationally in Nigeria, as well as through overseas branches, subsidiaries and representative offices for the banking business.



CONTRIBUTION TO GROUP NET REVENUE

COMMERCIAL BANKING

93.7%

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

4.9%

Arranges finance, provides advice, manages funds and sells investment products to clients.

INSURANCE

0.9%

Offers insurance brokerage and composite assurance services to customers.

OTHER FINANCIAL SERVICES

0.5%

This includes the Group's non operating holding company and other non-banking financial services businesses including a microfinance bank, FBN Microfinance bank, which provides microfinance services to the mass-market retail segment.

COMMERCIAL BANKING

FIRST BANK OF NIGERIA LTD
- FBN BANK (UK) LTD
- BANQUE INTERNATIONALE DE CRÉDIT
- FIRST PENSION CUSTODIAN NIGERIA LTD
- FBN MORTGAGES LTD
- ICB GHANA
- ICB GAMBIA
- ICB GUINEA
- ICB SIERRA LEONE

NET REVENUES

₦278.7bn

(2012: ₦280.5bn)

PROFIT BEFORE TAX

₦86.7bn

(2012: ₦84.5bn)

TOTAL CAPITAL ADEQUACY RATIO (CAR)[1]

17.7%

(2012: 19.1%)

NUMBER EMPLOYED

9,062

(2012: 8,611)

PERFORMANCE HIGHLIGHTS

- Notable performance in spite of the significantly negative impact from increased cash reserve requirements as well as changes in banking tariffs.
- Sustained predominantly low-cost deposit funding base, achieving a year-on-year deposit growth of 22%.
- Upgraded core banking application to Finacle 10 from Finacle 7.
- Expanded footprint in Africa by acquisition of West Africa operations of the International Commercial Bank (ICB).

1 These are the capital ratios of 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
- FIRST TRUSTEES NIGERIA LTD
- FBN CAPITAL ASSET MANAGEMENT LIMITED
- FBN SECURITIES LTD
- FIRST FUNDS LTD

NET REVENUES

₦12.3bn

(2012: ₦9.6bn)

PROFIT BEFORE TAX

₦6.8bn

(2012: ₦4.1bn)

ASSET UNDER MANAGEMENT

₦148bn

(2012: ₦90.1bn)

NUMBER EMPLOYED

130

(2012: 124)

PERFORMANCE HIGHLIGHTS

- Continued strategic focus on providing superior advisory services, capital raising and funds management. Key business lines remain Investment Banking Advisory, Asset Management, Trustees, Markets (Debt and Equity), and Private Equity/Principal Investments.
- Gained strong traction in the Investment Banking and Asset Management business benefiting from reform initiatives in the power and oil and gas sectors.
- FBN Securities ranked #4 (by Value) on the NSE top 10 stockbrokers league table.

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

INSURANCE

FBN INSURANCE LIMITED

FBN INSURANCE BROKERS LTD

NET REVENUES

₦3.5bn

(2012: ₦2.9bn)

PROFIT BEFORE TAX

₦1.1bn

(2012: ₦0.6bn)

LOSS RATIO

15.9%[2]

(2012: 26.4%)

NUMBER EMPLOYED

115

(2012: 109)

PERFORMANCE HIGHLIGHTS

- Maintained steady growth in gross premium to ₦3.9 billion (+34.6%) in spite of the 'no premium, no cover' policy primarily driven by increased business volumes.
- Launched new products (mobile insurance) in partnership with telecommunications companies.
- Acquisition of Oasis Insurance Limited by the Life Insurance business to enable participation in General Insurance business.
- Disciplined underwriting practices, cost optimisation initiatives and improved returns on investments result in improved profitability

2 Relates to FBN Insurance (Computed as Claims expenses/Gross premium income)

OTHER FINANCIAL SERVICES[3]

FBN MICROFINANCE BANK LTD

NET REVENUES

₦1.7bn

(2012: ₦8.0bn)

PROFIT BEFORE TAX

(₦3.2bn)

(2012: ₦4.6bn)

TOTAL CAPITAL ADEQUACY RATIO (CAR)

64%[4]

(2012: 37%)

NUMBER EMPLOYED

256

(2012: 247)

PERFORMANCE HIGHLIGHTS

- Challenging operating environment due to increasing security concerns and regulatory policies.
- Net interest income reduction of 15.4% to ₦803 million impacted by reduced volume in microfinance lending.
- Additional capital of ₦1 billion injected to meet the regulatory minimum from a state to a national licensed microfinance bank .
- Introduction of FirstPay payment solution to make instant interbank transfers.

3 This includes other non-banking financial services businesses as well as FBN Microfinance

4 Capital adequacy relates to the FBN Microfinance Bank

COMMERCIAL BANKING

FirstBank is the largest banking group by assets in Sub-Saharan Africa (SSA) (excluding South Africa i.e. 'middle Africa'), offering banking services to a rich network of both individual customers and businesses. First Bank of Nigeria Ltd (FirstBank) represents the main legal entity and previously played an operating holding company function before the implementation of HoldCo. Other entities under FirstBank include the following:

- **FBN Bank (UK) Ltd** – a fully licensed FSA bank with a branch office in Paris;
- **Banque International De Crédit (BIC)** – a leading Tier II bank headquartered in the Democratic Republic of Congo (DRC), which we acquired in 2011 in line with our international expansion strategy;
- **International Commercial Bank (ICB)** – a portfolio of four West African banks (Ghana, Gambia, Guinea and Sierra Leone), which we acquired in the last quarter of 2013 (discussed further on page 150);
- **First Pension Custodian Ltd (FPCNL)** – provides pension fund custody services; and
- **FBN Mortgages Ltd** – a primary mortgage institution.

The Nigerian banking business operates nationally and boasts over 8.5 million active customer accounts served through a large distribution network of 760 bank locations for First Bank of Nigeria (627 branches, 64 quick service points (QSP) and 69 cash centre/agencies), 2,437 ATMs and 13,283 point of sale terminals (POS). Headquartered in Lagos, FirstBank also has representative offices in Abu Dhabi, Beijing and Johannesburg, set up to procure business between the respective regions. Marketing activities are organised into six Strategic Business Units (SBUs), allowing greater specialisation and in turn a more valuable customer experience. These SBUs are:

- **Institutional Banking Group (IBG)** – provides corporate finance, treasury services and distributor management for our most sophisticated customer base. IBG customers have an annual turnover of a minimum of ₦10 billion;
- **Corporate Banking Group (CBG)** – serves the middle segment of the Nigerian corporate landscape; predominantly unrated and non-investment grade companies, providing a full range of business banking services to institutions from regional hubs across the nation. CBG serves customers with a turnover of a minimum of ₦5 billion per annum but with key man risks;
- **Commercial Banking Business** – serves mid to lower end corporate customers with a turnover between ₦500 million and ₦5 billion;
- **Retail Banking Group (RBG)** – offers personal banking services to individual retail clients leveraging our wide distribution network. It also serves SME customers (with an annual turnover of up to ₦500 million) and Local Government clients;
- **Private Banking Group (PBG)** – a separate business unit, PBG manages our high net worth individuals (HNIs), offering private banking and wealth management services; and
- **Public Sector Group (PSG)** – caters to our public sector client base, including the federal and state governments, as well as other ministries, departments and agencies.

FBN Bank UK – with its London headquarters and a branch office in Paris – offers a full suite of commercial banking services. Its personal services and products are tailored to meet the needs of international business executives, professionals and entrepreneurs, with an in-depth understanding of global markets, whereas its corporate banking business targets companies with a demand for cross-border transactions including trade finance, treasury services and FX-related products. FBN UK also offers a wide range of correspondent banking facilities, covering all major currencies. FBN UK earned a profit before tax of ₦8.0 billion, representing an improved profit performance of 19.5% compared to the same period in 2012. The balance sheet expanded by 2.0% year on year, driven by customer deposits generated and retained earnings to support increased lending activities.

BIC is the third largest commercial bank in DRC with revenues of ₦1.7 billion. ICB Ghana, Guinea, Gambia and Sierra Leone are recent additions to the banking portfolio with our acquisition of a 100% equity stake in the four West African banks during the fourth quarter of 2013. First Pension Custodian Limited (FPCNL) provides warehousing and asset management services to licensed pension fund managers. Finally, FBN Mortgages is a primary mortgage institution.

INVESTMENT BANKING AND ASSET MANAGEMENT (IBAM)

FBN Capital is the Investment Banking and Asset Management business group of FBN Holdings, generating ₦12.3 billion in net revenues. Being a part of Nigeria's strongest and most dependable financial group provides significant financial capacity and access to a strong tradition of governance. IBAM arranges finance, provides advice, manages funds and sells investment products to its clients. Key lines of business include investment banking, markets (sales and trading), asset management, principal investing/private equity and trustee and agency services. IBAM's core value proposition to clients comprises; deep industry expertise and experience, strong knowledge of the local terrain, extensive market contacts and access to strategic resources/partnerships. The business has made significant investments in its operating platform in order to deliver superior products and services to its clients.

INSURANCE

The Insurance business group covers our insurance related subsidiaries i.e. FBN Insurance Brokers and FBN Insurance. Previously, the FirstBank Group held only an insurance brokerage business, but in partnership with South African-based Sanlam, we established a life insurance business that is now a composite insurance company – FBN Insurance. The insurance business group generated a net revenue of ₦3.5 billion and a profit before tax of ₦1.1 billion for the year 2013. A high level of awareness and improved regulatory framework remains a major driver in addition to the success of the bancassurance model, leveraging the retail banking strength of the Commercial banking group. Going forward, we hope to grow the general insurance business and continue to experience growth in the Individual Life Premium as more distribution channels open and increase the number of agents.

OTHER FINANCIAL SERVICES

Lastly, the Other Financial Services business group. This includes the Group's non-operating holding company and other non-banking financial services businesses including a microfinance bank, FBN Microfinance Bank, which provides microfinance services to the mass-market retail segment. FBN Microfinance Bank provides financial services to low income retail customers and it aims to address the challenges of the huge unbanked adult population.

CHAIRMAN'S STATEMENT

"Despite the challenging operating environment...our resilient new system prevailed and largely produced notable results"

INTRODUCTION

On the back of strong recovery in the US, the global economy strengthened in the 12 months to end December 2013. The International Monetary Fund (IMF) estimates global output growth over this 12-month period at 2.9% from 3.2% in 2012.

Although the pace of growth remained uneven across regions and economies, rising job numbers and resumption of growth in the real estate sector signalled the recovery in the US. Contrary to improved performance expectation emanating from the euro area, overall output growth there remained slow throughout 2013. The UK was Europe's star performer, having grown by 1.4% over the review period, although this is still below pre-crisis growth levels.

Emerging markets were last year's main economic underperformers, dragged down by slower than expected growth in China where the authority's attempt at boosting domestic demand as a counterpoint to falling export growth was hampered by rising worries over domestic liquidity. Nonetheless, GDP grew last year in Nigeria by 6.87%, up from 6.58% in 2012.

On the back of these developments, over the past year, we had the opportunity to consolidate the change agenda implemented last year through the adoption of the holding company structure.

Despite the challenging operating environment last year, characterised by the crystallisation of regulatory risk especially in our commercial banking business, our resilient new system prevailed and largely produced notable results.

EXPLOITING NEW SYNERGIES

In my 2012 statement, I had referred to the exploitation of new synergies as the driving force for adopting the holding company business model. Over the past 12 months, we had ample opportunity to drive value from this arrangement by, among other things, leveraging key capabilities and competencies in specialised financial services across the Group. Through cross-selling initiatives, which we deployed group-wide, we were able to bundle our products/services in packages tailor-made to meet particular customer demands. Specifically, our African-based subsidiaries took full advantage of FBN Bank UK's structured trade commodity finance, project finance and infrastructure finance skills.

Significantly, we were able to forge deeper relationships with our customers thanks to measurable increases in the joint mandates between FirstBank and the Investment Banking and Asset Management (IBAM) subsidiary. As reforms to the Nigerian economy continue, our investment banking arm saw business grow, spurred by the divestment of state-owned electricity generation and distribution assets, and reforms in the upstream oil and gas sectors.

We also coordinated the Group's private banking franchise across Nigeria and the UK, while pushing our insurance products across FirstBank's domestic sales network. The recent acquisition of Oasis Insurance by FBN Life Assurance Limited further reinforces the relationship with Sanlam of South Africa in our drive to grow business in the general insurance segment of the insurance sector.

In addition, specific arrangements are in place between our IBAM and Retail Banking arms to push the operation of our asset management business through the affluent segment of FirstBank's retail banking business. We are also defining the collaboration between FBN Life and FirstBank's Retail Banking that will see more bancassurance products sold through the Bank's retail platform.

BUILDING MORE EFFICIENT PROCESSES AROUND SHARED SERVICES

Over the 12 months to December 2013, we made progress putting in place the infrastructure for shared services for FBN Holdings through the Group's Human Resources, and Information Technology (IT) Committees, as well as Marketing and Corporate Communication and Risk Management.

Consequently – with the standardisation of the Bank's Human Capital Management and Development capabilities and Marketing and Corporate Communication expertise – we were able to standardise human resources practices and policies, and the methods of projecting the Group brand across subsidiaries in the review period. Essentially, unified brand identity should strengthen the Group's value proposition across its different markets, and make it easier to cross-sell products/services.

Our expanded African footprints position us to leverage profitable growth opportunities in one of the world's fastest-growing regions

Considerable work is in progress on harmonising the Group's IT infrastructure in a manner that guarantees that all subsidiaries are constantly able to access a world-class support platform that will enhance their service value propositions. Marketing and Corporate Communication has successfully launched a brand refresh programme, by introducing a uniform logo and aligned brand architecture across the Group that retains the iconic elephant in a way that is more appealing to the diverse markets we serve.

STREAMLINING THE GROUP STRUCTURE FOR EFFECTIVE COMPLIANCE

While a leaner and more efficient group structure will benefit the Group's attempts to contain cost while deploying processes that deepen our revenue streams, an equally strong case can be made for the improved ease with which the Group is able to meet its diverse compliance requirements, while supported by more efficient structures.

The Group compliance reporting system has an escalating process that ensures necessary triggers are in place for reports to be prepared and checked, and ensures the reports are routed to the management and board of each business group within the FBN Holdings Group and returns rendered to the appropriate regulatory authorities. This way, we are able to forestall a situation where regulatory concerns are not attended to because they straddle different aspects of our operations.

STRENGTHENING SUBSIDIARY BOARDS' INDEPENDENCE

In the same vein, the Group governance structure has been designed in such a way that each subsidiary board is responsible for day-to-day management of the business, while key decisions on the operation of these businesses are agreed by the FBN Holdings Board. Thus, we are able to take advantage of the principle of 'subsidiarity' and its requirement that business decisions be taken by the smallest, lowest, or least centralised authority capable of addressing matters effectively.

FBN Holdings' Board is, however, responsible within the context of setting guidelines for the subsidiary boards on strategy and general risk tolerance levels, among others. These guidelines preserve the Board's exclusive right to oversee matters pertaining to the allocation and raising of capital.

MEETING BOARD GOALS FROM 2013

As set out in my 2012 statement, the Board of FBN Holdings was committed to pursuing a clear set of goals over the 12 months to December 2013:

INDUSTRY LEADERSHIP

Specifically, in line with our commitment to lead in each business we choose to participate in, we remained the dominant player – in terms of size and top line – in the commercial banking industry.

Progress was made during the year along the entire spectrum of our Investment Banking and Asset Management business, where we retained industry leadership in Corporate and Public Trust, and in the Project and Structured Finance businesses. We improved our position on the stockbroking league tables from 10th position to fifth in the review period. Similarly, we improved our standing in the life assurance market from 15th to sixth, while we remained third in the insurance brokerage space.

GROWING OUR CONTINENTAL FOOTPRINT

As regards our Commercial Banking business, we moved closer to our goal of transforming FBN Holdings into a global brand with the acquisition of the West African banking assets of ICB Financial Group Holdings A.G. (ICBFGH), comprising operations in Ghana, the Gambia, Guinea, and Sierra Leone. This acquisition builds on our existing presence in the Democratic Republic of Congo.

Our expanded African footprints position us to leverage profitable growth opportunities in one of the world's fastest-growing regions. The huge unrealised needs in the region and a succession of reforming governments in key countries mean that the opportunities for growth are strengthened. On the other hand, we are now better able to support our customers' cross-border businesses.

STRENGTHENING OUR GENERATIONAL APPEAL

Over the course of the year, we put in place programmes boosting the Group's brand proposition to the next generation of Nigerians. Inspired by the increasingly early introduction of our youth to entrepreneurial activity, we successfully launched a customer engagement model for this segment of our market. The initial feedback from the engagement model suggests the ranges of products with which we hope to define our engagement within this market segment are becoming more acceptable. To enrich the model further in ensuring its full implementation and achieving the desired outcome, we plan to continue organising series of industry-specific fora and training for SMEs nationwide. Furthermore, we will explore e-commerce portals and e-channel platforms where SMEs and individual entrepreneurs can advertise and sell their goods and services.

DELIGHTING OUR CUSTOMERS

Our service rankings demonstrated consistent improvements across the board. Not surprisingly, we had implemented a series of service quality improvement measures in the same period, in light of which we expect to see further improvements in this matrix going forward.

POSITIONING FIRSTBANK AS A HUB FOR THE BEST TALENT IN THE INDUSTRY

In 2013, for the third year running, the Group won the award for the 'Best Company to Work for in Nigeria'. Certainly, we are being rewarded for the employee engagement initiatives put in place over the years.

We will continue to invest in our most important and most mobile resource through new learning capacities and job enrichment measures. This will keep us ahead of the curve for human capital management practices in the country.

We will continue to invest in our most important and most mobile resource through new learning capacities and job enrichment measures

DELIVERING HIGH STANDARDS OF INTEGRITY AND ETHICAL CONDUCT

The strong ethics that have supported FirstBank through 120 years are the pillars of FBN Holdings' foundation. Aware of this legacy, the Board ensured that throughout last year, our corporate governance practice stayed ahead of the most exacting statutory requirements with the values upheld while advancing our business practices. These practices not only keep us ahead of the competition, they also ensure the sustainability of our businesses.

We remain committed to pushing the governance envelope across our diverse operations in a way that enables us to set the pace for each market in which we operate. In a bid to achieve accountability to shareholders, we established a Statutory Audit Committee (SAC) in accordance with the Company and Allied Matters Act (CAMA). In addition to being an organisation in the forefront of governance, we were one of the first companies to participate in the pilot stage of the Corporate Governance Rating System (CGRS) promoted by the Nigerian Stock Exchange, which is intended to strengthen good corporate governance practices in the financial industry by publishing a company's level of compliance with governance practices.

BENEFITS OF ADOPTING THE HOLDING COMPANY STRUCTURE

When we adopted the holding company structure, our main aim was to deliver the full spectrum of financial services that are tailor-made to our diverse clientele across the Group. The principal activity of the Company is raising and allocation of capital and resources while developing and coordinating implementation of Group strategies and coordinating group-wide financial reporting to shareholders, managing shareholders, investor and external relations to the Group.

In performing these roles, we were able to achieve full compliance with the CBN guidelines, stay in tune with the Group's vision, align the businesses across the Group, operate a corporate office and protect shareholder value. Our experience with the new structure so far has helped hone our business focus, deepen specialisation and skill sets across the Group, and increase our profit prospects.

We made significant progress integrating our business planning process and harmonising our investment decisions in a way that allowed the entire Group to take full advantage of opportunities in non-banking spaces. As we continue to diversify our profit base through this process, we will remain focused on containing costs and ramping up operational efficiency through targeted centralisation of all functions that lend themselves group-wide.

The end of the first operating year coincided with the conclusion of the last planning cycle for the periods 2011 to 2013. Accordingly, the holding company, working with an internationally reputable firm, articulated a strategic plan programme for the entire Group to cover our next planning cycle starting from 2014 to 2016. The high-level aspirations defined at the Group level, together with specific action plans, are building blocks that will not only sustain our momentum, but raise our leadership position in the evolving marketplace.

Changes to the Group Board and governance required to further fine tune the holding company structure are covered in the section on group governance.

Thank you.

Dr. Oba Otudeko, CFR
Group Chairman

FINANCIAL HIGHLIGHTS

	12 months to Dec 2013 ₦ million	12 months to Dec 2012 ₦ million
Major balance sheet items		
Total assets	**3,871,001**	3,228,384
Gross loans and advances	**1,814,177**	1,580,701
Deposit liabilities	**2,929,081**	2,395,148
Share capital	**16,316**	16,316
Shareholders' funds	**471,777**	441,315
Major profit and loss account items		
Gross earnings	**395,942**	370,167
Impairment charge for credit losses	**20,309**	12,549
Profit before taxation	**91,337**	93,921
Taxation	**20,706**	17,120
Profit after taxation	**70,631**	76,801
Dividend		
Declared	**–***	32,632
Information per 50 kobo ordinary share		
Earnings (basic)	**₦**	**₦**
Basic	**2.16**	2.37
Adjusted	**2.16**	2.37
Net assets	**14.53**	13.59
Total assets	**119.21**	99.42
Stock exchange quotation	**16.30**	15.72
Ratios	**%**	**%**
Cost to income	**62.5**	64.6
Return on average assets	**2.0**	2.5
Return on average equity	**15.5**	19.0
Capital adequacy†	**17.7**	19.1
Number of branches/agencies and subsidiaries	**867**	790
Number of shares in issue (million)	**32,632**	32,632

* The directors recommend the approval of a final dividend of ₦1.10 per share, amounting to the sum of ₦35.9 billion.

† Capital adequacy relates to the Banking Group.

CHIEF EXECUTIVE OFFICER'S REVIEW

"The contribution of other subsidiaries to the Group financial performance continues to rise and has helped to cushion the impact of the headwinds to the Commercial Banking Business..."

Our distinguished shareholders, ladies and gentlemen, it gives me great pleasure to welcome you to the second 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 2013.

INTRODUCTION

The 2013 financial year was a very challenging one for the commercial banking sub-sector of the Nigerian economy, as a result of a number of regulatory pronouncements by the Central Bank of Nigeria (CBN). These policies have had a significant negative impact on the performance of banks generally, including our flagship, First Bank of Nigeria Limited. In spite of these regulatory headwinds facing the Commercial Banking Business of the Group, we continue to remain true to our aspirations to be the leading financial services group in Sub-Saharan Africa (SSA). The contribution of other subsidiaries to the Group financial performance continues to rise and has helped to cushion the impact of the headwinds to the Commercial Banking Business, thereby justifying our decision to restructure through the holding company, which led to the birth of FBN Holdings in 2012.

As we look ahead to the future, we will continue to enhance the contribution of the other subsidiaries to the Group through deepening market penetration in each of our business lines, investments in other growing sub-sectors of financial services and driving cross-selling and synergy realisation across the Group, whilst expanding our commercial banking footprints and consolidating our position as the leading commercial banking franchise in SSA.

INDUSTRY REVIEW

The Nigerian financial services sector recorded a mixed performance during the 2013 financial year. The Commercial Banking sub-sector experienced a difficult operating environment in the year under review, which negatively reflected in the financial performance of the banking sector. Whilst the operating environment has been difficult, particularly with a number of far-reaching regulatory changes such as the huge increase in Cash Reserve Ratio (CRR) on public sector funds from 12% to 50%, increased interest on savings accounts, removal of ATM fees and reduction of Commission on Turnover on banking transactions, FBN Holdings continues to defend its market share while growing its business and expanding its footprints across West Africa. The recent acquisitions in four West African countries will among other objectives diversify the banking portfolio and reduce country-specific risks.

By contrast, the investment banking sub-sector experienced improved growth during the year under review, bolstered by the ongoing reforms in the power sector and divestments of oil and gas assets by International Oil Companies (IOCs). On the capital market front, the Nigerian Stock Exchange (NSE) made an appreciable impact in 2013 compared to 2012 as all market indicators rose with definable gains. All-share index closed at 41,329.19 points recording a gain of 47.19%. Our Investment Banking franchise, FBN Capital consolidated its position in the market, particularly the Project and Structured Finance unit closing a healthy number of landmark deals in power, oil and gas and infrastructure. Our financial advisory team also advised a number of consortia bidding for the assets of the Niger Delta Power Holding Company in the ongoing privatisation of the power assets of the Federal Government of Nigeria.

Like the commercial banking terrain, the insurance sector also experienced major changes in the year, as the industry started to witness the positive impact of the 'no premium, no cover' policy of the Nigerian Insurance Commission in line with Section 50 of the Insurance Act, 2003. This policy, which was introduced in January 2013 has strengthened the liquidity position of the insurance industry, thereby enhancing the ability of underwriters to meet their financial obligations including claim settlements. 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 create a speedy in-road into the general insurance segment of the insurance sector.

Our Investment Banking franchise consolidated its position in the market closing a healthy number of landmark deals in power, oil and gas and infrastructure

During the year, FBN Holdings injected additional capital of ₦1 billion into the microfinance business, which brought the paid-up capital to ₦2 billion, in compliance with the revised regulatory minimum paid-up capital of ₦2 billion for microfinance banks with national licences. The increased financial capacity of our Microfinance Bank will enhance its ability to compete for the hugely untapped 'unbanked' informal sector of the Nigerian economy in line with the promoted financial inclusion project of the CBN.

PERFORMANCE REVIEW

The 2013 financial year marks the end of our three-year strategic planning cycle, which started in 2011. At FBN Holdings, we remain committed to our vision of becoming the dominant financial services group in Sub-Saharan Africa. While the Commercial Banking Group remains the flagship business of the Group, we are resolute in our aspiration to enhance the contributions of the non-banking subsidiaries to the Group through synergy extraction and investment in other areas within the financial services landscape where we see growth opportunities.

+19%

growth in Commercial Banking assets in 2013

In spite of the difficult regulatory environment under which the Commercial Banking Group operated in 2013, impacting fee-based income as a result of new regulatory policies, it was able to maintain its prior year's performance. Specifically, the Commercial Banking Group witnessed an 8.9% growth in gross earnings from ₦341.96 billion in 2012 to ₦372.56 billion in 2013, while profit before tax remained flat at ₦87.46 billion from ₦87.14 billion in 2012. During the period, the Commercial Banking assets grew by 19.8% from ₦3.13 trillion in 2012 to ₦3.75 trillion in 2013, while customers' deposits grew to ₦2.94 trillion in 2013 from ₦2.41 trillion, representing a growth of 22.4% year-on-year.

The tough operating environment notwithstanding, the consolidated results for the Group overall showed marginal growth across all the key indices buoyed by the improving performance of our non-banking subsidiaries. Net interest income grew by 1.5% from ₦226.61 billion in 2012 to ₦230.12 billion in 2013. However, profit before tax declined slightly by 2.8% from ₦93.9 billion in 2012 to ₦91.34 billion in 2013.

With the recent acquisition of ICB banks across four West African countries, the acquisition of Oasis Insurance and our ongoing effort to strengthen the Investment Banking and Asset Management business group through the acquisition of a merchant banking licence, we are convinced that the Group is in line to deliver on its promises to its various stakeholders, particularly, the shareholders of FBN Holdings.

OUTLOOK

The outlook for the financial services sector in SSA remains promising, driven largely by strong investment demand, despite the fear of portfolio flows out of most emerging and frontier markets, including SSA due to the impact of the tapering of the quantitative easing programme of the US Federal Reserve. Nigeria is expected to experience reduced impact of Federal Reserve tapering considering its relatively strong public and external finances compared to other regional economies. Nigeria's macroeconomic appeal will however be impacted by expected fiscal laxity in the run-up to the election year and uncertainty about monetary policy post the current CBN Governor's tenure, factors that could exert pressure on Naira exchange rate.

In spite of the strong regulatory headwinds impacting our Commercial Banking Business, the FirstBank Group continues to strengthen its dominance in the market by driving transaction volumes, regional expansion of its Commercial Banking franchise and diversification into other growing segments of the wider financial services sector. The Group recently announced the acquisition of ICB Banks in Ghana, The Gambia, Guinea and Sierra Leone. This acquisition provides the opportunity to extend our franchise and raise the Group's profile beyond our current borders, provides new growth options, expands our geographic earnings profile and reduces country-specific risks. As a result of this transaction, the Group will consolidate its position as a leading financial institution in SSA.

Our Investment Banking business continues to increase its contribution to the Group portfolio on the back of its growing transactions driven by the ongoing reforms in the Nigerian power sector and increased activities in the oil and gas sector, which have resulted in opportunities for project financing for power sector capital expenditure, core-investor refinancing and IOC divestments. All of these have reinforced that our decision to reorganise our businesses through the holding company structure is a good strategic decision.

The insurance industry continues to experience a positive outlook, driven by enhanced levels of insecurity in the country, as well as the development of new Telco-based products that are significantly impacting the penetration of insurance in Nigeria. The FirstBank Group has enhanced its insurance portfolio with the recently concluded acquisition of Oasis Insurance Plc. This acquisition allows our insurance flagship company, FBN Insurance (previously FBN Life), to play in the general segment of the insurance market, which represents about 85% of the total insurance market. This development is expected to significantly increase our Group's overall share of the insurance market. Similarly, efforts are ongoing to roll-out bancassurance products leveraging over 760 bank branches, QSPs and cash centres/agencies across Nigeria.

Our Microfinance business's recent upgrade to National Licensed Microfinance Bank will further enhance its competitiveness and allow the business to tap into opportunities created by the financial inclusion strategy of the CBN, which recommends, among others, an increase in the share of microfinance credit as a percentage of total credit extended to the private sector, increased participation of state and local government credit schemes, as well as improvements in the accessibility and participation of women in microfinance schemes.

Finally, we have begun to drive the process of greater group coordination, such that the holding company enhances cross-selling opportunities and synergy realisation across the members of the Group. Today, between Investment Banking and the Retail Banking SBU, there is a Memorandum of Understanding that defines how our Asset Management business will be pushed through the affluent segment of the retail banking business of FirstBank. Likewise, between FBN Insurance and the Retail Banking SBU, an agreement to push four Bancassurance products through FirstBank's retail platform has already been incorporated in FirstBank's scorecard.

4

Bancassurance products being pushed through the retail banking 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 the pre-eminence of our Commercial Banking franchise, while driving the level of contribution from each of the non-banking subsidiaries.

Thank you and God bless you.

Bello Maccido
Group Chief Executive Officer

RECOGNITION OF OUR PERFORMANCE

THE 2013 SECTORAL LEADERSHIP AWARD IN THE FINANCIAL SERVICES

PEARL AWARDS

FBN Holdings Plc emerged as the winner of the prestigious Sectoral Leadership Award (Financial Services – Other Financial Institutions) in the 2013 Pearl Awards, in recognition of its outstanding operational and stock market performance.

BEST BANK IN WEST AFRICA

THE *AFRICAN BANKER* MAGAZINE

FirstBank won the Best Bank in West Africa, awarded by the *African Banker* magazine in recognition of its industry leadership; strong financial performance and quality of service across the West African region.

THE BEST BANK BRAND IN NIGERIA

***THE BANKER* MAGAZINE**

FirstBank has been named 'The Best Bank Brand in Nigeria' three times in a row – 2011, 2012, and 2013 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

Euromoney Best Bank in Nigeria Award

BEST BANK IN NIGERIA

EUROMONEY AWARDS FOR EXCELLENCE

The Bank was awarded the Euromoney Best Bank in Nigeria Award in recognition of its leadership, innovation and momentum in the Nigerian Market.

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 nine consecutive years in recognition of the Bank's consistent leadership in innovative banking in Nigeria.

BEST FOREIGN EXCHANGE SERVICES IN AFRICA

EMEA FINANCE TREASURY SERVICES AWARDS

FirstBank clinched the Best Foreign Exchange Services in Africa Award in recognition of its market share, growth, innovation and corporate strategy in Foreign Exchange Services.

BEST BANK IN NIGERIA

EMEA FINANCE AFRICAN BANKING AWARDS

The Bank clinched the award for the fourth time in recognition of its consistent and outstanding performance in generating revenue and profit growth over the past several years.

BEST COMPANY IN INFRASTRUCTURE

SOCIAL ENTERPRISE RESPONSIBILITY AWARDS

The Bank won the SERA Awards in recognition of its efforts at complementing the Government in the development and advancement of education nationwide by providing the much-needed infrastructure in universities spread across Nigeria.

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 second 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.

THE BEST IN E-BANKING AWARD

NIGERIA TELECOM AWARDS

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

RECOGNITION OF OUR PERFORMANCE

TELECOM FINANCING BANK OF THE YEAR AWARD

NIGERIA TELECOM AWARDS

The Bank clinched the Telecom Financing Bank of the Year Award in recognition of its contributions to the development of the Telecoms industry in Nigeria.

MOST COMPLIANT ADVERTISER IN THE FINANCIAL INSTITUTION CATEGORY

APCON ADVERTISING BEST PRACTICE AWARDS

The Bank was awarded the Most Compliant Advertiser in the Financial Services Industry in recognition of its strict adherence to regulatory policies in the advertising industry.

MOST RELIABLE BANK OF THE YEAR

HALL OF GRACE AWARDS

FirstBank was awarded the Most Reliable Bank of the Year in recognition of its various contributions to the banking industry 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.

THE BEST COMPANY TO WORK FOR IN NIGERIA AND THE MOST INNOVATIVE HUMAN RESOURCE STRUCTURE IN NIGERIA

GREAT PLACE TO WORK AWARDS

The Bank won these awards in recognition of its outstanding and innovative Human Resource practices and policies that make FirstBank an outstanding institution to work with.

BEST BANK OF THE DECADE

LEAD AFRICA AWARDS

FirstBank was awarded the Bank of the Decade in recognition of its consistency and uncompromising standards in the delivery of cutting edge banking services that have impacted on enterprise development in Africa for over a decade.

MOST INNOVATIVE AFRICA INVESTOR SRI 50 COMPANY

AI INDEX SERIES AWARDS

The Bank won the award in recognition of its commitment to sustainable development and innovative achievements in the banking industry.

MOST DEDICATED AND SUPPORTIVE ORGANISATION FOR THE DEVELOPMENT OF INFORMATION MANAGEMENT IN AFRICA

RECORDS AND INFORMATION MANAGEMENT AWARD

The award was given to the Bank in recognition of its strides and achievements in the Information Security Sector.

BANK OF THE YEAR

ELITE BUSINESS AFRICA NETWORKS

FirstBank was awarded the Bank of the Year at the Elite Business Awards in recognition of its corporate character and increased shareholder returns in 2013.

MOST TRUSTED BRAND IN NIGERIA FOR 2013

BRANDHEALTH

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

RECOGNITION OF OUR PERFORMANCE

WINNER OF THE 2013 HR BEST PRACTICE AWARDS

CHARTERED INSTITUTE OF PERSONNEL MANAGEMENT

The CIPM Award was presented to the Bank as the Over All Best Winner in recognition of the Bank's exceptional Human Resource policies.

WINNER OF THE BANKING & INSURANCE CATEGORY IN THE 2013 HR BEST PRACTICE AWARDS

CHARTERED INSTITUTE OF PERSONNEL MANAGEMENT

The CIPM Award was presented to the Bank for Best Practice in the Banking & Insurance Sector in recognition of the Bank's exceptional Human Resource policies and innovations in the banking industry.

THE BEST PRIMARY MORTGAGE INSTITUTION (PMI) IN NIGERIA IN 2013

LUXURY LIVING AFRICA

FBN Mortgages Limited was awarded The Best Primary Mortgage Institution in Nigeria in recognition of its astonishing impact in the Nigerian Real Estate industry.

BEST LOCAL TRADE FINANCE BANK IN WEST AFRICA 2013

GLOBAL TRADE REVIEW

FBN Bank (UK) Limited has been awarded the Best Local Trade Finance Bank in West Africa for five consecutive years (2009-2013). This award was given in recognition of the Bank's trade finance activities in West Africa, which include its growing Structured Trade Commodity Finance presence.

AFRICAN EXPORT-IMPORT BANK FINANCIAL INSTITUTIONS' AWARD (GOLD CATEGORY) 2013

AFRICAN EXPORT-IMPORT BANK

This award was given to FBN Bank (UK) Limited in recognition of its exceptional contributions to meeting the mandate and corporate goals of the The African Export-Import Bank.

BEST INVESTMENT BANK 2013

***GLOBAL FINANCE* MAGAZINE**

In 2013, FBN Capital was named Best Investment Bank in Nigeria for the second consecutive year by *Global Finance* magazine. The Group was recognised for participating/leading several debt capital market and project financings – a major achievement amongst others recorded in the same year.

BEST INVESTMENT BANK 2013

WORLD FINANCE BANKING AWARDS

FBN Capital Limited is recognised as part of one of the most reputable financial groups in Africa, and has become a key player in the local market. The Investment Bank's leadership position has evolved as the investment landscape in Nigeria progresses and customers' needs become more sophisticated.

BEST LOCAL INVESTMENT BANK

EMEAFINANCE AFRICAN BANKING AWARDS

FBN Capital is recognised as the Best Local Investment Bank in Nigeria. The award is in recognition of the Group's commitment to giving clients the most innovative ideas, while demonstrating unrivalled market expertise and reliable business values.

THE RISING STAR AWARD

SANLAM EMERGING MARKETS

FBN Life Assurance Limited was named winner of the Rising Star award after emerging top amongst the Sanlam Group investments across 11 other countries, including India and East Africa. This is groundbreaking history as it takes majority of insurance companies five years to break even and record profit.

OUR APPROACH

Our approach is central to building a stronger bank and to the sustainability of the Group in the long-term. Key to our aspiration is to ensure a well-diversified financial services group with a strong balance sheet and ability to effectively manage risk.

"From a sectoral perspective, we expect funding gaps across the power sector, oil and gas, financial services, real estate and infrastructure financing needs to drive transactions."

How is our marketplace evolving?

p27

“Our business model shows ‘how’ our strategic initiatives ‘are’ implemented to generate revenue and sustain a profitable business operation.”

How do we generate long-term value?

p29

What makes our business sustainable?

p32

HOW IS OUR MARKETPLACE EVOLVING?

OPERATING ENVIRONMENT

The global economy showed strong signs of a recovery over the 12 months to end-December 2013. The International Monetary Fund (IMF) estimates at 2.9% from 3.2% in 2012. As was the case at the height of the Great Recession, the pace of recovery towards the end of 2013 was uneven.

Signs of a recovery were strongest in the United States of America, where rising job numbers (unemployment closed 2013 at 6.7%) and a recovering properties sector fed into better output figures (gross domestic product (GDP) is expected to have risen by 1.6%). This persuaded the Federal Reserve Bank to announce the planned commencement of the rollback of its quantitative easing programme by the first quarter in 2014.

The euro zone's problems appeared to have bottomed out, with the spreads on government debt for countries at the periphery continuing to narrow. Still, overall GDP growth in the area remained tepid (-0.4%) all through 2013. With output estimated to have grown by 1.4%, the United Kingdom was the star economy in Europe last year.

Emerging markets were last year's main economic laggards. As the prospect of rising bond yields in the developed markets (in response to better economic data in those economies) threatened a reversal of capital flows, concerns were voiced over the depth of additional reforms needed to drive sustainable growth in developing markets.

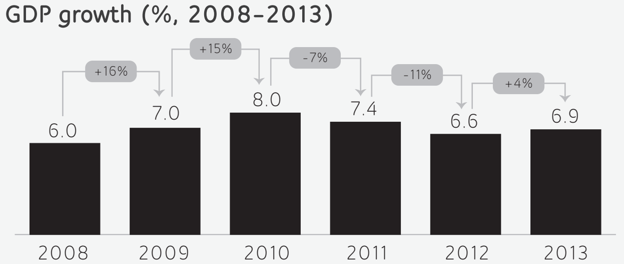
Efforts by the authorities in China to drive domestic demand were thwarted by rising worries over domestic liquidity. Efforts by the Peoples' Bank of China to manage this liquidity further threatened general output performance. GDP growth still closed 2013 at a healthy 7%.

Domestic issues were a bigger concern in South Africa. Growing unemployment, a stronger rand and a fall in investment in new capacity all helped to drive down the competitiveness of the economy. The Congolese economy remained one of the fastest growing on the continent last year, with output estimated to have grown by 8.2% (from 7.2% in 2012).

Overall, output grew last year at 6.87%, up from 6.58% in 2012. Agriculture was the main growth driver, supported by telecommunications and the wholesale and retail trade sectors. Despite global conditions for crude oil sales remaining flat, the oil and gas sector's contribution to GDP dropped throughout last year. Less accommodative monetary conditions kept inflation within the single digit range last year and the exchange rate of the naira within the Central Bank of Nigeria's (CBN) pre-defined band.

As a result, the consumer price index closed December 2013 at 8.0% from 12.0% in 2012; while the naira exchange rate (at the official market) closed December 2013 at ₦157.26/USD1, having opened the year at ₦157.33/USD1 (including 1% commission).

GDP growth (%, 2008-2013)



TRADING CONDITIONS WITHIN OUR INDUSTRY

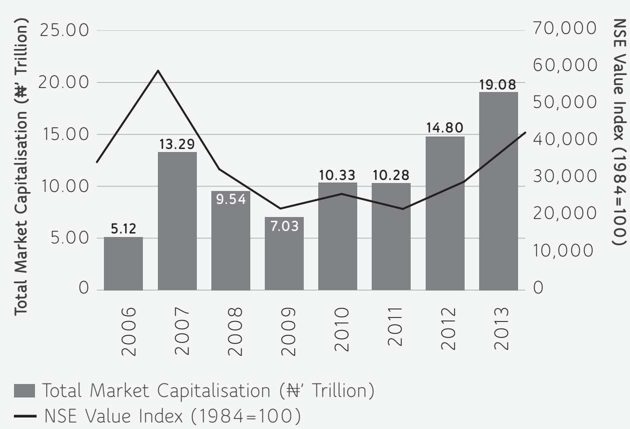
Our representative offices and UK operations were respectively affected by the vicissitudes of the recent global economic recovery. While conditions improved in Europe, there were worries for China, especially as the regulatory authorities there appeared less disposed to the build-up of bubbles in the financial services sector.

Despite the political difficulties in the region, our UAE office did not have to contend with volatilities in its industry. On the back of continuing trade links between Nigeria and the host economy, our South African representative office continued to do well even though there were worries over the strong headwinds confronting the larger economy there.

In spite of general liquidity worries, the Nigerian bond and capital markets turned in positive results in 2013, which fed through to our investment and capital market business. The All-Share Index was up 47.19% in the year to December 2013 and the market capitalisation stood at ₦13 trillion.

Despite recent reforms, the insurance industry in Nigeria remained soft. Cultural issues and enforcement lapses have continued to hold back the take-off of an industry with huge unrealised business potentials. The industry remained broker-dominated, as the latter segment accounted for 70% of all premiums last year.

NSE Market Capitalisation and All-Share Index, (2006-2013)



HOW IS OUR MARKETPLACE EVOLVING?

1. REGULATORY TRENDS

The most far-reaching change to our regulatory universe occurred in the UK, when, effective from 1 April 2013, the Financial Service Authority (FSA) created three new regulatory bodies. This new regulatory architecture aims to more precisely focus on financial sector supervision and protect consumers in the world's leading financial centre. On the whole, the UK's regulatory environment last year was a challenging one. Regulations designed in the aftermath of the 2012 London Interbank Offered Rate (LIBOR) continue to impose compliance costs on our operations.

The monetary authority in the Democratic Republic of the Congo (DRC) significantly cut the policy rate, reduced the reserve requirement and moved toward de-dollarisation of the economy in response to concerns over volatile prices and a need to grow domestic savings and consumption. While we expect our operation in the DRC to profit from these initiatives, it is not yet clear on the likely knock-on effects of the plans by the Congolese central bank to introduce discrimination coefficient for deposits in the Congolese Franc (CDF) relative to those in foreign currencies.

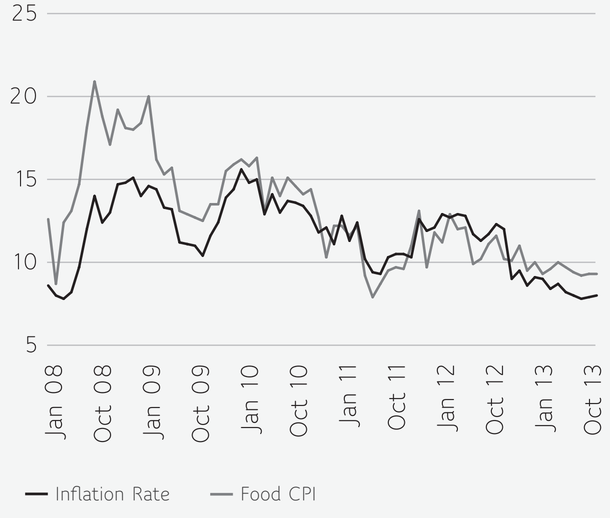
In Nigeria, the Pension Commission continued to push through reforms that will enhance participation in the pension scheme, broaden investment outlay for players and ensure stricter compliance with the pension act.

Concerned with elevated levels of liquidity in the economy, the CBN tightened monetary conditions in the review period. Although, the monetary policy rate (MPR) remained unchanged during the year, at 12%, and with inflation in single digit territory all year round, it was sufficiently high to help constrain growth in money supply. Consequently, broad money fell by 4.82% to ₦14.74 trillion at year-end.

The policy environment was further tightened when the CBN raised the cash reserve requirement for public sector deposits from 50% to 75% in the January 2014. While this had a negative effect on FirstBank's cost of funds, additional measures by the regulatory authorities, including a reduction in commission on turnover and removal of ATM-related charges, combined to compress the Bank's net interest margin.

In response to these pressure points, the Bank focused on growing its share of domestic financial transactions by managing key clients' value chains.

Inflation rate vs. food CPI (%, Jan 2008 – Dec. 2013)



2. OUTLOOK FOR THE GROUP

On the current economic and industry regulations trajectory, we expect continued growth in our Nigerian and UK banking operations. Noticeable growth in contributions at the margins will come from our African presence over the next 12 months. However, while the UK operations will benefit from the recovery in the host economy, increasing accumulation of liquidity in the Nigerian banking system poses considerable regulatory downside risks to our Nigerian operations.

Insurance sector growth (Nigeria) is expected to come in at about 16% up to 2015, buoyed by new regulations that will both deepen and improve industry transparency. Boosted by strong macroeconomic fundamentals, the outlook for the Congolese banking industry is positive. Industry assets are projected to grow by 20% annually over the next three years. Low banking penetration and the growing appetite for alternative channels in the DRC will remain strong growth opportunities.

In investment banking and asset management business, the 2014 outlook is heavily influenced by the expected impact of the 2015 elections (reform slowdown, much higher fiscal spending) and the tapering of quantitative easing in the US. Some outflow is expected as foreign institutional investors re-price the cost of risk. Analysts expect some macro volatility based on expectations of mild currency devaluation, slow growth in external reserves, weak growth in the stock market and fixed income segments. Notwithstanding, inflation is expected to remain in the single digit region and GDP is expected to grow by 6.8%.

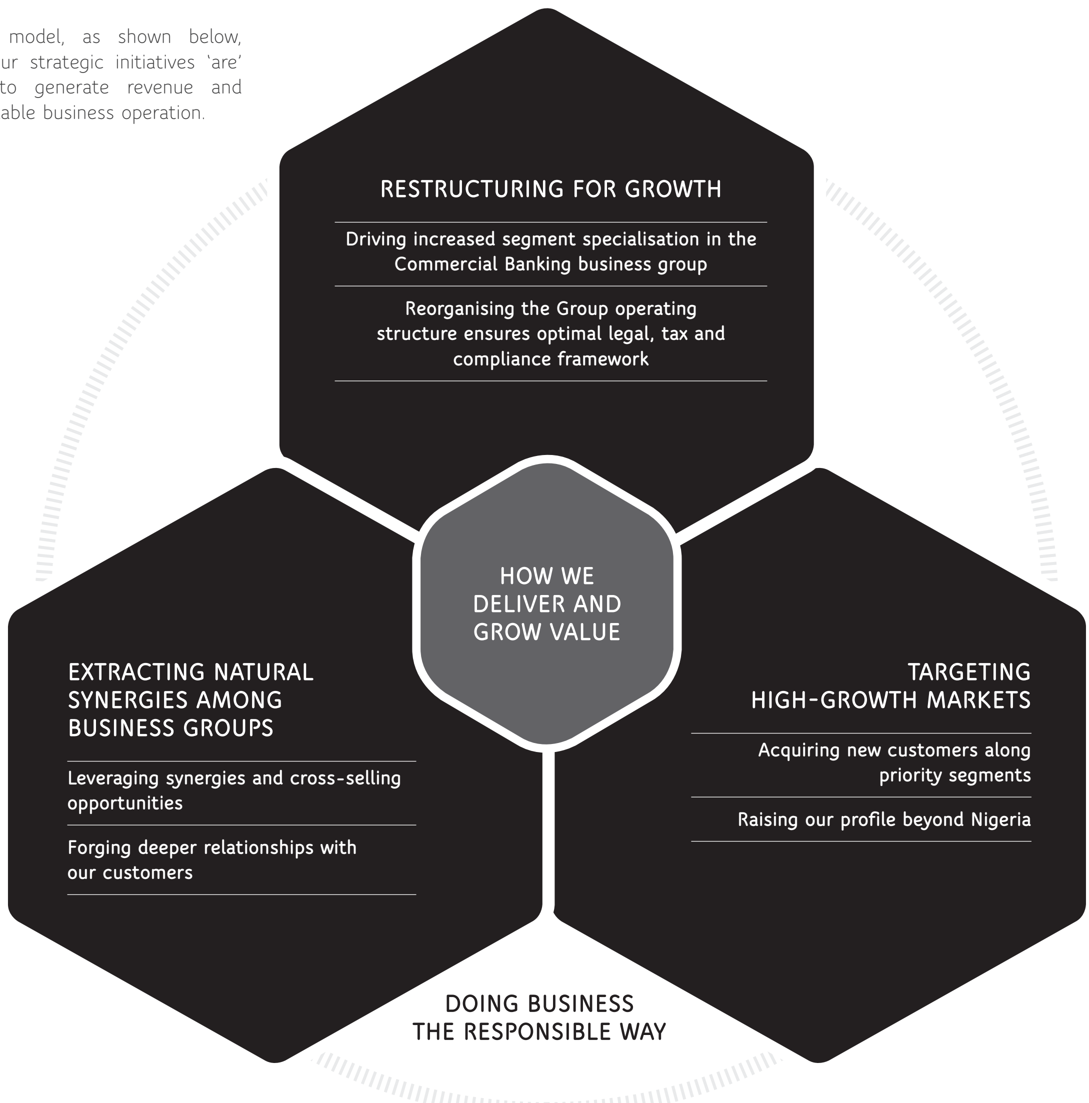
From a sectoral perspective, we expect funding gaps across the power sector (Power Holding Company of Nigeria (PHCN) and National Integrated Power Project (NIPP) asset privatisation and reforms), oil and gas (divestment by International Oil Companies (IOCs); investment post Petroleum Industry Bill (PIB)), financial services, real estate (the roll-out of the Mortgage Refinance Company, recapitalisation of mortgage banks) and infrastructure financing needs (roads, bridges, airports, real estate) to drive transactions.

HOW DO WE GENERATE LONG-TERM VALUE?

FBN Holdings aspires to become the dominant financial services group across Sub-Saharan Africa (SSA, excluding South Africa). The Group begins from a position of strength, having established itself over a 119-year history as the largest bank in Nigeria and already as the largest private sector banking group in SSA.

OUR BUSINESS MODEL

Our business model, as shown below, shows 'how' our strategic initiatives 'are' implemented to generate revenue and sustain a profitable business operation.



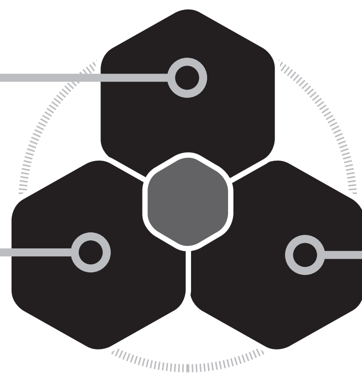
HOW DO WE GENERATE LONG-TERM VALUE?

RESTRUCTURING FOR GROWTH

We have clustered similar businesses to 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.

Consequently, we developed a framework that allows for better coordination among business groups by functioning as an investment holding company with portfolio oversight over business groups.



EXTRACTING NATURAL SYNERGIES AMONG BUSINESS GROUPS

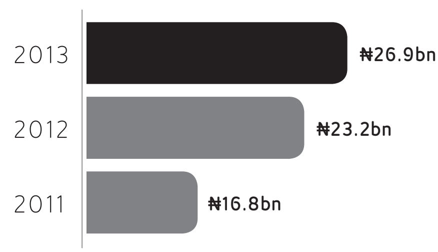
Strong natural synergies and cross-selling opportunities exist between banking and other financial services sectors, and we have intensified efforts to leverage our unique offering to forge deeper relationships with our customers.

TARGETING HIGH-GROWTH MARKETS AND SEGMENTS

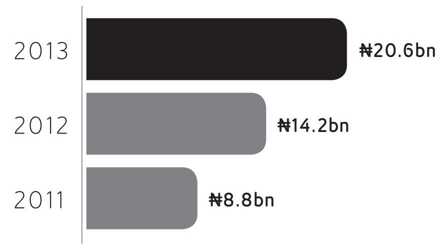
We are seeing tangible benefits of a modified (Bank) operating model, with the development of segment and functional specialists. We will be focused on the customer – acquiring new customers along priority segments (i.e. Emerging Corporates and Retail).

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.

NON-NIGERIA REVENUE



NON-BANKING REVENUE*



INSURANCE

- Life assurance underwriting
- General insurance underwriting
- Insurance brokerage

COMMERCIAL BANKING

- Institutional banking
- Corporate banking
- Retail banking
- Public sector banking

INVESTMENT BANKING AND ASSET MANAGEMENT

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

OTHER FINANCIAL SERVICES

- Microfinance

* Summation of net operating income of non-bank subsidiaries

HOW DO WE GENERATE LONG-TERM VALUE?

The Group intention remains to consolidate its position in banking in Nigeria while pursuing profitable growth in the non-bank financial services space and in commercial banking internationally. Nigeria accounts for nearly a quarter of GDP in SSA and a third of banking assets, and as the Nigerian market leader with a healthy balance sheet, FBN Holdings is optimally poised to lead the creation of a strong, regional diversified financial services group.

Africa's economic growth over the last decade, currently places it among the world's most rapidly growing economic regions and its consumer-facing industries (including financial services) are leading the pack. Growth has been driven by deliberate government reform to improve macroeconomic conditions and create more favourable business climates enabling broad growth across industries and regions. This has consequently resulted in greater demand for financial services from key customer segments. The growing urban population and rising levels of wealth both have positive implications for the consumer finance business, which we believe is significantly under-penetrated. Huge opportunities also exist to support public and private sector clients in financing the large infrastructure deficit.

Our business strategy has been designed to appropriately capture these opportunities by leveraging on our strong commercial banking platform to build other non-bank financial services businesses. The scale of the Banking Group provides a significant advantage in serving the banking needs of all customer segments both on the asset and liability side. Corporate customers with more specialised banking needs will be served from our IBAM group and the Insurance business group will aim to build scale in a market with very low product penetration. The HoldCo structure allows for better coordination among business groups by functioning as an investment holding company with portfolio oversight over business groups. We will profitably grow our business in a systematic manner across target segments (such as retail and middle corporates) and geographies.

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, 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.

WHAT MAKES OUR BUSINESS MODEL SUSTAINABLE?

OVERVIEW

Our aspiration is to deliver growth by building a leading SSA 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 to constantly improve 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 through the constitution of a governing board and committees at the 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 enhanced 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 FBN Holdings' 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, with 760 branches, QSPs and cash centres/ agencies, and serves 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 group. The diversification and strong natural synergies, in turn, reduce risk and improve the quality of our earnings.

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 and explored in detail on the subsequent pages.

STRONG LEADERSHIP

The Board of FBN Holdings 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 management oversight so that appropriate controls, systems and practices are entrenched to safeguard the assets of FBN Holdings in a sustainable manner.

The Board comprises seven members: six non-executive directors (NEDs) and a Chief Executive Officer (CEO). To ensure appropriate oversight function, the CEO sits on the Board of each of the direct subsidiaries (business groups) of FBN Holdings.

For further information, see Governance on page 46.

CAREFUL 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 an 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 revenue 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 Risk management approach summary on page 37.

RELATIONSHIPS AND RESPONSIBILITY

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

We believe that building strong relationships with our customers, shareholders, employees and communities to 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 support the preservation of the environment and help empower the communities in which we operate.

We are also committed to conducting business 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.

Complaint 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, 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, short messaging service (SMS), through the relationship managers or by walking into any branch to speak to a customer service officer; these are channels through which customers can contact us. We also took a step further in ensuring customers are aware of all our complaints channels by displaying them in all our branches. This includes escalation channels for complaints that are not adequately resolved. To further protect customers, the Bank renders customer complaints to the Central Bank of Nigeria (CBN) on a daily basis and is expected to resolve outstanding issues within defined timelines.

We put structures in place to ensure that we have a holistic view of all complaints received. This resulted in an increase in the number of complaints received as over 39,000 were reported in 2013 compared to 18,080 recorded in the previous year, as shown in the report below.

Furthermore, a complaints dashboard was developed in the last quarter of the year that 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.

All these have helped identify recurring complaints, seasonal complaints and the sources of these complaints, resulting in quick resolution while outstanding issues receive the required attention.

At FBN Bank (UK) Ltd to ensure customers' complaints are well handled towards exceptional customer service, every customer on the bank's book has a Relationship Manager who is the main point of contact for the customer and ensures each account is functioning in accordance with the customer's expectation. 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.

In the pension custodian business however, complaints are lodged and logged with the relationship management team. In a bid to achieve effective and efficient TAT, which crescendos to a high level of customer experience, unresolved complaints received are escalated to the head of investor relations, through to the Chief Executive Officer as required.

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.

Customer complaints received in 2013

S/N	Description	Number		Amount claimed (₦)	
		2013	2012	2013	2012
1	Pending complaints brought forward	**386**	34	**1,316,965,049.90**	552,753,255.82
2	Received complaints	**39,785**	18,080	**15,933,790,532.48**	7,271,128,417.93
3	Resolved complaints	**39,115**	17,694	**2,145,283,016.39**	139,125,475.74
4	Unresolved complaints escalated to CBN for intervention	**0**	1	**0.00**	1,600,000,000.00
5	Unresolved complaints pending with the Bank carried forward	**670**	386	**5,295,753,038.34**	1,316,965,049.90

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Dr. Oba Otudeko, CFR
Group Chairman

Bello Maccido
Group Chief Executive Officer

Abdullahi Mahmoud
Non-Executive Director

Bisi Onasanya
Non-Executive Director

Lt. General Garba Duba, rtd
Non-Executive Director

Oye Hassan-Odukale, MFR
Non-Executive Director

Chidi Anya
Independent Director

Tijjani Borodo
Company Secretary

FBN HOLDINGS MANAGEMENT

Bello Maccido
Group Chief Executive Officer

Tijjani Borodo
Company Secretary

Oyewale Ariyibi
Head, Finance

Oluyemisi Lanre-Phillips
Head, Investor Relations

Olu Adegbola
Head, Risk Management

OUR SUBSIDIARIES

COMMERCIAL BANKING:

Bisi Onasanya
GMD/CEO, First Bank of Nigeria Limited

Peter Hinson
Managing Director, FBN Bank (UK) Limited

Cheikh Tidiane
Managing Director, Bank Internationale de Crédit, Congo

Kunle Jinadu
Managing Director, First Pension Custodian Limited

Adenrele Oni
Managing Director, FBN Mortgages Limited

Subu Giwa-Amu
Managing Director, International Commercial Bank Ghana.

Viswanathan Sundaram
Managing Director, International Commercial Bank Sierra Leone

Ananta Padmanabhan
Managing Director, International Commercial Bank Guinea

Ravinder Singh Parhar
Managing Director, International Commercial Bank Gambia

INVESTMENT BANKING AND ASSET MANAGEMENT:

Kayode Akinkugbe
Managing Director, FBN Capital Limited

Adekunle Awojobi
Managing Director, First Trustees Nigeria Limited

Michael Oyebola
Managing Director, FBN Capital Asset Management Limited

Abiola Adekoya
Managing Director, FBN Securities Limited

Nkiru Adekoya
Managing Director, First Funds Limited

OUR SUBSIDIARIES CONTINUED

INSURANCE:

Valentine Ojumah
Managing Director,
FBN Insurance Limited

Fidelis Ojeah
Managing Director,
FBN Insurance Brokers Limited

OTHER FINANCIAL SERVICES:

Pauline Nsa
Managing Director,
FBN Microfinance Bank Limited

STATUTORY AUDIT COMMITTEE MEMBERS

Waheed Adegbite
Chairman

Abubakar Yahyah

Job Onwuahara

Lt. General Garba Duba, rtd

Oye Hassan-Odukale, MFR

Chidi Anya

RISK MANAGEMENT APPROACH SUMMARY

OVERVIEW

Effective risk management remains fundamental to the business activities of the Group. At FBN Holdings, we engender a culture where risk management is everyone's business, from board and executive level committees down to risk owners and respective risk units.

The Group addresses the challenge of risks comprehensively through an enterprise risk management framework (ERM) that clearly monitors, evaluates and manages the principal risks it assumes in conducting its activities. These risks include credit, market and operational risks, as well as legal, compliance, reputational and information security risks that are each discussed in the key risk summary below.

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

The Board risk control functions are supported by various management committees (Management Credit Committee (MCC), Asset and Liabilities Management Committee (ALCO) and Business Risk & Compliance Committee (BRCC)), which 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 BARAC.

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 2013

The Group recorded a 15% growth in its loan portfolio for the 2013 financial year, reflecting an expansion of lending especially to moderate risk assets. Asset quality ratio for the period was 3.0% and within the acceptable threshold of the Group.

During the year, the ERM framework was reviewed in keeping with the commitment of the Board of Directors to establish and drive international best practices in risk management. In conducting the review, due consideration was given to changes in both the local and international regulatory environments, revised Basel Accord, Sarbanes-Oxley Act, Risk-Based Supervision issued by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) and the CBN guidelines on Nigeria Sustainable Banking Principles. The framework is considered to be adequate for the management of risks being carried in the business.

The Group maintained a strong liquidity position (in spite of a distortion in the systemic liquidity) 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.

One of the key focus areas for the group in 2013 was the implementation of the Payment Card Industry Data Security Standard (PCI DSS), a gold standard in the Payment Card industry supported by all the popular card brands. The Group, through its implementation of the reputed international standards, is well-equipped and positioned to tackle emerging vulnerabilities in its business practices and organisational culture, which are guided by global best practices.

Also, in further demonstration of its leadership position in the Nigerian banking industry, FirstBank Nigeria achieved another milestone by being the first bank in Nigeria to achieve the highest certification for Business Continuity Management known as 'ISO 22301 (Societal Security: Business Continuity Management System)' from the British Standard Institute (BSI).

LOOKING AHEAD

The following shall be the risk management priorities across the Group in 2014:

- standardising methodology and process across the Group, thus ensuring a common risk language across the Group;
- maintaining a business-like approach to all regulatory compliance;
- further embedding the use of technology in the risk management process;
- providing financial intermediation to key viable sectors of the economy to bridge infrastructure gaps;
- promoting sound portfolio management practices by ensuring a well-diversified portfolio;
- promoting good information security practices and governance in the financial industry.

RISK FACTORS OVERVIEW

CREDIT RISK

Type of risk

CREDIT

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.

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 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 in which foreign exchange risk can take include:

- Credit Risk
- Interest Rate Risk
- Country Risk
- Settlement Risk (time zone)

Potential impacts on business

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

Mitigating measures

- Daily monitoring of foreign exchange (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 Market Risk Policy Committee (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 the expectations.

Potential impacts on business

Could lead to diminution in the value of investments.

Mitigating measures

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

OPERATIONAL RISK

Type of risk

PEOPLE RISK

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

Potential impacts on business

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

Mitigating measures

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

Impact on business ranges 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 introduction 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

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

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

Mitigating measures

- Hedging against external events with adequate insurance cover
- A robust business continuity management system that has passed the BS 25999 certification to improve the Group's resilience
- Regular monitoring and review of all outsourcing arrangements in the Group
- Strict adherence to the Group's outsourcing policy
- Enforcement of SLA and sanctions for breach of contracts
- Real-time reporting of high-risk incidents or exposure
- A Physical Security and Personal and Business Protection Policy to mitigate internal and external threats.

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

RESPONSIBILITY

Strategic Business Units and support functions, e.g., branches, operations group, e-business and Human Capital 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 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 documented handling procedures.
- Group-wide security risk assessment carried out by an independent security assessment company, to determine the security risk posture of the Group and recommend appropriate safeguards to its information assets
- Developing a Group-wide awareness programme and making information security the responsibility of all staff
- Aligning the Group's processes to international standards and best practices such as the ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS).

RESPONSIBILITY

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

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

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
- Conduct of due diligence on assets subject matter of the security arrangements
- Water-tight and legally defensible documentation to protect the Group's security interest
- Use of result-oriented solicitors for end-to-end perfection exercises
- Effective and proactive monitoring of credits.

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/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.

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

With good corporate practices demonstrating our commitment and dedication, we raised the bar and set the tone for other companies in our industry.

p48 Attendance at Board meetings

p49 Committee reports

p53 Directors' report

BOARD OF DIRECTORS

The Group's Board (the Board) is a considered blend of experience and knowledge and is composed of seven directors, made up of six non-executive directors and one executive director who is the Chief Executive Officer (CEO). This is in line with international best practice, which stipulates the number of non-executive directors should be more than that of executive directors. With 86% of the Board's composition independent of the Company's management, the FBN Holdings' Board is positioned to be independent, devoid of management's influence and uphold its proper supervisory role over FBN Holdings' management.

THE BOARD IS MADE UP OF THE FOLLOWING:

Dr. Oba Otudeko, CFR
Group Chairman

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 Chairman of FBN Bank (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 Honour of Commander of the Order of the Federal Republic (CFR) awarded in 2011. He is a Chartered Banker, Chartered Accountant and Chartered Corporate Secretary. He was Chancellor of the Olabisi Onabanjo University, Ogun State and currently serves as a member of the Office of Distinguished Friends of London Business School (UK). Dr. Otudeko is the founder of Oba Otudeko Foundation (OOF), a not-for-profit organisation. He is happily married with children.

Bello Maccido
Group Chief Executive Officer

Bello Maccido was until this appointment, the Executive Director, Retail Banking, North at First Bank of Nigeria Plc. As Chief Executive, he brings over 24 years financial services experience covering Retail, Corporate and Investment Banking at various institutions such as 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 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, 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 Limited. He was previously Executive Director, Banking Operations & Services and the 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 post-qualification experience and Associate Member of the Nigerian Institute of Taxation. He sits on the Board of several companies and has served as a member of the Chartered Institute of Bankers' Sub-Committee on Fiscal & Monetary Policies as well as 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.

Lt. General Garba Duba, rtd
Non-Executive Director

Lt. General Garba Duba, (rtd) currently serves as the Chairman of SGI Nigeria Limited, PW Nigeria Limited and Leadway Pensure PFA Limited. He has been a Non-Executive Director of Honeywell Flour Mills Plc. since August 1998. He was one time Chairman of New Nigerian Development Company Limited and served as a non-executive director of First Bank of Nigeria Plc. until December 31, 2010. Garba Duba is a retired Lieutenant-General of the Nigerian Army and has served as the Chief of Operation and Plans in the Ministry of Defence, the Military Administrator of Bauchi State, Military Governor, Sokoto State, and Commandant of Nigerian Defence Academy. General Duba is a farmer and a business man, and has played several political and economic roles as the leader of the Niger State delegation to the National Political Reform Conference. He brings his immense experience in administration and business to bear on the board. He is happily married with five children and loves reading, hockey, and squash.

Oye Hassan-Odukale, MFR

Non-Executive Director

Oye Hassan-Odukale 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. Oye is a recipient of the national honour, Member of the Order of the Federal Republic (MFR) and sits on the board of FBN Bank (UK) Ltd, Seawolf Oilfield Services Limited, Leadway Pensure PFA Limited and Governing Council, Babcock University. His experience in investments and as a director on several boards informs his detailed insight which keeps the Board ahead of competition in the financial services industry. Oye is a Munich Re scholar, Securities and Exchange Commission accredited Investment Manager and Portfolio Advisor and was a non-executive director on the Board of First Bank of Nigeria Plc. He is married with children and enjoys listening to music, reading and travelling.

Abdullahi Mahmoud

Non-Executive Director

Abdullahi 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 NDIC. Abdullahi served as Group Managing Director of New Nigeria Development Company and as Non-Executive Director of NAL Bank from 1998 to 2004. As a Non-Executive Director on the Board of First Bank of Nigeria from 1998 to 2010, he served on the Boards of several of its Subsidiaries. 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 (F-IOD). He is married with four sons and loves scouting, travelling and photography.

Chidi Anya

Independent Director

Chidi has over 20 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 as a leading commercial and corporate law specialist by his clients and peers. 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 the 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. Mr. Anya 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.

Tijjani Borodo

Company Secretary

Tijjani Borodo was appointed Company Secretary, FBN Holdings Plc in September 2012. Before this appointment, he was the Company Secretary of First Bank of Nigeria Limited (FirstBank). His career at FirstBank spans over 25 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, a Member, Nigerian Bar Association, International Bar Association, Society for Corporate Governance, and an Honorary Senior Member, Chartered Institute of Bankers. He has attended courses and programmes in various first-rate business and management schools abroad, including Harvard Business School, USA. Tijjani is married with children and loves swimming, listening to music and travelling.

ATTENDANCE AT BOARD MEETINGS

The Group's Board met seven times in 2013. The record of attendance is provided below:

Name	29 Jan	15 March	29 April	27 May	12 Aug	31 Oct	17 Dec
Dr. Oba Otudeko, CFR	✔	✔	✔	✔	✔	✔	✔
Bello Maccido	✔	✔	✔	✔	✔	✔	✔
Lt. General Garba Duba, rtd	✔	✔	✔	✔	✔	✔	✔
Abdullahi Mahmoud	✔	✔	✔	✔	✔	✔	✔
Oye Hassan-Odukale, MFR	✔	✔	✘	✔	✔	✔	✔
Bisi Onasanya	✔	✘	✔	✔	✔	✔	✔
Chidi Anya	Not yet appointed	✔	✔	✔	✔	✔	✔

COMMITTEE REPORTS

BOARD AND COMMITTEE GOVERNANCE STRUCTURE

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

The SEC Code and other codes like the Central Bank of Nigeria's (CBN) Code require banks to have at least three board committees constituted. Although not a bank, FBN Holdings has in place five board committees which operated within FBN Holdings in 2013 namely:

BOARD GOVERNANCE COMMITTEE

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
- removal of 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.

MEMBERSHIP

- Three non-executive directors (including Group Chairman)
- One independent director

BOARD AUDIT AND RISK COMMITTEE

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.

MEMBERSHIP

- Two non-executive directors
- One independent director
- Chief Executive Officer

BOARD FINANCE AND INVESTMENT COMMITTEE

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 FBN Holdings 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.

MEMBERSHIP

- Chief Executive Officer
- FirstBank Group Managing Director
- One non-executive director
- One independent director

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 2013.

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, internal audit etc.; and
- reviewing and recommending modifications to Group policies.

MEMBERSHIP

The CEO of FBN Holdings serves as Chairman, while other members are:

- FirstBank GMD;
- Managing Directors of other FBN Holdings subsidiary companies
  - FBN Capital
  - FBN Life
  - FBN Insurance Brokers
  - FBN Microfinance;
- FirstBank Chief Risk Officer;
- FirstBank Chief Finance Officer;
- FirstBank Chief Strategy Officer; and
- FBN Holdings Company Secretary.

STATUTORY AUDIT COMMITTEE (SAC)

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

No executive director sits 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 usually comprise two non-executive directors independent of the management of the Company and the last being an independent 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 financial experts as may be gleaned from their educational qualifications below. The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). The other members are non-executive directors with extensive board experience. One of the three non-executive directors is also a financial expert.

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 role and responsibilities of the SAC to include the following:

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of audit requirements;
- review the findings on management matters in conjunction with the external auditor and departmental responses thereon (management letter);
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendations to the Board in 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 activity of the Company which may be of interest or concern to the committee; and
- assist in the oversight of the integrity of the Company's financial statements and establish and develop the internal audit function.

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

STATUTORY AUDIT COMMITTEE: SHAREHOLDER REPRESENTATIVE PROFILES

Waheed Adegbite (Chairman)

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 & MDCS). He was Chairman, Audit Committee of Lasaco Assurance Company Plc. His accounting experience spans over four decades. He was Accounting Assistant with Comsac Telecom Nigeria Limited (1971-1973); Assistant Accountant with Brossettee Nigeria Limited and Chief Accountant with Upjohn Nigeria Property Limited (1981-1987). He served as the Finance Manager of Carnaud Metal Box Nigeria Plc between 1991 and 1997 and has commenced public practice as a Chartered Accountant from 1997 to date. He is married with three children.

Job Onwughara

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 Plc. He is a Fellow of the Chartered Institute of Bankers, London and Nigeria (ACIB). He also holds a Master of Science (M.Sc.) 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 1997-2003. He is currently a Management Consultant. He is married with children and enjoys writing, reading and travelling.

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 2004-2005. He was in charge of managing the provision of 33-11 KVA electricity to 19 villages in Zamfara from 2006-2008. 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

S/N	Name	Role	Status	Educational Qualification
1	Waheed Adegbite	Chairman	Shareholder Representative	National Diploma, (YabaTech), FCA, ACIM, ACIT, AMNIM
2	Abubakar Yahyah	Member	Shareholder Representative	BSc Bus. Admin.
3	Job Onwughara	Member	Shareholder Representative	ACIB, FCIB, MSc (Banking & Finance),
4	Lt. General Garba Duba, rtd	Member	Non-Executive Director	PSC, FESS, DSS, mni
5	Oye Hassan-Odukale, MFR	Member	Non-Executive Director	BBA (BSc, Bus. Admin.) MBA Finance
6	Chidi Anya	Member	Non-Executive Director	LLB, B.L, MILD

OPERATIONAL STRUCTURE

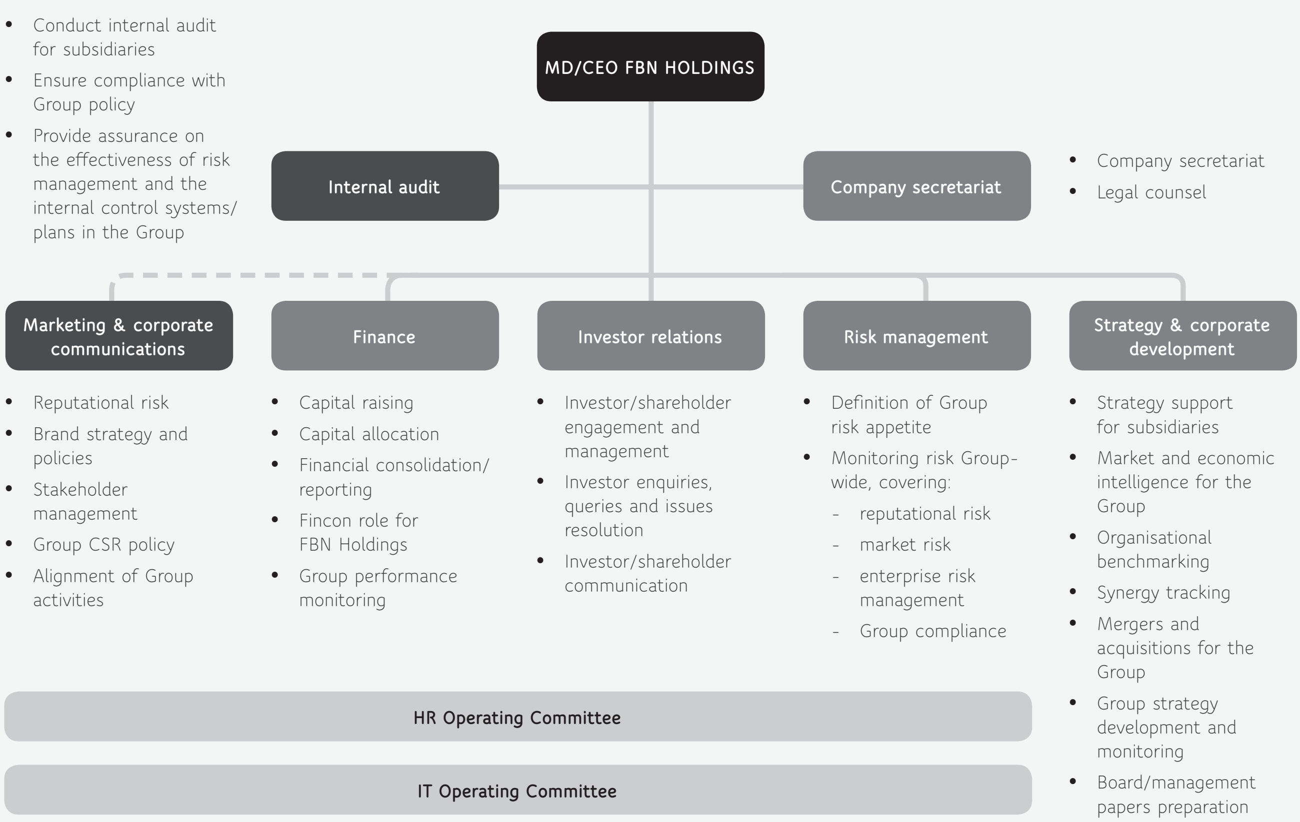
The Group's organisational design was driven by the following key guiding principles:

- lean holding company – in line with the regulators mandate to be a non-operating entity;
- critical corporate centre 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
- oversee the bank and non-bank 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 FBN Holdings.

Organisational structure and operating model of FBN Holdings



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, 2013.

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 saddled 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, FBN Bank (UK) Limited, FBN Mortgages Limited, First Pension Custodian Nigeria Limited, and FBNBank DRC, Ghana, Sierra Leone, Guinea and The Gambia;
- Investment Banking and Assets Management Group, made up of FBN Capital Limited, FBN Securities Limited, First Funds Limited and First Trustees Limited;
- Insurance Group made up of FBN Life Assurance Limited and FBN Insurance Brokers Limited; and
- Other Financial Services with only FBN Microfinance Bank Limited, for now.

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	447,805,761
Bello Maccido	2,388,155	Nil
Abdullahi Mahmoud	50,870	Nil
Oye Hassan-Odukale, MFR	1,685,458,	43,428,798
Lt. General Garba Duba, rtd	14,940,903	Nil
Bisi Onasanya	7,518,059	Nil
Chidi Anya	Nil	47,426

D. OPERATING RESULTS

The directors recommend the approval of a final dividend of ₦1.10 per share, amounting to the sum of ₦35,895,292,791.60. Highlights of the operating results for the period under review are as follows:

	31 December 2013 ₦' million	31 December 2012 ₦' million
Gross earnings	395,942	370,167
Profit before tax	91,337	93,921
Taxation	(20,706)	(17,120)
Total profit for the year	70,631	76,801
Non-controlling interest	496	(220)
Appropriation:		
Transfer to statutory reserves	8,727	11,203
Transfer to statutory credit reserve	(8,114)	6,335
Transfer to contingency reserve	57	37
Transfer to retained earnings reserve	36,833	33,341

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 FBN Holdings' properties is not less than the value shown in the financial statements.

G. SHAREHOLDING ANALYSIS

Range analysis as at 31 December 2013

Range	No of holders	Holders %	Units	Units %
1–1,000	308,869	25.26	219,444,202	0.67
1,001–5,000	528,517	43.22	1,360,940,843	4.17
5,001–10,000	139,323	11.39	1,034,711,328	3.17
10,001–50,000	204,893	16.76	4,143,731,299	12.70
50,001–100,000	20,524	1.68	1,440,119,175	4.41
100,001–500,000	16,843	1.38	3,323,752,558	10.19
500,001–1,000,000	1,951	0.16	1,370,567,133	4.20
1,000,001–5,000,000	1,503	0.12	2,872,553,036	8.80
5,000,001–10,000,000	191	0.02	1,342,565,676	4.11
10,000,001–50,000,000	174	0.01	3,354,390,608	10.28
50,000,001–100,000,000	30	0.00	2,062,186,119	6.32
100,000,001–500,000,000	27	0.00	6,319,933,817	19.37
500,000,001–1,000,000,000	3	0.00	2,087,188,562	6.40
1,000,000,001–32,632,084,356	1	0.00	1,700,000,000	5.21
	1,222,849	**100.00**	**32,632,084,356**	**100.00**

Shareholding analysis as at 31 December 2013

Category	Holdings	Holdings %
Retail	16,827,055,239	51.57
Domestic Institutional	8,736,832,474	26.77
Foreign Institutional	5,866,383,896	17.98
Government related holdings	1,201,812,747	3.68
	32,632,084,356	**100**

H. SUBSTANTIAL INTEREST IN SHARES

According to the register of members as at 31 December 2013, no shareholder held more than 5% of the issued share capital of the Company.

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 is installed in strategic locations within the Company's premises.

The Company operates both a Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004, as well as a terminal gratuity scheme for its employees.

K. EMPLOYEE INVOLVEMENT AND TRAINING

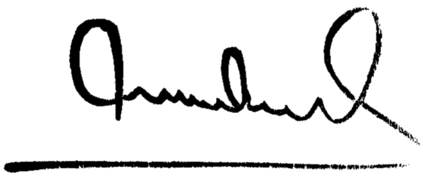
The Company ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

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 nominated to attend both locally and internationally organised courses. These are complemented by on-the job training.

L. AUDITORS

Messers PKF Professional Services will cease to be one of the auditors of the Company, having served in that capacity for the past ten tears. In that regard, with effect from 1 January 2014, Messrs. PricewaterhouseCoopers will be the single auditor for the Company, having indicated their willingness to continue to act in that office.

BY ORDER OF THE BOARD



Tijjani Borodo
Company Secretary
Lagos, Nigeria

FINANCIAL STATEMENTS

Our financial statements for the year ending 31 December 2013 represent the second year of performance under our HoldCo structure and are prepared according to International Financial Reporting Standards (IFRS).

p60 Income statement

p62 Statement of financial position

p67 Consolidated statement of cash flows

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 period. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Bello Maccido
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF FBN HOLDINGS PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated and separate financial statements FBN Holdings Plc ("the company") and its subsidiaries (together "the Group"). These financial statements comprise the consolidated and separate statements of financial position as at 31 December 2013 and the consolidated and separate income statements and statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of 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 consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) 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 necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an independent opinion on the consolidated and separate 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 consolidated and separate financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated and separate 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 consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the company and Group at 31 December 2013 and of the financial performance and cash flows of the company and Group for the year then ended in accordance 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 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 not visited by us;

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

iv) related party transactions and balances are disclosed in Note 46 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004;

v) to the best of our information, the company has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement partner:
Tola Ogundipe
FRC/2013/ICAN/00000000639
Lagos, Nigeria
14 April 2014

PKF Professional Services
Chartered Accountants
Lagos, Nigeria
Engagement partner:
Tajudeen A. Akande
FRC/2013/ICAN/01780
Lagos, Nigeria
14 April 2014

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 2013 and hereby state as follows:

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

Dated March 25, 2014

Waheed Adegbite
Chairman, Audit Committee

MEMBERS OF THE COMMITTEE

Waheed Adegbite
Lt. General Garba Duba, rtd
Oye Hassan-Odukale, MFR
Chidi Anya
Abubakar Yahyah
Job Onwughara

INCOME STATEMENT

	Note	Group		Company	
		31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
CONTINUING OPERATIONS					
Interest income	7	323,621	295,353	924	1
Interest expense	8	(93,506)	(68,746)	–	–
Net interest income		230,115	226,607	924	1
Impairment charge for credit losses	9	(20,309)	(12,549)	–	–
Net interest income after impairment charge for credit losses		209,806	214,058	924	1
Insurance premium revenue	10	2,011	1,664	–	–
Insurance premium revenue ceded to reinsurers		(226)	(120)	–	–
Net insurance premium revenue		1,785	1,544	–	–
Fee and commission income	11	59,381	60,890	–	–
Fee and commission expense	11b	(5,296)	(941)	–	–
Net gains/(losses) on foreign exchange income	12	6,693	2,448	–	–
Net gains/(losses) on investment securities	13	2,899	2,124	–	–
Net gains/(losses) from financial assets classified as held for trading	14	(1,504)	1,760	–	–
Gain from disposal of subsidiary		–	288	–	–
Dividend income		1,227	741	74,057	–
Other operating income	15	834	5,612	7	–
Insurance claims		(488)	(498)		
Personnel expenses	16a	(65,820)	(68,879)	(58)	(1)
Depreciation of property, plant and equipment	29	(10,284)	(10,182)	(47)	–
Amortisation of intangibles	30	(1,464)	(676)	–	–
Impairment loss on investment	28	–	–	(2,594)	–
Operating expenses	16	(107,438)	(113,776)	(1,658)	(819)
Operating profit/(loss)		90,331	94,513	70,631	(819)
Share of profit/(loss) of associates	28	1,006	(592)	–	–
Profit before tax		91,337	93,921	70,631	(819)
Income tax expense	17	(20,706)	(17,120)	–	–
Profit/(loss) for the year from continuing operations		70,631	76,801	70,631	(819)
Profit/(loss) for the year		70,631	76,801	70,631	(819)
Profit/(loss) attributable to:					
– Owners of the parent		70,135	77,021	70,631	(819)
– Non-controlling interests		496	(220)	–	–
		70,631	76,801	70,631	(819)
Earnings per share for profit attributable to owners of the parent					
Basic/diluted earnings/loss per share:	52				
– From continuing operations		2.16	2.37	2.16	(0.03)
– From discontinued operations		–	–	–	–
– From profit for the year		2.16	2.37	2.16	(0.03)

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
	Note	31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Profit/(loss) for the year		70,631	76,801	70,631	(819)
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		(14,509)	16,252	209	(138)
- Net reclassification adjustments for realised net gains or losses, before tax		2,487	1,930	–	–
Share of other comprehensive income of associates		(298)	–	–	–
Exchange difference on translation of foreign operations		434	1,062	–	–
Items that will not be reclassified to profit or loss					
Actuarial gains/(losses) on defined benefit pension scheme	37	1,638	(571)	–	–
Return on plan assets	37	219	–	–	–
Income tax relating to components of other comprehensive income		917	140	–	–
Other comprehensive income/(loss) for the year, net of tax		(9,112)	18,813	209	(138)
Total comprehensive income/(loss) for the year		61,519	95,614	70,840	(957)
Total comprehensive income attributable to:					
- Owners of the parent		61,039	95,834	70,840	(957)
- Non-controlling interests		480	(220)	–	–
		61,519	95,614	70,840	(957)
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		61,039	95,834	70,840	(957)
Discontinued operations	27	–	–	–	–
		61,039	95,834	70,840	(957)

STATEMENT OF FINANCIAL POSITION

		Group			Company	
	Note	31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	Restated 1 Jan 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS						
Cash and balances with central banks	18	**594,234**	300,532	199,228	–	–
Loans and advances to banks	20	**430,586**	439,853	463,328	**1,477**	–
Loans and advances to customers	21	**1,769,130**	1,541,377	1,252,154	**72**	–
Financial assets at fair value through profit or loss	22	**10,287**	6,112	5,964	–	–
Investment securities						
– Available-for-sale investments	23	**529,488**	379,675	357,490	**2,515**	2,307
– Held to maturity investments	23	**294,575**	338,365	337,336	–	2,450
– Loans and receivables		–	–	–	**7,332**	11,014
Asset pledged as collateral	24	**53,650**	50,109	72,129	–	–
Other assets	32	**41,405**	40,252	63,061	**43,285**	236
Inventory	33	**30,253**	21,676	25,609	–	–
Investment properties		**2,413**	4,003	4,055	–	–
Investments in associates accounted for using the equity method	28	**7,029**	6,321	7,489	**9,281**	11,875
Investment in subsidiaries	25	–	–	–	**246,777**	243,065
Property, plant and equipment	29	**81,299**	75,407	65,889	**1,072**	30
Intangible assets	30	**8,748**	3,523	1,008	–	–
Deferred tax	31	**7,120**	8,201	6,954	–	–
		3,860,217	3,215,406	2,861,694	**311,811**	270,977
Asset held for sale	27	**10,784**	12,978	–	–	–
Total assets		**3,871,001**	3,228,384	2,861,694	**311,811**	270,977
LIABILITIES						
Deposits from banks	34	**82,032**	89,430	183,500	–	–
Deposits from customers	35	**2,929,081**	2,395,148	1,951,011	–	–
Financial liabilities held for trading	22	**1,701**	1,796	2,857	–	–
Current income tax liability	17	**34,167**	23,389	24,328	–	–
Other liabilities	38	**149,859**	122,202	159,325	**3,710**	1,084
Liability on investment contracts	39	**68,723**	54,995	49,440	–	–
Liability on insurance contracts	40	**3,651**	2,127	824	–	–
Borrowings	36	**126,302**	75,541	106,204	–	–
Retirement benefit obligations	37	**1,924**	19,380	15,081	–	–
Deferred tax	31	**37**	225	1,069	–	–
		3,397,477	2,784,233	2,493,639	**3,710**	1,084
Liabilities held for sale	27	**1,747**	2,836	–	–	–
Total liabilities		**3,399,224**	2,787,069	2,493,639	**3,710**	1,084

STATEMENT OF FINANCIAL POSITION

	Note	Group			Company	
		31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	Restated 1 Jan 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
EQUITY						
Share capital	41	**16,316**	16,316	16,316	**16,316**	16,316
Share premium	42	**254,524**	254,524	254,524	**254,524**	254,524
Retained earnings	42	**115,397**	76,072	43,162	**37,180**	(819)
Other reserves						
– Statutory reserve	42	**52,074**	43,347	32,144	**–**	–
– Capital reserve			–		**10**	10
– SSI reserve	42	**6,076**	6,076	6,076	**–**	–
– AFS fair value reserve	42	**14,969**	26,991	8,809	**71**	(138)
– Contingency reserve	42	**107**	50	13	**–**	–
– Statutory credit reserve	42	**7,987**	16,101	9,766	**–**	–
– Treasury share reserve	42	**(2,280)**	(2,378)	(4,325)	**–**	–
– Foreign currency translation reserve	42	**2,102**	1,668	606	**–**	–
		467,272	438,767	367,091	**308,101**	269,893
Non-controlling interest	43	**4,505**	2,548	964	**–**	–
Total equity		**471,777**	441,315	368,055	**308,101**	269,893
Total equity and liabilities		**3,871,001**	3,228,384	2,861,694	**311,811**	270,977

The financial statements on pages 60 to 193 were approved by the Board of Directors on 25 March 2014 and signed on its behalf by:

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

Bello Maccido
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	Statutory reserve ₦ million	SSI reserve ₦ million
Balance at 1 January 2012 (as previously reported)	16,316	254,524	41,587	32,144	6,076
Effect of changes in accounting policies (Note 53)	–	–	1,575	–	–
Balance at 1 January 2012 (restated)	16,316	254,524	43,162	32,144	6,076
Profit for the year	–	–	77,021	–	–
Other comprehensive income					
Foreign currency translation differences, net of tax	–	–	–	–	–
Tax effects on revaluation of financial assets	–	–	140	–	–
Fair value movements on equity financial assets	–	–	–	–	–
Actuarial gains/(losses) on defined benefit pension scheme	–	–	(571)	–	–
Total comprehensive income	–	–	76,590	–	–
Transactions with owners					
Dividends	–	–	(26,105)	–	–
Disposal of treasury shares	–	–	–	–	–
Additional investment	–	–	–	–	–
Acquisition of subsidiary (Note 26)	–	–	–	–	–
Transfer between reserves	–	–	(17,575)	11,203	–
Total transactions with owners	–	–	(43,680)	11,203	–
At 31 December 2012	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 equity financial assets	–	–	–	–	–
Return on plan assets	–	–	219	–	–
Actuarial gains/(losses) on defined benefit pension scheme	–	–	1,638	–	–
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	–	–	–	–	–
Issue of shares*	–	–	–	–	–
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

*Change in non-controlling interest regarding issue of shares represents the value of the units in FBN Heritage Funds that was acquired. 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 share reserve ₦ million	FCTR ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
8,525	13	9,766	(1,941)	606	367,616	964	368,580
284	–	–	(2,384)	–	(525)	–	(525)
8,809	13	9,766	(4,325)	606	367,091	964	368,055
–	–	–	–	–	77,021	(220)	76,801
–	–	–	–	1,062	1,062	–	1,062
–	–	–	–	–	140	–	140
18,182	–	–	–	–	18,182	–	18,182
–	–	–	–	–	(571)	–	(571)
18,182	–	–	–	1,062	95,834	(220)	95,614
–	–	–	–	–	(26,105)	–	(26,105)
–	–	–	1,947	–	1,947	–	1,947
–	–	–	–	–	–	518	518
–	–	–	–	–	–	1,286	1,286
–	37	6,335	–	–	–	–	–
–	37	6,335	1,947	–	(24,158)	1,804	(22,354)
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)
–	–	–	–	–	219	–	219
–	–	–	–	–	1,638	–	1,638
(298)	–	–	–	–	(298)	–	(298)
(12,022)	–	–	–	434	61,039	480	61,520
–	–	–	–	–	–	181	181
–	–	–	–	–	(32,632)	(264)	(32,896)
–	–	–	98	–	98	–	98
–	–	–	–	–	–	1,560	1,560
–	57	(8,114)	–	–	–	–	–
–	57	(8,114)	98	–	(32,536)	1,477	(31,057)
14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777

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 equity ₦ million
Balance at 1 January 2012	–	–	–	–	–	–
Profit for the year	–	–	(819)	–	–	(819)
Other comprehensive income						
Fair value movements on equity financial assets	–	–	–	–	(138)	(138)
Total comprehensive income	–	–	(819)	–	(138)	(957)
Transactions with owners						
Issue of shares	16,316	254,524	–	–	–	270,840
Transfer resulting from Business restructuring	–	–	–	10	–	10
Total transactions with owners	16,316	254,524	–	10	–	270,850
At 31 December 2012	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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group		Company	
		31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
OPERATING ACTIVITIES					
Cash flow (used in)/generated from operations	44	(89,217)	(132,504)	(42,204)	28
Income taxes paid		(7,918)	(22,439)	–	–
Interest received		329,660	309,081	3	1
Interest paid		(92,541)	(65,579)	–	–
Net cash flow generated from operating activities		139,983	88,559	(42,201)	29
INVESTING ACTIVITIES					
Purchase of investment securities		(310,682)	(56,895)	–	–
Proceeds from the sale of investment securities		320,185	25,603	4,604	–
Net cash flow from disposal of subsidiaries		–	(30,619)	–	–
Cash and cash equivalent acquired from subsidiary	26	8,080	11,463	–	–
Additional investment in subsidiaries		–	–	(1,262)	–
Dividends received		1,227	741	74,057	–
Purchase of investment property		(53)	(30)	–	–
Purchase of property, plant and equipment		(17,920)	(18,673)	(1,089)	(30)
Purchase of intangible assets		(1,144)	(1,570)	–	–
Proceeds on disposal of property, plant and equipment		992	2,875	–	–
Net cash used in investing activities		684	(67,105)	76,310	(30)
FINANCING ACTIVITIES					
Proceeds from sale of treasury shares		98	–	–	–
Dividend paid		(32,896)	(26,105)	(32,632)	–
Proceeds from new borrowings		99,723	58,459	–	–
Repayment of borrowings		(51,020)	(85,806)	–	–
Equity raised		1,560	–		
Net cash (used in)/generated from financing activities		17,465	(53,452)	(32,632)	–
Increase in cash and cash equivalents		158,133	(31,999)	1,477	(1)
Cash and cash equivalents at start of year	19	676,847	709,304	(1)	–
Effect of exchange rate fluctuations on cash held		(289)	(458)	–	–
Cash and cash equivalents at end of year	19	834,691	676,847	1,476	(1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

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 2013 were approved for issue by the Board of Directors on 25 March 2014.

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 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the 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 2013 and have a material impact on the Group:

(i) **Amendment to IAS 1, 'Financial statement presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to Group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).The amendment affected presentation only and had no impact on the Group's financial position or performance. The Group has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(ii) **IAS 19, 'Employee benefits'** was revised in June 2011. The changes on the Group's accounting policies has been as follows: to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. See note 47 for the impact on the financial statements.

(iii) **IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7**
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

(iv) **IFRS 10, 'Consolidated financial statements'** supersedes IAS 27 Consolidated and Separate Financial Statements and SIC(12) Consolidation – Special Purpose Entities and establishes the principles for when the Group controls another entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the exercise of power. As a result, the Group consolidates certain entities that were not previously consolidated. The Group has applied IFRS 10 retrospectively and restated its comparatives in accordance with the transitional provisions included in the standard. These provisions require the Group to re-assess its control conclusions as at 1 January 2013 and restate its comparative information, applying the revised assessment in 2012 to the extent that the relevant investments were held in that year. Details of the impact of these restatements are provided in note 53 to the financial statements.

(v) **IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures**
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC(13) Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard had no material impact on the Group.

(vi) **IFRS 12 Disclosure of Interests in Other Entities**
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates,structured entities and other off balance sheet vehicles.

The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (See note 26 for details).

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

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 2013.

(i) **IFRS 9, 'Financial Instruments**
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 IASB tentatively decided at its February 2014 meeting to select an effective date of 1 January 2018 as the effective date for mandatory application of IFRS 9.

The Group is yet to assess the full effect of IFRS 9.

(ii) **Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting**

These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

There are no other IFRSs or 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.

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with 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. Investments in associates are accounted for using the equity method of accounting. 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 the 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.

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 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.

d. 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 (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

b. **Deferred income tax**

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

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

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

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

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

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

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 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 'Other operating 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.

2.9.5 Determination of fair value

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, 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 net profit 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 a practical 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.

2.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.15 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.

2.16 DISCONTINUED OPERATIONS

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.

2.17 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.

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.

2.18 PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly 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

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:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis over 3 years and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

2.20 INVESTMENT CONTRACTS

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

2.21 CASH AND CASH EQUIVALENTS

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

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

2.22 EMPLOYEE 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.

Actuarial gains and losses arising from change in demographic assumptions and changes in actuarial assumptions 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.

2.23 PROVISIONS

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

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

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

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

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

2.24 INSURANCE CONTRACTS

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

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

a. **Classification of contracts**

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

b. **Recognition and measurement**

(i) *Short-term insurance contracts*

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

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium 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 contracts 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.

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. **Treasury shares**

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

d. **Statutory credit reserve**

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

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

A more accelerated provision may be done using the subjective criteria. A 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.

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.

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.

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 ten (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		Grade
Extremely low risk	AAA	1	1.00-1.99	90-100%	Investment
Very low risk	AA	2	2.00-2.99	80-89%	
Low risk	A	3	3.00-3.99	70-79%	
Low risk	BBB	4	4.00-4.99	60-69%	
Acceptable – moderately high risk	BB	5	5.00-5.99	50-59%	Non-investment
High risk	B	6	6.00-6.99	40-49%	
Very high risk	CCC	7	7.00-7.99	30-39%	
Extremely high risk	CC	8	8.00-8.99	10-29%	
High likelihood of default	C	9	9.00-9.99	0-9%	
Default risk	D	10	10		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
  - 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.

Collateral Risk Rating	Collateral type
1	Cash/Treasury Bills
2	Marketable securities, guarantee/receivables of investment grade banks and corporates
3	Enforceable lien on fast-moving inventory in bonded warehouses
4	Legal mortgage on residential business real estate in prime locations A and B
5	Legal mortgage or debenture on business premises, factory assets or commercial real estates in locations A and B
6	Equitable mortgages on real estate in any location
7	Letters of comfort or awareness, guarantee of non-investment grade banks and corporates
8	Hypothecation, negative pledge, personal guarantee, clean

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**

The process of setting the limits is as follows:

- The Group engages in a detailed portfolio plan annually. In drawing up the plan, the Group reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The target loan portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmes.
- Aggregate large exposure limit of not more than 400% of company's shareholders' funds.
- Public sector exposure limit of not more than 10% (including contingent liability) of the First Bank of Nigeria Limited's loan portfolio.
- Industry/economic sector limits are imposed on the Group's lending portfolio, in line with the following policies:
  - The target market is companies operating in industries rated 'BB' or better unless on an exception basis.
  - 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**

- Limits are imposed on loans to individual borrowers. The Group as a matter of policy does not lend above its regulatory lending limit, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 18% of SHF to create a prudent buffer.
- Also, the Group will not ordinarily advance beyond 50% of customers' shareholders' fund/net worth in cases of loans offered under individual assessment.
- Product programmes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Group shall not lend more than:
  - 20% of the shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure.
  - No single retail loan should amount to more than 0.2% of total retail portfolio.
  - No single retail loan should amount to more than 0.5% of the related retail product 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	BOD	>58,000,000	>58,000,000
2	BCC	58,000,000	58,000,000
3	MCC	30,000,000	15,000,000
4	GMD + CRO + BUSINESS_SCO1/SCO2	10,000,000	3,000,000
5	RISK_SCO1 + BUSINESS_SCO1/SCO2	8,000,000	2,500,000
6	BUSINESS_SCO1 + RISK_SCO2	5,000,000	1,000,000
7	RISK_SCO3 + BUSINESS_SCO2	500,000	250,000
8	RISK_SCO4 + BDM/GH	100,000	100,000

The Group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

- 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.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty even before impairment indicators are identified for the relevant individual loans and advances.

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.

During the year, the Group obtained assets by taking possession of collateral held as security as follows:

Nature of assets	Fair value of asset ₦ million	Carrying amount ₦ million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	3,378	1,157
Others	14	-

A record of all repossessed collateral is maintained centrally to ensure an orderly disposal and appropriate monitoring of the sales proceeds realised. The repossessed assets are sold as soon as practicable, with proceeds realised from the sale used to reduce the outstanding indebtedness of the customers.

3.2.4 Exposure Management

To minimise the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear requirements and guidelines for on-going management of the risk asset portfolio and individual risk exposures are defined. On-going exposure management entails collateral management, facility performance monitoring, exposure quality reviews prompt and timely identification of decline in quality and risk portfolio reporting.

3.2.5 Delinquency Management/Loan Workout

In the undesired event of decline in quality of assets, timely management of such delinquency significantly reduces credit loss to the Group. This covers loan workout where all activities are geared towards resuscitating non-performing loans including restructuring and the recognition of possible credit loss i.e. loan loss provisioning.

3.2.6 Credit Recovery

Credit recovery commences after a facility has been deemed lost and involves managing such facilities to ensure the loss to the Group is minimized. This includes winding down the Group's exposure, credit write-off and/or interest waivers and reinstatement of previously written-off credit amounts on recovery of cash from the customers.

3.2.7 Management of concentration risk

The Group manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties, Groups, 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 a quarterly 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 and are reviewed from time to time as the circumstances of the Group demand.

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 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 held for trading	10,287	–	–	10,287
Other assets	–	–	28,633	28,633
Asset held for sale	10,784	–	–	10,784
Total Financial Assets	21,071	549,869	3,150,426	3,721,367
FINANCIAL LIABILITIES				
Customer deposits	–	–	2,929,081	2,929,081
Deposits from banks	–	–	82,032	82,032
Financial liabilities held for trading	1,701	–	–	1,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

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
Borrowings	–	–	126,302	126,302
Other liabilities	–	–	140,466	140,466
Investment contracts	–	–	68,723	68,723
Total Financial Liabilities	1,701	–	3,346,605	3,348,305

Group

31 December 2012	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	–	–	300,532	300,532
Loans and advances to banks	–	–	439,853	439,853
Loans and advances to customers:				
– Overdrafts	–	–	266,242	266,242
– Term loans	–	–	1,207,051	1,207,051
– Staff loans	–	–	5,376	5,376
– Project finance	–	–	59,014	59,014
– Advances under finance lease	–	–	3,694	3,694
Investment securities:				
– Available-for-sale investments	–	379,675	–	379,675
– Held to maturity investments	–	–	338,365	338,365
Asset pledged as collateral	–	19,046	31,063	50,109
Financial assets held for trading	6,112	–	–	6,112
Other assets	–	–	28,354	28,354
Asset held for sale	12,978	–	–	12,978
Total Financial Assets	19,089	398,721	2,679,542	3,097,353
FINANCIAL LIABILITIES				
Customer deposits	–	–	2,395,148	2,395,148
Deposits from banks	–	–	89,430	89,430
Financial liabilities held for trading	1,796	–	–	1,796

Group

31 December 2012	Fair Value through P/L Held for trading ₦ million	Fair Value through OCI Available for sale ₦ million	Amortised Cost ₦ million	Total ₦ million
Borrowings	–	–	75,541	75,541
Other liabilities	–	–	103,868	103,868
Investment contracts	–	–	54,995	54,995
Total Financial Liabilities	**1,796**	**–**	**2,718,981**	**2,720,777**

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:				
– Available-for-sale investments	–	2,515	–	2,515
– Held to maturity investments	–	–	–	–
– Loans and receivables	–	–	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**

Company

31 December 2012	Fair Value through P/L Held for trading ₦ million	Fair Value through OCI Available for sale ₦ million	Amortised Cost ₦ million	Total ₦ million
FINANCIAL ASSETS				
Investment securities:				
– Available-for-sale investments	–	2,307	–	2,307
– Held to maturity investments	–	–	2,450	2,450
– Loans and receivables	–	–	11,014	11,014
Total Financial Assets	–	2,307	13,464	15,771
FINANCIAL LIABILITIES				
Other liabilities	–	–	993	993
Total Financial Liabilities	–	–	993	993

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 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Balances with central banks	**522,491**	245,141	**–**	–
Loans and advances to banks	**430,586**	439,853	**1,477**	–
Loans and advances to customers				
– Overdrafts	**340,055**	266,242	**–**	–
– Term loans	**1,359,961**	1,207,051	**–**	–
– Staff loans	**6,216**	5,376	**72**	–
– Project finance	**60,803**	59,014	**–**	–
– Advances under finance lease	**2,095**	3,694	**–**	–
Financial assets held for trading	**10,287**	6,112	**–**	–
Investment securities – Debt				
– Available-for-sale investments	**476,941**	319,134	**–**	–
– Held to maturity investments	**294,575**	338,365	**–**	2,450
– Loans and receivables	**–**	–	**7,332**	11,014
Asset pledged as collateral	**53,650**	50,109	**–**	–
Assets classified as held for sale	**6,235**	7,341	**–**	–
Other assets excluding prepayments	**28,633**	28,354	**42,831**	–
	3,592,527	2,975,784	**51,711**	13,464
Credit risk exposures relating to off balance sheet assets are as follows:				
Loan commitments	**408,008**	239,445	**–**	–
Letter of credit and other credit related obligations	**693,615**	534,361	**–**	–
	1,101,624	773,806	**–**	–
Total maximum exposure	**4,694,151**	3,749,591	**51,711**	**13,464**

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 2013 and 31 December 2012. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Investment securities and financial assets held for trading 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	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	837,066	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 held for trading	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
Assets classified as held for sale	6,235	–	–	–	–	–	6,235
Other assets	11,805	11,791	1,404	2,587	328	718	28,633
31 December 2013	2,520,390	247,932	133,235	180,284	328,055	182,631	3,592,527

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	727,524	118,900	126,934	50,431	77,835	–	1,101,624

Group

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Balances with central bank	235,246	–	–	9,857	38	–	245,141
Loans and advances to banks	108,677	–	–	11,059	320,117	–	439,853
Loans and advances to customers							
– Overdrafts	199,560	40,972	18,220	7,489	–	–	266,242
– Term loans	632,128	259,633	78,410	11,232	225,649	–	1,207,051
– Staff loans	5,359	–	–	17	–	–	5,376
– Project finance	45,460	3,794	9,761	–	–	–	59,014
– Advances under finance lease	1,993	1,199	502	–	–	–	3,694
Financial assets held for trading	5,435	–	–	–	677	–	6,112
Investment securities							
Available-for-sale investments	248,984	17,554	1,632	574	50,390	–	319,134
Held to maturity investments	326,331	10,874	1,160				338,365
Asset pledged as collateral	50,109	–	–	–	–	–	50,109
Assets classified as held for sale	5,139	1,101	1,101	–	–	–	7,341
Other assets	15,003	10,122	1,506	1,490	233	–	28,354
31 December 2012	1,879,421	345,249	112,292	41,719	597,103	–	2,975,784

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	212,334	–	–	–	27,111	–	239,445
Letters of credit and other credit related obligations	426,527	29,984	30,305		47,545	–	534,361
31 December 2012	638,861	29,984	30,305	–	74,656	–	773,806

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							
Held to maturity investments	–	–	–	–	–	–	–
Loans and receivables	**7,332**	–	–	–	–	–	**7,332**
Other assets	**42,831**	–	–	–	–	–	**42,831**
31 December 2013	**49,262**	**2,450**	–	–	–	–	**51,712**

Company

	Lagos ₦ million	Southern Nigeria ₦ million	Northern Nigeria ₦ million	Africa ₦ million	Europe ₦ million	America ₦ million	Total ₦ million
Held to maturity investments	–	2,450	–	–	–	–	2,450
Loans and receivables	11,014	–	–	–	–	–	11,014
31 December 2012	11,014	2,450	–	–	–	–	13,464

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 held for trading analysed below excludes investments in equity instruments.

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ 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	–	–	236	–	847	–	24,045
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	28,633

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	143,371
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	31,869	62,145	3	–	–	94,017
Utilities	5,738	27,537	–	–	18	33,293
Retail services	22,842	78,400	32	–	1,720	102,995
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	1,769,129

The industrial sector for the credit exposure in the Assets held for sale balance is general commerce.

Group

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities (debt) – available for sale ₦ million	Investment securities – held to maturity ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Agriculture	–	46,728	3,547	15,248	7,505	–	4,689
Oil and gas	–	–	1,205	–		–	–
Consumer credit	–	–	–	–	2,000	–	–
Manufacturing	–	–	–	–	–	–	–
Real estate	–	–	–	–	–	–	–
Construction	–	–	–	–	500	–	–
Finance and insurance	245,141	393,125	678	3,565	5,000	–	23,665
Transportation	–	–	–	–	–	–	–
Communication	–	–	–	–	–	–	–
General commerce	–	–	2	–	–	–	–
Utilities	–	–	–	–	–	–	–
Retail services	–	–	–	–	–	–	–
Public sector	–	–	680	300,321	323,360	50,109	–
Total at 31 December 2012	245,141	439,853	6,112	319,134	338,365	50,109	28,354

The industrial sector for the credit exposure in the Assets held for sale balance is general commerce.

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Agriculture	9,830	241,784	232	319	–	252,165
Oil and gas	121,777	354,589	–	15,495	157	492,019
Consumer credit	374	141,262	–	–	1	141,637
Manufacturing	55,142	102,730	–	–	304	158,175
Real estate	1,727	54,818	1,746	25,398	–	83,689
Construction	5,079	15,897	–	13,434	101	34,512
Finance and insurance	2,078	15,964	–	–	48	18,091
Transportation	3,700	886	–	–	338	4,924
Communication	6,021	72,949	–	–	–	78,970
General commerce	26,123	36,426	–	–	54	62,603
Utilities	4,327	939	–	–	42	5,308
Retail services	24,072	55,410	3,398	4,368	2,594	89,842
Public sector	5,992	113,396	–	–	53	119,441
Total at 31 December 2012	266,242	1,207,051	5,376	59,014	3,694	1,541,376

Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Real estate	–	–	–	–	7,332	–	–
Finance and insurance	–	1,477	–	–	–	–	42,831
Total at 31 December 2013	–	1,477	–	–	7,332	–	42,831

Company

	Loans to customers					
	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

Company

	Balances with central bank ₦ million	Loans and advances to banks ₦ million	Financial assets held for trading ₦ million	Investment securities – held to maturity ₦ million	Investment securities – loans and receivables ₦ million	Asset pledged as collateral ₦ million	Other assets ₦ million
Real estate	–	–	–	2,450	11,014	–	13,464
Total at 31 December 2012	–	–	–	2,450	11,014	–	13,464

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

Group

	Loan commitments 31 Dec 2013 ₦ million	Letter of credit and other related obligations 31 Dec 2013 ₦ million	Loan commitments 31 Dec 2012 ₦ million	Letter of credit and other related obligations 31 Dec 2012 ₦ million
Agriculture	2,222	3,662	–	–
Oil and gas	169,321	115,457	157,755	170,311
Consumer credit	15,427	484	–	–
Manufacturing	79,175	11,976	29,862	137,629
Real estate	10,005	27,944	–	25,654
Construction	18,357	205,450	1,853	147,070
Finance and insurance	1,911	99,042	22,564	2,575
Transportation	1,240	1,786	138	1,151
Communication	54,962	7,062	249	6,729
General commerce	27,464	147,327	25,730	7,571
Utilities	2,364	457	33	13,726
Retail services	22,640	66,890	1,261	15,155
Public sector	2,920	6,078	–	6,789
Total	408,008	693,615	239,445	534,361

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 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	38	–	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)

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
Net	340,055	1,359,961	6,216	60,803	2,096	1,769,130
Individually impaired	10,467	9,479	31	–	695	20,673
Portfolio allowance	4,060	19,327	185	731	71	24,374
Total	14,527	28,806	216	731	767	45,047

Group

	Loans to customers					
	Overdraft ₦ million	Term loans ₦ million	Staff loans ₦ million	Project finance ₦ million	Advances under finance lease ₦ million	Total ₦ million
DECEMBER 2012						
Neither past due nor impaired	254,444	1,045,852	5,976	55,967	2,520	1,364,759
Past due but not impaired	10,745	159,301	–	3,779	673	174,498
Individually impaired	8,184	13,067	–	–	560	21,811
Collectively impaired	3,153	16,452	–	–	28	19,633
Gross	276,526	1,234,672	5,976	59,746	3,781	1,580,701
Less: allowance for impairment (note 21)	(10,284)	(27,621)	(600)	(732)	(87)	(39,324)
Net	266,242	1,207,051	5,376	59,014	3,694	1,541,376
Individually impaired	6,882	10,372	–	–	–	17,254
Portfolio allowance	3,402	17,249	600	732	87	22,070
Total	10,284	27,621	600	732	87	39,324

Company

	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	–	–	72	–	–	72
Net	–	–	72	–	–	72

Group – December 2013

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	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	21,566	623	707,303
B	82,042	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	8,353	9	–	–	8,515
Gross amount	14,771	135,055	122	2,109	490	152,547

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	–	696	32,329
Specific impairment	(10,467)	(9,479)	(31)	–	(695)	(20,673)
Net amount	4,422	7,226	7	–	1	11,656

Group – December 2012

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	–	–	–	–	–	–
AA	4,829	41,874	–	–	–	46,703
A	4,466	10,001	1,584	–	86	16,138
BBB	64,048	67,134	–	26,306	557	158,045
BB	162,336	429,597	4,189	29,257	1,877	627,256
B	18,764	485,196	203	405	–	504,568
CCC	–	11,873	–	–	–	11,873
CC	–	–	–	–	–	–
C	–	177	–	–	–	177
Total	254,444	1,045,851	5,976	55,967	2,520	1,364,759

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	8,564	86,349	–	3,137	668	98,718
Past due by 30–60 days	2,163	64,928	–	642	5	67,738
Past due 60–90 days	18	8,024	–	–	–	8,042
Gross amount	10,745	159,301	–	3,779	673	174,498

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
	3,153	16,452	–	–	28	19,633

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	8,184	13,067	–	–	560	21,811
Specific impairment	6,882	10,372	–	–	–	17,254
Net amount	1,302	2,695	–	–	560	4,557

e. **Sensitivity analysis on impairment**

The loan portfolio of First Bank Nigeria 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 realizing 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 2013			
Overdrafts	11,806	12,352	12,352
Term loans	10,117	12,788	12,788
Commercial papers (CP)	(430)	(396)	(396)
Others	(1)	145	145
Advances under finance lease	682	692	692
Total	22,174	25,581	25,581
31 DECEMBER 2012			
Overdrafts	5,651	6,163	6,372
Term loans	8,550	10,956	11,909
Commercial papers (CP)	(1,164)	(952)	(952)
Others	626	813	893
Advances under finance lease	1	16	18
Total	13,664	16,996	18,240

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 2013 and 31 December 2012.

	Group
	Loans to banks ₦ million
31 DECEMBER 2013	
A+ to A-	**220,663**
B+ to B-	**164,519**
Unrated	**45,405**
	430,586
31 DECEMBER 2012	
A+ to A-	81,091
B+ to B-	313,082
Unrated	45,680
	439,853

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 2013 and 31 December 2012.

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 2013					
A+ to A-	**334,000**	**140,119**	**19,108**	**308,736**	**–**
B+ to B-	**–**	**20,607**	**–**	**–**	**–**
Unrated	**–**	**2,597**	**–**	**–**	**28,633**
	334,000	**163,323**	**19,108**	**308,736**	**28,633**
31 DECEMBER 2012					
A+ to A-	146,225	188,334	–	363,546	–
B+ to B-	–	–	–	–	–
Unrated	–	3,621	–	5,882	28,354
	146,225	191,955	–	369,428	28,354

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 2013						
Unrated	–	–	–	–	7,332	42,831
	–	–	–	–	7,332	42,831
31 DECEMBER 2012						
Unrated	–	–	–	2,450	11,014	–
	–	–	–	2,450	11,014	–

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligation as they fall due or will have to meet the obligations at excessive costs. This risk could arise from mismatches in the timing of cash flows.

Funding risk is a form of liquidity risk that arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

3.3.1 Management of liquidity risk

The Group's liquidity management process includes:

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Active monitoring of the timing of cashflows and maturity profiles of assets and liabilities to ensure mismatches are within stipulated limits;
- Monitoring the liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Particular attention is also paid to the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquidity risk on derivatives is managed using the same source of funding as for the non-derivative liabilities.

3.3.2 Funding approach

The Group is funded primarily by a well diversified mix of retail, corporate and public sector deposits. This funding base ensures stability and low funding cost with minimal reliance on more expensive tenured deposit and interbank takings as significant sources of funding.

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in table A below, are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk on a behavioural basis which is shown in table B below.

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 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	16,653	117,014	1,920	1,027	–	13,245	149,859
Insurance contracts liability – Deposit administration	–	–	–	–	1,148	75	1,223
Insurance contracts liability – Life fund	157	–	–	671	1,195	405	2,427
Investment contracts	39,315	26,037	3,369	–	–	–	68,721
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 financial liabilities	3,287,842	586,211	124,887	163,231	187,331	146,034	4,495,537
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021
31 DECEMBER 2012							
Financial liabilities							
Deposits from banks	-	89,440	-	-	-	-	89,440
Deposits from customers	2,209,729	133,875	29,068	27,362	4	-	2,400,038
Borrowings	43,606	512	135	1,024	4,419	26,472	76,168
Other liabilities	56,129	16,992	71,713	8,310	-	-	153,145
Insurance contracts liability – Deposit administration	-	-	-	-	271	20	290
Insurance contracts liability – Life fund	73	-	-	650	991	124	1,837
Investment contracts	54,995	-	-	-	-	-	54,995
Loan commitments	73,506	61,840	51,960	52,140	-	-	239,445
Letters of credit and other credit related obligations	316,811	23,200	48,952	141,678	3,719	-	534,361
Total financial liabilities	2,754,849	325,859	201,828	231,165	9,403	26,615	3,549,719
Assets held for managing liquidity risk	516,969	191,713	141,888	62,490	292,752	155,737	1,361,549

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 2013							
Financial liabilities							
Other liabilities	72	–	–	3,447	–	–	3,519
Total financial liabilities	72	–	–	3,447	–	–	3,519
31 DECEMBER 2012							
Other liabilities	–	–	–	993	–	–	993
Total financial liabilities	–	–	–	993	–	–	993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

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 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	16,653	117,014	1,920	1,027	–	13,245	149,859
Insurance contracts liability – Deposit administration	–	–	–	–	1,148	75	1,223
Insurance contracts liability – Life fund	157	–	–	671	1,195	405	2,427
Investment contracts	39,315	26,037	3,369	–	–	–	68,721
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 financial liabilities	1,315,045	705,940	284,159	401,473	1,642,886	146,034	4,495,537
Assets held for managing liquidity risk	944,453	179,891	77,123	55,931	129,012	62,611	1,449,021
31 DECEMBER 2012							
Financial liabilities							
Deposits from banks	0	89,440	-	-	-	-	89,440
Deposits from customers	288,278	353,715	201,068	333,603	1,223,374	-	2,400,038
Borrowings	-	45,442	2,210	3,478	25,039	-	76,168
Other liabilities	56,130	16,991	71,713	8,310	-	-	153,145
Insurance contracts liability - Deposit administration	-	-	-	-	271	20	290
Insurance contracts liability - Life fund	73	-	-	650	991	124	1,837
Investment contracts	54,995	-	-	-	-	-	54,995
Loan commitments	73,506	61,840	51,960	52,140	-	-	239,445
Letters of credit and other credit related obligations	316,811	23,200	48,952	141,678	3,719	-	534,361
Total financial liabilities	789,793	590,628	375,902	539,859	1,253,393	143	3,549,719
Assets held for managing liquidity risk	516,969	191,713	141,888	62,490	292,752	155,737	1,361,549

3.3.4 Assets held for managing liquidity risk

The Group holds a diversified portfolio of liquid assets – largely cash and government securities to support payment and funding obligations in normal and stressed market conditions across foreign and local currencies. The Group's liquid assets comprise

- Cash and balances with the central bank comprising reverse repos and Overnight deposits
- Short term and overnight placements in the interbank market
- Government bonds and T-bills that are readily accepted in repurchase agreements with the Central bank and other market participants
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios.
- The ability to access incremental short term funding by interbank borrowing from the interbank market

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 67.98% of our current account balances and 79.07% 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 interest rate swap 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 2013							
Derivative liabilities							
Accumulator-Forward FX contract	–	–	–	–	(71)	–	(71)
	–	–	–	–	(71)	–	(71)
Derivative assets							
Cross-Currency Swap	–	–	–	12	–	–	12
Foreign exchange derivatives	1,546	602	370	–	–	–	2,518
	1,546	602	370	12	–	–	2,530
	1,546	602	370	12	(71)	–	2,459
AT 31 DECEMBER 2012							
Derivative liabilities							
Cross-Currency Swap	–	(61)	–	–	–	–	(61)
Accumulator-Forward FX contract	–	–	–	–	(260)	–	(260)
	–	(61)	–	–	(260)	–	(321)

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 2013							
Derivatives held for trading							
Foreign exchange derivatives:	6	2	–	–	–	–	8
Put options	–	–	–	–	2,473	–	2,473
	6	2	–	–	2,473	–	2,481
Liabilities held for trading							
Foreign exchange derivatives:	–	–	–	–	–	–	–
Put options	–	–	–	–	(1,626)	–	(1,626)
	–	–	–	–	(1,626)	–	(1,626)
AT 31 DECEMBER 2012							
Derivatives held for trading							
Foreign exchange derivatives:	4	105	(41)	13	–	–	81
Put options	–	–	–	–	329	–	329
Convertible options	–	–	–	–	334	–	334
	4	105	(41)	13	663	–	744

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

FirstBank Group 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 and graph 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 yield on various maturities for Treasury Bills declined by about 300 basis points on the average compared to previous financial year; while the naira depreciated by about 2% in the interbank market.

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

The treasury bill trading VaR is NG₦100.72 million as at 31 December 2013 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 of NG₦3.37 million as at 31 December 2013 reflects the potential loss given assumptions of a 1-day holding period, volatility computed using 500-day return data, and a 99% statistical confidence level.

Group

VaR summary	Average	High	Low
12 MONTHS TO 31 DECEMBER 2013			
Foreign exchange risk	16	52	0
Interest rate risk	528	1,738	38
Total VaR	543	1,791	38
12 MONTHS TO 31 DECEMBER 2012			
Foreign exchange risk	176	1,267	2
Interest rate risk	264	1,303	5
Total VaR	440	2,570	7

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 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.

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 2013 and 31 December 2012. 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 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

Group

	Naira million	USD million	GBP million	Euro million	Others million	Total million
Asset pledged as collateral	**52,405**	**–**	**–**	**–**	**1,245**	**53,650**
Financial assets held for trading	**7,769**	**1,598**	**–**	**784**	**136**	**10,287**
Other assets	**13,384**	**12,361**	**1,881**	**111**	**896**	**28,633**
	2,279,927	**1,062,873**	**152,587**	**129,135**	**33,514**	**3,658,036**
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 held for trading	**1,697**	**–**	**–**	**–**	**4**	**1,701**
Borrowings	**28,698**	**95,442**	**140**	**2,012**	**10**	**126,302**
Other liabilities	**12,456**	**85,427**	**24,473**	**13,576**	**4,534**	**140,466**
Insurance contracts liability – Deposit administration	**1,223**	**–**	**–**	**–**	**–**	**1,223**
Insurance contracts liability – Life fund	**2,427**	**–**	**–**	**–**	**–**	**2,427**
Investment contracts	**68,721**	**–**	**–**	**–**	**–**	**68,721**
	1,999,112	**913,399**	**263,417**	**40,260**	**63,395**	**3,279,582**
31 DECEMBER 2012						
Financial assets						
Cash and balances with Central Banks	280,484	8,291	1,110	786	9,861	300,532
Loans and advances to banks	82,941	265,384	71,602	9,325	10,601	439,853
Loans and advances						
– Overdrafts	216,520	48,906	12	800	3	266,242
– Term loans	937,148	269,903	–	–	–	1,207,051
– Staff loans	5,376	–	–	–	–	5,376
– Project finance	46,963	12,051	–	–	–	59,014
– Advances under finance lease	3,694	–	–	–	–	3,694
Investment securities						
– Available-for-sale investments	328,712		50,389	–	574	379,675
– Held to maturity investments	338,365					338,365
Asset pledged as collateral	50,109	–	–	–	–	50,109
Financial assets held for trading	4,227	1,262	623	–	–	6,112
Other assets	8,515	17,714	198	37	1,890	28,354
	2,303,052	623,512	123,934	10,948	22,929	3,084,375
Financial liabilities						
Customer deposits	1,710,396	531,591	113,633	3,436	36,092	2,395,148
Deposits from banks	19,678	654	69,088	10	–	89,430
Financial liabilities held for trading	–	1,278	518	–	–	1,796
Borrowings	19,401	52,772	12	3,352	4	75,541
Other liabilities	21,818	63,661	26,818	5,500	4,405	122,202
Insurance contracts liability – Deposit administration	290	–	–	–	–	290
Insurance contracts liability – Life fund	1,837	–	–	–	–	1,837
Investment contracts	54,995	–	–	–	–	54,995
	1,771,293	649,956	210,069	12,298	40,501	2,684,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

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

The following table details the Group's sensitivity to a 10% increase and decrease in Naira against the US dollar and EURO. Management 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 strengthens by 10% against the US dollar and EURO. For a 5% weakening of Naira against the US dollar and EURO, there would be an equal and opposite impact on profit.

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Naira strengthens by 5% against the US dollar Profit/(loss)	7,474	1,322
Naira weakens by 5% against the US dollar Profit/(loss)	(7,474)	(1,322)
Naira strengthens by 5% against the EURO Profit/(loss)	4,444	67
Naira weakens by 5% against the EURO Profit/(loss)	(4,444)	(67)

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 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 held for trading	10,287	–	1,125	9,161
Other assets	41,405	–	–	41,405
	3,723,355	2,201,602	1,005,687	516,066
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 held for trading	1,701	–	–	1,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
Borrowings	126,302	1,603	124,699	–
Other liabilities	149,859	–	–	149,859
Insurance contracts liability – Deposit administration	1,223	1,223	–	–
Insurance contracts liability – Life fund	2,427	–	–	2,427
Investment contracts	68,721	–	68,721	–
	3,361,346	2,343,373	830,303	187,671
Interest rate mismatch		(141,771)	175,384	328,396

Group

	Carrying amount ₦ million	Variable interest ₦ million	Fixed interest ₦ million	Non-interest-bearing ₦ million
31 DECEMBER 2012				
Financial assets				
Cash and balances with Central Banks	300,532	–	–	300,532
Loans and advances to banks	439,853	–	83,180	356,673
Loans and advances				
– Overdrafts	266,242	266,242	–	–
– Term loans	1,207,051	1,207,051	–	–
– Staff loans	5,376	29	5,346	–
– Project finance	59,014	59,014	–	–
– Advances under finance lease	3,694	3,694	–	–
Investment securities:				
– Available-for-sale investments	379,675		318,053	62,183
– Held to maturity investments	338,365		338,365	
Assets pledged as collateral	50,109	–	50,109	–
Financial assets held for trading	6,112	–	1,015	5,097
Other assets	28,354	–	–	28,354
	3,084,375	1,536,030	796,067	752,839
Financial liabilities				
Customer deposits	2,395,148	1,894,823	495,551	9,664
Deposits from banks	89,430	–	89,430	
Financial liabilities held for trading	1,796	–	61	1,735
Borrowings	75,541	2,560	72,981	–
Other liabilities	103,868	–	–	103,868
Insurance contracts liability – Deposit administration	290	–	–	290
Insurance contracts liability – Life fund	1,837	–	–	1,837
Investment contracts	54,995	–	54,995	–
	2,665,783	1,897,383	658,023	115,267
Interest rate mismatch		(361,352)	138,044	637,572

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 2013. 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 ₦ million
Treasury Bills	56	110	58	4	–	–	224
Government Bonds	–	13	7	166	–	242	428
Corporate Bonds	–	–	–	–	–	5	5
Loans and advances to banks	312	35	4	1	1	14	367
Project Finance	14	24	4	7	7	6	61
Term Loans	18	93	19	109	140	732	1,112
Overdraft	19	39	58	211	–	–	327
Equipment on Lease	–	–	2	–	–	–	2
Staff Loans	–	–	6	–	–	–	6
Total assets	420	314	157	498	148	999	2,532
Deposits from customers	373	293	197	249	1,459	–	2,571
Deposits from banks	10	–	–	–	–	–	10
Medium term loan	18	30	2	6	23	47	125
Total liabilities	401	322	199	255	1,482	47	2,706
	19	(9)	(42)	243	(1,334)	952	(174)

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 58% 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 Life Assurance 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 company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The Group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

3.5.1 Underwriting risk

Underwriting risk relates mainly to the uncertainty that the insured event will occur. The nature of an insurance contract is that the timing and size of claims are uncertain and therefore unpredictable. The principal underwriting risk is the risk that the actual outcome of mortality, morbidity and medical claims will result in volatile profits from one year to the next. Such volatility may result from large concentrations of risk or from charging inadequate premiums relative to the severity or incidence of the risk accepted. Inadequate policy wording may fail to protect the insurer from claims that were not envisaged when the product was priced.

Insurance events are random and the actual number and amount of underwriting benefits will vary from the best estimates established from statistical techniques and taking cognisance of past experience. The Group manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
- The Group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. Whilst this is difficult to measure at underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

The Group's core funeral product offering is characterised by low sums assured which negates the need for underwriting at policy inception. The policy conditions enable the Group to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception.

The Group's reinsurance arrangements include risk premium treaties for a high life cover, hospital cover product and critical illness products. The decision on the proportion of risk to be ceded follows mainly from the Group's desire to maintain its relationship with the reinsurers and is based on the level of assistance received from the reinsurers. Exceptions to this are reinsurance cessions that are intended to limit the Group's exposure to large sums assured.

Claims risk is represented by the fact that the Group may incur unexpectedly high mortality and morbidity losses on any Group of policies. Client service staffs are trained to identify and investigate fraudulent claims timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also investigates and advises on improvements to internal control systems.

3.5.2 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death 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.

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

	31 December 2013			31 December 2012		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Individual traditional	1,028	–	1,028	346	(1)	344
Individual savings	1,223	–	1,223	404	–	404
Group credit life	814	–	814	690	–	690
Group Life – UPR incl AURR	104	(19)	85	100	(7)	92
Group Life – IBNR	317	(24)	293	523	–	523
Group School fees	8	–	8	–	–	–
Outstanding claims (lapsed)	157	(30)	127	64	–	64
Total	3,651	(72)	3,578	2,127	(8)	2,118

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

	31 December 2013			31 December 2012		
	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million	Gross liability ₦ million	Reinsurance ₦ million	Net liability ₦ million
Group Life	689	(96)	592	537	(124)	413
Group Credit Life	118	–	118	81	–	81
Individual Life	18	–	18	3	–	3
Total	825	(96)	728	621	(124)	498

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.

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

Product	Types of insurance risk	Product features	Risk
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 either Permanent
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 (Flexi save)	Deposit reserve: Account balance at val. Date
Group Life and Group School Fees	UPR + IBNR + Expense reserve
Group Credit Life	UPR + IBNR + Expense reserve
Daily Term Assurance	2 x daily premium

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 Flexi save 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 Flexi save 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 Basic Chain Ladder approach has been used for IBNR reserving, which considers the pattern of claims emerging.

No separate reserve is proposed for claims handling costs for Group Life business as these are typically insignificant in size. Costs incurred are absorbed as part of the general business management costs.

Due to the limited nature of data captured for credit life business, the cashflow projection approach 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.

The IBNR in respect of 2012 Head of Service (HoS) schemes has been reduced to reflect the proportion of premiums received. This is in accordance with the industry's stance of meeting claims in respect of the premiums received only. For FBN Life Assurance Limited this equates to holding 75% of the residual IBNR in respect of 2012 HoS business.

A similar approach was used to calculate reserves for Group Credit Life business (UPR + IBNR) allowing for acquisition costs at a ratio of 10% of premium. An additional expense reserve was also calculated for future operating expenses.

FBN launched a new daily-renewable term assurance product in 2013 (PADI4LIFE) in partnership with a mobile network provider. The product operates on an automatic no-premium-no-cover basis, at a fixed premium and benefit level (unit rate). Allowance for IBNR claims was made by holding 2 times the daily premium at the valuation date as a reserve. This was subject to the minimum of 2 x sum assured, such that the reserve is sufficient to cover IBNR claims for a minimum of 2 lives. This floor is expected to "bite" until sufficient volumes of business are obtained.

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 12.5% pa was adopted for all long term business, which has been applied as a single long term rate of return. As at 23 December 2013, FGN bond yields of duration between 5 and 20 years were above 13% – the 20 year FGN bond yield was 13.25%. By comparison long term bonds were yielding 12.3% at December 2012.

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 2013 (5 to 20 year bonds).

	Rate
Long Term FGN bond yield	13.25%
Less 5% risk adjustment	(0.66%)
Gross valuation rate	12.59%

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

Type of Business	Current valuation	Previous valuation
Risk products	12.50%	9%
Risk reserves for deposit-based policies	12.50%	9%

Expenses

The Company 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. Expenses for individual life business were reserved for explicitly at ₦3,500 pa increasing with inflation at 8% pa.

Future maintenance expenses

The regulatory maintenance expenses are derived from the best estimate maintenance expenses plus a prudence margin for adverse deviations. The best estimate maintenance expenses are calculated as the sum of the following:

1. Per policy maintenance charges
2. Allocated operating expenses

The regulatory maintenance expense assumptions (per policy) are derived by adding a 10% additional prudent margin to the best estimate maintenance expenses to give the required assumption. This has consistently been adopted for IFRS purposes.

FBN Life conducted an expense analysis for individual business based on experience to 30 June 2013. Projecting this forward for a full year gave an estimated expense per policy of ₦3,846 on average for the individual business.

FBN Life adopted a valuation expense assumption for individual business (excluding credit life) of ₦3,500 per policy, being approximately 10% higher than a “best estimate” assumption of ₦3,200 per policy. This is below the current experience, however a conservative view of the 2014 budget has been applied. The expenses will be reviewed at the next valuation in light of the 2014 actual experience.

FBN Life adopted an expense assumption of ₦115 per policy for Credit Life business. This is based on the actual cost allocation to the credit life line of business as shown in the accounts.

The valuation expense assumptions are as follows:

Type of Business	Current valuation	Previous valuation
Individual Life	₦3,500 pp	₦3,875 pp
Credit Life	₦115 pp	₦660 pp

Expense Inflation

The above expenses are subject to inflation at 8% pa. Consumer Price Inflation at 31 December 2013 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 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.

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 2013 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 15% 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. 4% of premium has been allowed for other acquisition 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 3 months, which was derived from the claims experience data.

Additional contingency reserves was 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 has been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All Business Group	Current valuation	Previous valuation
Expense overrun	10%	10%
Worsening of mortality experience	10%	10%

Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. For IFRS compliance purposes all reserves has been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

Changes in assumptions

The Company did not change its assumptions for the insurance contracts.

3.5.5 Insurance and Market risk sensitivities

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the available capital and shareholder risk tolerance levels.

The "Assumption Changes" component of the analysis of change in the table below shows the impact on liabilities of the actual assumption changes made over the year.

The sensitivity analysis was performed using the under-listed variables:

a. Valuation interest (discount) rate +/-1%

b. Expenses +/- 10%

c. Expense inflation +/-2%

d. Mortality +/-5% (including Group Life)

2013 ₦' MILLION	Base	VIR		Expenses		Expense inflation	
		1%	-1%	0%	-10%	0%	-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		0.0%	(8383%)	(83%)	(81%)	(82%)	(8162%)
Assets	3,756	3,756	3,756	3,756	3,756	3,756	3,756
Surplus/deficit	63	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	3,656	3,645
% change in net liability		(8309%)	(83%)
Assets	3,756	3,756	3,756
Surplus/deficit	63	57	68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

2012 ₦' MILLION	Base	VIR		Expenses		Expense inflation	
		1%	-1%	0%	-10%	0%	-2%
Individual risk reserves	346	294	433	373	320	377	327
Flexisave deposits	290	290	290	290	290	290	290
Group life – UPR	100	100	100	100	100	100	100
Group life – IBNR	523	523	523	523	523	523	523
Group credit life incl school fees	869	868	869	877	860	869	868
Reinsurance	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Net liability	2,118	2,067	2,206	2,154	2,084	2,150	2,100
% change in net liability		20.0%	(34.0%)	0.0%	13.0%	0.0%	7.0%
Assets	2,385	2,385	2,385	2,385	2,385	2,385	2,385
Surplus/deficit	8	310	171	223	293	227	277

2012 ₦' MILLION	Base	Mortality	
		5%	-5%
Individual risk reserves	346	350	342
Flexisave deposits	290	290	290
Group life – UPR	100	100	100
Group life – IBNR	523	563	497
Group credit life incl school fees	869	869	868
Reinsurance	(8)	(11)	(8)
Net liability	2,118	2,160	2,088
% change in net liability		(16.0%)	(12.0%)
Assets	2,385	2,385	2,385
Surplus/deficit	8	217	288

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 & 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 103.1% (112.6%: 2012). That is, assets representing Life Fund on the company's balance sheet (₦3,755 million) were 103.1% of the value of the actuarially calculated net liabilities (₦3,651 million).

The assets backing the Life Fund are as follows:

	2013 ₦ million	2012 ₦ million
FGN Bonds	**499**	51
Treasury Bills	**2,627**	1,060
Cash and bank balances	**630**	1,274
Total	**3,756**	2,385

The assets adequately match the liabilities. In particular asset admissibility requirements and localization rules in section 25 of 2003 Insurance Act were met. The Life Fund shows a surplus of ₦105.4 million (₦258.3 million; 2012).

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 is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2013, the market value of quoted securities held by the Group is ₦10.09 billion (2012: ₦10.78 billion). If the all share index of the NSE moves by 900 basis points from the 41,329.19 position at 31 December 2013, the effect on the fair value of these quoted securities and the other comprehensive income statement would have been ₦908 million.

The Group holds a number of investments in unquoted securities with a market value of ₦46.58 billion (2012: ₦54.61 billion) of which investments in Airtel Nigeria Ltd (8%), African Finance Corporation (9%) and Interswitch Ltd (10%) are the significant holdings. These investments were valued at ₦4.7 billion (cost ₦2.9 billion); ₦24.9 billion (cost ₦12.7 billion) and ₦1.4 billion (cost ₦31 million) respectively as at 31 December 2013. AFC is a private sector led investment bank and development finance institution which has the Central Bank 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. The AFC operates a US dollar denominated balance sheet and provides finance in this currency. As at 31 December 2012 the corporation had a balance sheet size of $1.6 billion. 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	Level 4 ₦ million
31 DECEMBER 2013				
Financial assets				
Financial assets held for trading				
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 equity	–	3,460	43,150	46,610
Investment securities – listed equity	5,936	–	–	5,936
Assets pledged as collateral	20,381	–	–	20,381
Assets held for sale	–	10,784	–	10,784
Financial liabilities held for trading				
Derivatives	–	1,701	–	1,701

Group

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 4 ₦ million
31 DECEMBER 2012				
Financial assets				
Financial assets held for trading				
Debt securities	680	–	–	680
Equity	3,212	–	–	3,212
Derivatives	623	1,262	–	1,885
Available-for-sale financial assets				
Investment securities – debt	219,416	99,718	–	319,134
Investment securities – unlisted equity		52,969	–	52,969
Investment securities – listed equity	7,572	–	–	7,572
Assets pledged as collateral	19,046	–	–	19,046
Financial liabilities held for trading				
Derivatives	518	1,278	–	1,796

Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 4 ₦ million
31 DECEMBER 2013				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	**–**	**2,515**	**–**	**2,515**
31 DECEMBER 2012				
Financial assets				
Available-for-sale financial assets				
Investment securities – unlisted equity	–	2,307	–	2,307

a. **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily bonds and equity investments classified as trading securities or available for sale.

b. **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

(i) Quoted market prices or dealer quotes for similar instruments;

(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;

(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.

The following table presents changes in level 3 instruments

	Group
At 1 January 2012	31,122
Disposals	(9,540)
Total gains recognised through OCI	(5,027)
Transfer out of Level 3 due to availability of market data	(16,555)
At 31 December 2012	–
Transfer into Level 3 due to change in observability of market data	52,969
Total Gains/(losses) for the period	
– Included in profit or loss	–
– Included in other comprehensive income	(6,360)
At 31 December 2013	**46,610**

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

In 2012, the Group valued its unlisted equity based on the market approach which entailed using the comparable company valuation multiples.

In 2013, the Group applied a discount factor for the lack of marketability in the valuation of these equities and this resulted in the reclassification of these securities from level 2 to level 3 hierarchy.

The discount factor ranged from 10% to 25% using the rates recommended in the PwC valuation methodology survey 2012 edition.

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
CAPITAL ALLIANCE INVESTMENT PROPERTY COMPANY	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
SEVEN ENERGY	Income Approach (Discounted Cashflow)	minority discount	the higher the minority discount the lower the fair value

EV/EBITDA or P/E valuation multiple – the Group determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The bank then calculates a trading multiple for each comparable company identified. The multiple is calculated by either dividing the enterprise value of the comparable company by its earning before interest, tax, depreciation and amortisation (EBITDA), or dividing the quoted price of the comparable company by its net income (P/E). The trading multiple is then adjusted for discounts/premiums with regards to such consideration as illiquidity and other differences, advantages and disadvantages between the bank's investee company and the comparable public companies based on company-specific facts and circumstances.

Income approach (discounted cashflow) – the Group determines the free cash flow of the investee company, and discounts these cashflows using the relevant cost of equity. The cost of equity is derived by adjusting the yield on the risk free securities (FGN Bonds) with the equity risk premium and company/sector specific premium. The present value derived from the calculation represents the investee company's enterprise value.

A reasonable change in the illiquidity discount and minority discount will not result in a material change to the fair value of the investment."

3.7.2 Group's valuation process

The Group's asset 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	Level 4 ₦ million
31 DECEMBER 2013				
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
Held to maturity investments	171,099	123,476	–	294,575
Asset pledged as collateral	33,269	–	–	33,269
Other assets	–	28,633	–	28,633
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	–	140,466	–	140,466
Investment contracts	–	68,721	–	68,721

Company

	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 4 ₦ million
31 DECEMBER 2013				
Financial assets				
Loans and advances to Customers:				
– Staff loans	–	–	72	72
Held to maturity investments	–	–	–	–
Loans and receivables	–	7,332	–	7,332
Other assets	–	42,831	–	42,831
Financial liabilities				
Other liabilities	–	3,519	–	3,519

b. The fair value of loans and advances to customers, investment securities and assets held for sale are as follows:

Group

	At 31 December 2013		At 31 December 2012	
	Carrying value ₦ million	Fair value ₦ million	Carrying value ₦ million	Fair value ₦ million
Financial assets				
Loans and advances to customers				
Fixed rate loans	49,639	48,646	19,093	21,385
Variable rate loans	1,719,491	1,749,615	1,543,912	1,543,912
Investment securities (held to maturity)	294,575	262,172	330,860	338,377
Asset pledged as collateral	33,269	24,040	31,063	26,275

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
Assets held for sale
Other assets (excluding prepayments)
Deposits from banks
Deposits from customers
Other liabilities (excluding provisions and accruals)
Borrowings

4 CAPITAL MANAGEMENT

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's capital is divided into two tiers:

- Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, statutory credit reserve,share premium and general reserve. non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, intangible assets, unpublished losses and under provisions are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, non-controlling interest and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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 in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The total risk weighted assets reflects only credit and counterparty risk.

The Group's banking subsidiary, which is subjected to the regulatory capital adequacy requirement by the Central Bank of Nigeria, achieved a capital adequacy ratio of 17.73% at the end of the year, compared to 19.08% recorded for the year ended December 2012. This is attributable to the intra-Group capital movement on accounts of the emergence of FBN Holdings Plc., a significant growth in risk weighted assets during the year and an increase of Tier 2 capital as the bank issued Eurobond during the year. The Bank, as a policy, works to maintain adequate capital cover for its trading activities, 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 composition of the banking Group regulatory capital and ratios for the years presented below. During those years, the individual entities within the banking Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

Banking Group

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
TIER 1 CAPITAL		
Share capital	16,316	16,316
Share premium	189,241	189,241
Statutory reserve	51,988	42,972
Statutory credit reserve	7,987	16,101
SMEEIS reserves	6,076	6,076
Retained earnings	93,585	97,437
Less: Intangible assets/Deferred Tax	(13,181)	(11,371)
Total qualifying for tier 1 capital	352,011	356,772
TIER 2 CAPITAL		
Fair value reserve	14,229	26,936
Forex Revaluation Reserve	2,102	1,668
Minority Interest	1,626	1,353
Other borrowings	47,249	2,560
Total qualifying for tier 2 capital	65,206	32,517
Total regulatory capital	417,217	389,289

Banking Group

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
RISK-WEIGHTED ASSETS		
On balance sheet	2,059,077	1,825,116
Off balance sheet	293,644	215,245
Total risk-weighted assets	2,352,722	2,040,361
Risk-weighted Capital Adequacy Ratio (CAR)	17.73%	19.08%
Tier 1 CAR	14.96%	17.49%

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 on-going 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 for more information.

b. **Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. 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.

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

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 ₦552 million arose in Banque Internationale De Credit in the retail segment during the course of year 2013, 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 ₦84 million while if it had been lower by 0.5% a further charge of ₦80 million would have been recognised in the Group books. See note 26 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 ₦157 million while if it had been higher by 0.5% a further charge of ₦149.5 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.

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 has 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 2013 is as follows:

	Commercial Banking Group ₦ million	IBAM Group ₦ million	Insurance Group ₦ million	Other Financial Services Group ₦ million	Total ₦ million
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	370,174	19,215	3,437	2,111	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	(3,240)	70,632
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)

	Commercial Banking Group ₦ million	IBAM Group ₦ million	Insurance Group ₦ million	Other Financial Services Group ₦ million	Total ₦ million
AT 31 DECEMBER 2013					
Total assets	3,712,579	106,066	8,708	43,643	3,870,997
Other measures of assets:					
Loans and advances to customers	1,767,622	8	65	1,435	1,769,130
Investment in associates	6,227	–	–	803	7,030
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	3,311,901	73,485	5,779	8,058	3,399,224
AT 31 DECEMBER 2012					
Total segment revenue	343,917	16,083	4,227	6,532	370,759
Inter-segment revenue	326	(70)	(256)		-
Revenue from external customers	344,243	16,013	3,971	6,532	370,759
Profit/(loss) before tax	84,531	4,122	642	4,626	93,921
Income tax expense	(15,007)	(1,105)	(177)	(831)	(17,120)
Profit for the period	69,524	3,017	465	3,795	76,801
Impairment charge on credit losses	29,506	–	–	(61)	29,445
Impairment charge on doubtful receivables	(780)	543	(28)	–	(265)
Share of profit/(loss) from associates	1,008	–	–	(1,600)	(592)
Depreciation	(9,830)	(195)	(78)	(79)	(10,182)

	Commercial Banking Group ₦ million	IBAM Group ₦ million	Insurance Group ₦ million	Other Financial Services Group ₦ million	Total ₦ million
AT 31 DECEMBER 2012					
Total assets	3,095,013	78,906	6,652	47,813	3,228,384
Other measures of assets:					
Loans and advances to customers	1,539,869	–	–	1,508	1,541,377
Investment in associates	5,609	–	–	712	6,321
Expenditure on non-current assets	74,474	432	159	342	75,407
Investment securities	684,359	16,188	2,850	14,643	718,039
Total liabilities	2,717,603	64,842	3,069	1,555	2,787,069

Geographical information

	2013 ₦ million	2012 ₦ million
REVENUES		
Nigeria	368,060	347,559
Outside Nigeria	26,876	23,201
Total	394,935	370,759

7 INTEREST INCOME

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Investment securities	86,174	89,892	921	1
Loans and advances to banks	17,423	5,264	–	–
Loans and advances to customer	220,024	200,197	3	–
	323,621	295,353	924	1

Interest income on loans and advances to customers includes interest income on impaired financial assets of ₦1.3 billion (2012: ₦5.3 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		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Customer Deposits	79,495	60,937	–	–
Deposit from banks	2,631	6,449	–	–
Borrowings	11,380	1,360	–	–
	93,506	68,746	–	–

9 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Loans and advances to customers (refer note 21)				
Increase/(Decrease) in collective impairment	1,141	3,064	–	–
Increase in specific impairment	21,573	13,567	–	–
	22,714	16,631	–	–
Recoveries on loans previously written off	(2,709)	(3,817)	–	–
Other assets (refer note 32)				
Increase in impairment	304	(265)	–	–
	20,309	12,549	–	–

The Group Impairment charge in the financial year ended December 2013 rose to ₦20.0 billion from ₦12.8 billion in December 2012. 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. The major accounts are in the logistics, architectural engineering and oil downstream industries with reasonable write back of provisions expected in 2014.

10 INSURANCE PREMIUM REVENUE

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Gross premium written	3,648	2,997
Unearned premium	(4)	(100)
	3,644	2,897
Change in insurance contract liabilities	(1,633)	(1,233)
	2,011	1,664

11 FEE AND COMMISSION INCOME

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Credit related fees	2,883	2,665	–	–
Commission on turnover	17,618	21,014	–	–
Letters of credit commissions and fees	5,472	6,433	–	–
Electronic banking fees	7,648	4,339	–	–
Money transfer commission	3,634	1,731	–	–
Commission on Bonds and Guarantees	617	1,394	–	–
Funds transfer & Intermediation fees	3,388	2,680	–	–
Other fees and commissions	18,121	20,634	–	–
	59,381	60,890	–	–
11B FEES AND COMMISSION EXPENSE	5,296	941	–	–

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/(LOSSES) ON FOREIGN EXCHANGE INCOME

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Fair value gain/loss on foreign exchange	(2,349)	(3,397)	–	–
Foreign exchange trading income	9,042	5,845	–	–
	6,693	2,448	–	–

This income relates to margins earned from FX trading and exchange difference on translation of foreign currency balances.

13 NET GAINS/(LOSSES) ON INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Equity securities	961	1,671	–	–
Debt securities	1,938	453	–	–
	2,899	2,124	–	–

14 NET GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Derivatives	595	1,717	–	–
Trading income on debt securities	(20)	–	–	–
Fair value gain/(loss) on debt securities	(2,079)	43	–	–
	(1,504)	1,760	–	–

15 OTHER OPERATING INCOME

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Other income	834	5,612	7	–
	834	5,612	7	–

Other income is largely made up of income made by the Group from rental income and income from sale of properties.

16 OPERATING EXPENSES

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Auditors' remuneration	**488**	348	**35**	30
Directors' emoluments	**6,884**	4,837	**306**	–
(Profit)/Loss on sale of property, plant and equipment	**(293)**	(1,760)	**–**	–
Deposit insurance premium	**11,070**	9,159	**–**	–
AMCON resolution cost	**13,853**	7,391	**–**	–
Maintenance, rent and insurance	**26,485**	25,369	**16**	–
Advert and Corporate Promotions	**8,357**	10,491	**343**	–
Legal and other professional fees	**4,339**	2,483	**424**	160
Donations & subscriptions	**1,814**	3,555	**36**	–
Stationary & printing	**2,084**	4,405	**6**	146
Statutory fees	**99**	–	**78**	406
Other operating expenses	**32,258**	47,498	**414**	77
	107,438	113,776	**1,658**	819

16A PERSONNEL EXPENSES				
Wages and salaries	**55,370**	47,991	**50**	1
Pension costs:				
– Defined contribution plans	**2,550**	2,508	**8**	–
– Defined benefit plans (Note 37)	**3,211**	18,380	**–**	–
– Retirement benefit cost – Gratuity (Note 37)	**4,689**	–	**–**	–
	65,820	68,879	**58**	1

17 TAXATION

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Corporate tax	**17,275**	15,421	**–**	–
National fiscal levy	**13**	–	**–**	–
Education tax	**1,360**	528	**–**	–
Technology tax	**808**	833	**–**	–
Capital gains tax	**27**	521	**–**	–
Under provision in prior years	**11**	31	**–**	–
Current income tax – current period	**19,494**	17,334	**–**	–
Origination and reversal of temporary deferred tax differences	**1,212**	(214)	**–**	–
Income tax expense	**20,706**	17,120	**–**	–

Group

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Profit before income tax	91,337		93,921	
Tax calculated using the domestic corporation tax rate of 30% (2011: 30%, 2010: 30%)	27,401	30%	28,176	30%
Non-deductible expenses	5,830	6%	7,295	8%
Effect of education tax levy	1,397	2%	531	1%
Effect of Information technology	823	1%	838	1%
Effect of capital gains tax	27	0%	524	1%
Effect of minimum tax	90	0%	84	0%
Effect of excess dividend tax	5,349	6%	9,577	10%
Effect of National fiscal levy	–	0%	13	0%
Tax exempt income	(19,536)	(21%)	(28,263)	(30%)
Effect of disposal of items of PPE	(1)	0%	(547)	(1%)
Effect of disposal of subsidiary	–		(1,047)	(1%)
Effect of change in PBT due to IFRS adjustments	15	0%	54	0%
Tax incentives	2	0%	(252)	0%
Tax loss effect	405	0%	133	0%
(Over)/under provided in prior years	26	0%	3	0%
Effect of prior period adjustment on deferred tax	(1,122)	(1%)	–	0%
Total income tax expense in income statement	20,706	23%	17,120	18%
Income tax expense	20,706	23%	17,120	18%
The movement in the current income tax liability is as follows:				
At start of the period	23,389	24,328	–	–
Effect of adjustment on acquired entities	(729)	–	–	–
Tax paid	(7,918)	(22,296)	–	–
Withholding tax credit utilised	(4)	(77)	–	–
Prior period under provision	217	3,337	–	–
AFS Securities Revaluation Tax charge/(credit)	(282)	763	–	–
Income tax charge	19,494	17,334	–	–
At 31 December	34,167	23,389	–	–
Current	34,167	23,389	–	–

18 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Cash	**71,743**	55,391	**–**	–
Balances with central banks excluding mandatory reserve deposits	**181,280**	53,432	**–**	–
	253,023	108,823	**–**	–
Mandatory reserve deposits with Central Banks	**341,211**	191,709	**–**	–
	594,234	300,532	**–**	–

Included in balances with central bank is a call placement of ₦137.04 billion for Group (31 December 2012: nil)

Restricted deposits with central banks are not available for use in Group's day to day operations. FBN Limited had restricted balances of ₦325 billion with central Bank of Nigeria (CBN) as at 31 December 2013 (December 2012: ₦187 billion). This balance is CBN cash reserve requirement. The cash reserve ratio represents a mandatory 12% of non-government deposits and 50% of government deposit (December 2012:12%) which should be held with the Central Bank of Nigeria as a regulatory requirement. FBN UK, ICB Ghana,ICB Gambia and ICB Guinea had restricted balances of ₦13.5 billion, ₦1 billion, ₦177 million and ₦1.5 billion respectively with their respective central banks.

19 CASH AND BALANCES WITH CENTRAL BANKS

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 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Cash (Note 18)	**71,743**	55,391	**–**	–
Balances with central banks other than mandatory reserve deposits (Note 18)	**181,280**	53,432	**–**	–
Loans and advances to banks excluding long term placements (Note 20)	**326,024**	439,147	**1,477**	–
Treasury bills included in financial assets held for trading (Note 22)	**438**	193	**–**	–
Treasury bills and eligible bills excluding pledged treasury bills (Note 23.1 & 23.2)	**255,206**	128,684	**–**	–
	834,691	676,847	**1,477**	–

20 LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Current balances with banks within Nigeria	**4,863**	16,370	**1,477**	–
Current balances with banks outside Nigeria	**287,452**	322,704	**–**	–
Placements with banks and discount houses	**33,709**	100,073	**–**	–
	326,024	439,147	**1,477**	–
Long term placement	**104,562**	706	**–**	–
Carrying amount	**430,586**	439,853	**1,477**	–

Included in loans to banks are:

- deposit in escrow account towards the purchase of significant interest in Oasis Insurance Plc; and
- non-current placement of ₦103.6 billion for Group (31 December 2012: ₦706 million) which does not qualify as cash and cash equivalent.

All other loans to banks are due within 3 months.

21 LOANS AND ADVANCES TO CUSTOMERS

Group

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
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
31 DECEMBER 2012					
Overdrafts	276,526	6,882	3,402	10,284	266,242
Term loans	1,234,672	10,372	17,249	27,621	1,207,051
Staff loans	5,976	–	600	600	5,376
Project finance	59,746	–	732	732	59,014
	1,576,920	17,254	21,983	39,237	1,537,683
Advances under finance lease	3,781	–	87	87	3,694
	1,580,701	17,254	22,070	39,324	1,541,377

Company

	Gross amount ₦ million	Specific impairment ₦ million	Collective impairment ₦ million	Total impairment ₦ million	Carrying amount ₦ million
31 DECEMBER 2013					
Staff loans	72	–	–	–	72
	72	–	–	–	72

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Current	932,842	571,525	5	–
Non-current	836,288	969,852	67	–
	1,769,130	1,541,377	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.

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 7 years at 9% interest per annum. These balances are included in the loans and advances.

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
CBN/Bank of Industry	7,429	6,296
CBN/Commercial Agriculture Credit	20,319	27,131

Reconciliation of impairment allowance on loans and advances to customers:

Group

	Overdraft ₦ million	Term loans ₦ million	Finance lease ₦ million	Other ₦ million	Total ₦ million
AT 1 JANUARY 2013	10,284	27,621	87	1,332	39,324
Additional provision					
– Specific impairment	11,631	9,219	695	31	21,573
– 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
Acquisition through business combination (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
AT 1 JANUARY 2012	4,819	27,333	86	704	32,942
Additional provision					
– Specific impairment	5,624	8,527	–	239	14,390
– Collective impairment	254	1,181	1	628	2,064
– Loans written off	(413)	(9,419)	–	(239)	(10,071)
	10,284	27,622	87	1,332	39,325
Specific impairment	6,882	10,372	–	–	17,254
Collective impairment	3,402	17,249	87	1,332	22,070
At 31 December 2012	10,284	27,621	87	1,332	39,324

Loans and advances to customers include finance lease receivables as follows:

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Gross investment in finance lease, receivable		
– No later than 1 year	547	729
– Later than 1 year and no later than 5 years	2,678	3,282
– Later than 5 years	24	84
	3,249	4,095
Unearned future finance income on finance leases	(387)	(314)
Impairment allowance on leases	(767)	(87)
Net investment in finance lease, receivable	2,095	3,694
Net investment in finance lease, receivable is analysed as follows		
– No later than 1 year	147	416
– Later than 1 year and no later than 5 years	1,925	3,194
– Later than 5 years	23	84
	2,095	3,694

Nature of security in respect of loans and advances:

Group				
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Legal Mortgage/Debenture On Business Premises, Factory Assets Or Real Estates	597,208	553,699	–	–
Guarantee/Receivables Of Investment Grade Banks & State Govt.	178,923	20,160	–	–
Domiciliation of receivables	112,102	348,330	–	–
Clean/Negative Pledge	47,791	118,422	–	–
Marketable Securities/Shares	374,221	26,241	–	–
Otherwise Secured	486,120	464,553	72	–
Cash/Government Securities	17,772	11,331	–	–
	1,814,137	1,542,736	72	–

The Group is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. The value of collateral of ₦1,814,137 represents 99.99% of the gross loans of ₦1,814,177.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FINANCIAL ASSETS AT FVTPL)

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Treasury bills with maturity of less than 90 days	438	193	–	–
Treasury bills with maturity over 90 days	146	487	–	–
Bonds	541	–	–	–
Total debt securities	1,125	680	–	–
Listed equity securities	4,150	3,212	–	–
Total equity securities	4,150	3,212	–	–

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Derivative assets	5,012	2,220	–	–
Total assets held for trading	10,287	6,112	–	–

The Group did not designate any financial assets as fair value through profit or loss on initial recognition.

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.

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 2013		
	Notional contract amount	Fair values	
	₦ 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 derivatives			
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)

	Group – 31 December 2012		
	Notional contract amount ₦ million	Fair values Asset ₦ million	Fair values Liability ₦ million
Interest rate derivatives			
Interest rate swaps	13,198	–	(61)
Foreign exchange derivatives			
Forward FX contract	5,302	626	(860)
Currency swap	10,750	54	–
Put options	41,581	1,205	(875)
Equity option			
Put options	2,420	335	
	73,251	2,220	(1,796)
Current	5,302	680	(660)
Non-current	67,949	1,540	(1,136)
	73,251	2,220	(1,796)

23 INVESTMENT SECURITIES

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
23.1 SECURITIES AVAILABLE FOR SALE				
Debt securities – at fair value:				
– Treasury bills with maturity of less than 90 days	**255,206**	128,684	**–**	–
– Treasury bills with maturity of more than 90 days	**58,616**	10	**–**	–
– Bonds	**163,120**	186,064	**–**	–
– Other bonds	**–**	4,376	**–**	–
Equity securities – at fair value:				
– Listed	**5,936**	7,572	**–**	–
Equity securities – at fair value:				
– Unlisted	**46,610**	52,969	**2,515**	2,307
	529,488	379,675	**2,515**	2,307
Assets pledged as collateral				
Debt securities – at fair value:				
– Treasury bills	**20,178**	17,531	**–**	–
– Bonds	**203**	1,515	**–**	–
	20,381	19,046	**–**	–
Total securities classified as available for sale	**549,869**	398,721	**2,515**	2,307

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
23.2 SECURITIES HELD TO MATURITY				
Debt securities – at amortised cost:				
– Treasury bills	19,108	–	–	–
– Bonds	275,467	338,365	–	2,450
	294,575	338,365	–	2,450
Assets pledged as collateral				
Debt securities – at amortised cost:				
– Treasury bills	–	–	–	–
– Bonds	33,269	31,063	–	–
	33,269	31,063	–	–
Total securities classified as held-to-maturity	327,844	369,428	–	2,450
Total investment securities	877,713	768,149	2,515	4,757

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 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Available for sale debt securities (note 23.1)	20,381	19,046	–	–
Held to maturity debt securities (note 23.2)	33,269	31,063	–	–
	53,650	50,109	–	–
The related liability for assets held as collateral include:				
Bank of Industry	12,110	9,982		

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 ₦41.6 billion (2012: ₦40.1 billion) for which there is no related liability.

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Current	20,178	19,046	–	–
Non-current	33,472	31,063	–	–
	53,650	50,109	–	–

25 INVESTMENT IN SUBSIDIARIES

25.1 PRINCIPAL SUBSIDIARY UNDERTAKINGS

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
DIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
First Bank of Nigeria Limited (Note 25 (i))	205,557	205,557
FBN Capital Limited (Note 25 (ii))	4,300	4,300
FBN Life Assurance Limited (Note 25 (iii))	2,262	2,000
FBN Insurance Brokers Limited (Note 25 (iv))	25	25
FBN Microfinance Limited (Note 25 (v))	2,000	1,000
New Villa Limited (Rainbow Town Development Limited) (Note 25 (vi))	2,550	100
	216,694	212,982
INDIRECT SUBSIDIARIES OF FBN HOLDINGS PLC		
First Trustees Nigeria Limited (Note 25 (vii))	25,533	25,533
First Funds Limited (Note 25 (viii))	4,550	4,550
	30,083	30,083
	246,777	243,065

All shares in subsidiary undertakings are ordinary shares. For all periods shown, the Group owned the total issued shares in all its subsidiary undertakings except Banque Internationale de Crédit, FBN Life Assurance and New Villa Limited (Rainbow Town Development Limited) in which it owned 75%, 65% and 55% respectively. There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company and the Group do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is ₦4.5 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 25 (i))	Banking	Nigeria	100	100	31 December
FBN Capital Limited (Note 25 (ii))	Investment Banking & Asset Management	Nigeria	100	100	31 December
FBN Life Assurance Limited (Note 25 (iii))	Insurance	Nigeria	65	65	31 December
FBN Insurance Brokers Limited (Note 25 (iv))	Insurance	Nigeria	100	100	31 December
FBN Microfinance Limited (Note 25 (v))	Banking	Nigeria	100	100	31 December
New Villa Limited (Rainbow Town Development Limited) (Note 25 (vi))	Investment and General Trading	Nigeria	55	55	31 December
First Trustees Nigeria Limited (Note 25 (vii))	Trusteeship	Nigeria	100	100	31 December
First Funds Limited (Note 25 (viii))	Investment Banking & Asset Management	Nigeria	100	100	31 December
FBN Bank (UK) Limited	Banking	United Kingdom	100	100	31 December
First Pension Custodian Limited	Pension fund asset custodian	Nigeria	100	100	31 December
FBN Mortgages	Mortgage Banking	Nigeria	100	100	31 December
First Bureau de Change Limited	Bureau de change	Nigeria	100	100	31 December
Banque International de Credit	Banking	Democratic Republic of Congo	75	75	31 December

SUBSIDIARY	Principal activity	Country of incorporation	Proportion of shares held directly by parent (%)	Proportion of shares held directly by the Group (%)	Statutory year end
ICB Ghana	Banking	Ghana	100	100	31 December
ICB Sierra Leone	Banking	Sierra Leone	100	100	31 December
ICB Guinea	Banking	Guinea	100	100	31 December
ICB Gambia	Banking	Gambia	100	100	31 December

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 to undertake the issuing house business. It is also involved in the business of asset management and financial advisory.

c. FBN Life Assurance Limited

In February 2010, NAICOM granted an operating licence to First Bank of Nigeria Plc (First Bank) to establish a life assurance business in partnership with Sanlam Group of South Africa. Consequently, First Bank incorporated a subsidiary, FBN Life Assurance Limited. First Bank has a holding of 65% in the equity of FBN Life Assurance Limited.

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. First Trustees Nigeria 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.

h. First 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.

25.2 CONDENSED SUBSIDIARY ACCOUNTS

31 December 2013	Banking Group ₦ million	HoldCo ₦ million	FBN Capital ₦ million	First Trustees ₦ million	First Funds ₦ million
SUMMARIZED INCOME STATEMENT					
Operating income	279,824	74,988	5,888	1,854	349
Operating expenses	(172,718)	(4,357)	(2,019)	(928)	(468)
Impairment charge	(20,521)	–	–	60	–
Operating profit	86,585	70,631	3,869	986	(119)
Associate	875	–	–	–	–
Profit before tax	87,460	70,631	3,869	986	(119)
Tax	(21,010)	–	(854)	1,208	(19)
(Loss)/Profit for the year	66,451	70,631	3,016	2,194	(139)
Other comprehensive income	(9,779)	209	(66)	1,266	519
Total comprehensive income	56,672	70,840	2,949	3,459	381
Total comprehensive income allocated to non-controlling interest	107	–	–	–	–
Dividends paid to non-controlling interest	16	–	–	–	–
SUMMARIZED FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	593,972	–	1	0	–
Due from other banks	415,210	1,477	1,016	4,276	94
Loans and advances	1,797,932	72	1	6	0
Financial Assets held for Trading (HFT)	4,743	–	556	–	852
Investment securities	734,689	9,847	26,691	7,468	6,035
Assets Pledged as collateral	53,650	–	–	–	–
Inventory	–	–	–	–	–
Investment property	–	–	–	–	–
Investment in subsidiaries	–	246,777	3,821	–	–
Investment in Associates	6,227	9,281	1,330	–	–
Other assets	40,496	43,284	9,233	290	80
Deferred tax	4,586	–	127	1,983	–
Intangible Assets	8,594	–	105	–	–
Property and equipment	78,491	1,071	1,160	42	18
Assets held for sale	10,784	–	–	–	–
	3,749,375	311,810	44,041	14,066	7,079

FBN Securities ₦ million	FBN Microfinance ₦ million	FBN Insurance Brokers ₦ million	FBN Life ₦ million	Rainbow Town ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
781	1,055	836	2,330	(296)	2,641	370,252	(74,607)	295,645
(770)	(1,036)	(460)	(1,813)	(44)	(1,882)	(186,495)	1,490	(185,005)
23	44	(40)	–	–	–	(20,433)	124	(20,309)
34	64	337	517	(339)	759	163,323	(72,993)	90,331
–	–	–	–	–	–	875	131	1,006
34	64	337	517	(339)	759	164,199	(72,861)	91,337
523	(61)	(103)	(60)	–	(331)	(20,706)	–	(20,706)
558	3	234	457	(339)	429	143,493	(72,861)	70,632
(3)	4	16	15	–	(790)	(8,608)	(504)	(9,112)
555	8	249	472	(339)	(361)	134,885	(73,366)	61,519
–	–	–	169	(153)	(21)			480
–	–	–	69	–	179			264
–	61	0	200	–	–	594,234	–	594,234
4,012	6,206	1,209	4,029	940	13,149	451,619	(21,033)	430,586
1	1,362	65	–	1	–	1,799,440	(30,310)	1,769,130
49	–	–	–	–	4,087	10,287	–	10,287
1,608	149	118	6,614	–	64,991	858,210	(34,147)	824,063
–	–	–	–	–	–	53,650	–	53,650
–	–	–	–	28,663	–	28,663	1,590	30,253
–	–	–	–	–	2,413	2,413	–	2,413
–	–	–	–	–	830	251,428	(251,428)	(0)
–	–	–	–	–	–	16,839	(9,809)	7,029
16	124	107	305	2,462	538	96,935	(55,530)	41,405
362	5	56	–	–	–	7,120	–	7,120
0	1	0	35	10	–	8,748	–	8,748
4	250	86	141	34	–	81,299	–	81,299
–	–	–	–	–	–	10,784	–	10,784
6,052	8,159	1,642	11,324	32,110	86,009	4,271,671	(400,670)	3,871,001

31 December 2013	Banking Group ₦ million	HoldCo ₦ million	FBN Capital ₦ million	First Trustees ₦ million	First Funds ₦ million
Financed by					
Customer deposits	2,942,783	–	–	6,493	–
Due to other banks	77,481	–	–	–	–
Financial liabilities held for trading	1,701	–	–	–	–
Liability on investment contracts	–	–	–	–	–
Liability on insurance contracts	–	–	–	–	–
Borrowed funds	126,302	–	–	7,913	4,279
Tax payable	31,633	–	1,620	61	97
Other liabilities	182,793	3,710	2,338	545	327
Retirement benefit obligations	1,777	–	0	–	–
Deferred income tax liabilities	10	–	–	–	0
Liabilities held for sale	1,747	–	–	–	–
	3,366,227	3,710	3,958	15,011	4,703
Equity and reserves	383,148	308,100	40,083	(945)	2,377
SUMMARISED CASH FLOWS					
Operating activities					
Interest received	316,263	3	1,875	2,076	37
Interest paid	(83,705)	-	-	(2,003)	-
Income tax paid	(6,059)	-	(224)	(26)	(7)
Cash flow generated from operations	(107,079)	(42,204)	(7,240)	1,840	309
Net cash generated from operating activities	119,420	(42,201)	(5,589)	1,887	339
Net cash used in investing activities	6,423	76,310	5,674	1,304	(579)
Net cash used in financing activities	15,444	(32,632)	-	-	-
Increase in cash and cash equivalents	141,288	1,477	85	3,191	(240)
Cash and cash equivalents at start of year	621,422	(1)	932	152	334
Effect of exchange rate fluctuations on cash held	(281)	-	-	-	-
Cash and cash equivalents at end of year	762,429	1,476	1,017	3,343	94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

FBN Securities ₦ million	FBN Microfinance ₦ million	FBN Insurance Brokers ₦ million	FBN Life ₦ million	Rainbow Town ₦ million	Others ₦ million	Total ₦ million	Adjustments ₦ million	Group ₦ million
–	1,016	–	–	–	–	2,950,292	(21,211)	2,929,081
–	4,514	–	–	–	3,775	85,769	(3,737)	82,032
–	–	–	–	–	–	1,701	–	1,701
–	–	–	–	–	70,023	70,023	(1,300)	68,723
–	–	–	3,651	–	–	3,651	–	3,651
–	–	–	–	30,561	5,233	174,289	(47,987)	126,302
–	84	269	64	7	333	34,167	–	34,167
4,280	135	417	3,900	1,883	1,913	202,239	(52,381)	149,858
–	94	53	–	–	–	1,924	–	1,924
–	–	–	28	–	–	37	–	37
–	–	–	–	–	–	1,747	–	1,747
4,280	5,843	739	7,642	32,451	81,277	3,525,840	(126,616)	3,399,224
1,771	2,316	903	3,682	(340)	4,731	745,825	(274,048)	471,777
292	-	-	706	44	7,883	329,180	480	329,660
(3)	-	-	-	(1,943)	(6,589)	(94,243)	1,702	(92,541)
-	(145)	(110)	(43)	(4)	(9)	(6,627)	(1,291)	(7,918)
2,615	5,158	623	770	(4,819)	(10,383)	(160,410)	71,193	(89,217)
2,904	5,013	513	1,433	(6,722)	(9,098)	67,899	72,084	139,983
10	(31)	(15)	(5,405)	(4)	(13,705)	69,982	(69,297)	684
-	948	(215)	134	6,526	(166)	(9,960)	27,425	17,465
2,914	5,930	283	(3,838)	(200)	(22,969)	127,921	30,212	158,133
2,407	486	926	4,684	1,140	37,315	669,797	7,049	676,847
-	-	-	-	-	-	(281)	(8)	(289)
5,321	6,416	1,209	846	940	14,346	797,437	37,253	834,691

BREAKDOWN OF OTHERS IN NOTES 25.2

31 December 2013	FBN Capital Partners ₦ million
SUMMARIZED INCOME STATEMENT	
Operating income	59
Operating expenses	(41)
Impairment charge	-
Operating profit	18
Associate	-
Profit before tax	18
Tax	(6)
(Loss)/Profit for the year	12
Other comprehensive income	-
Total comprehensive income	12
Total comprehensive income allocated to non-controlling interest	-
Dividends paid to non-controlling interest	-
SUMMARIZED FINANCIAL POSITION	
Assets	
Cash and balances with Central Bank	-
Due from other banks	111
Loans and advances	-
Financial Assets held for Trading (HFT)	-
Investment securities	3
Assets Pledged as collateral	-
Inventory	-
Investment property	-
Investment in subsidiaries	-
Investment in Associates	-
Other assets	40
Deferred tax	-
Intangible Assets	-
Property and equipment	-

FBN Asset Management ₦ million	FBN Heritage Fund ₦ million	40th Century ₦ million	Liquidity Management Fund ₦ million	Twin Peaks ₦ million	SMEEIS Trust Fund ₦ million	IDF ₦ million	FRED ₦ million	Total ₦ million
1,313	1,362	-	857	-	181	(301)	(829)	2,641
(801)	(331)	(0)	(487)	-	(81)	(109)	(32)	(1,882)
-	-	-	-	-	-	-	-	-
512	1,031	(0)	369	-	99	(410)	(860)	759
-	-	-	-	-	-	-	-	-
512	1,031	(0)	369	-	99	(410)	(860)	759
(325)	-	-	-	-	-	-	-	(331)
187	1,031	(0)	369	-	99	(410)	(860)	429
(2)	(57)	-	(221)	-	-	(213)	(297)	(790)
185	975	(0)	149	-	99	(623)	(1,157)	(361)
-	360	-	-	-	-	-	-	360
-	179	-	-	-	-	-	-	179
-	-	-	-	-	-	-	-	-
182	47	-	11,817	361	39	371	222	13,149
-	-	-	-	-	-	-	-	-
-	1,818	-	2,269	-	-	-	-	4,087
736	2,971	-	56,405	-	893	2,638	1,345	64,991
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	508	-	723	-	-	1,183	2,413
-	-	-	-	-	-	-	830	830
-	-	-	-	-	-	-	-	-
206	13	1	277	1	-	-	-	538
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

31 December 2013	FBN Capital Partners ₦ million
Assets held for sale	-
	154
Financed by	
Customer deposits	-
Due to other banks	-
Financial liabilities held for trading	-
Liability on investment contracts	-
Liability on insurance contracts	-
Borrowed funds	-
Tax payable	8
Other liabilities	85
Retirement benefit obligations	-
Deferred income tax liabilities	-
Liabilities held for sale	-
	93
Equity and reserves	61
SUMMARIZED CASH FLOWS	
Operating activities	
Interest received	-
Interest paid	-
Income tax paid	-
Cash flow generated from operations	13
Net cash generated from operating activities	13
Net cash used in investing activities	-
Net cash used in financing activities	(2)
Increase in cash and cash equivalents	11
Cash and cash equivalents at start of year	100
Effect of exchange rate fluctuations on cash held	-
Cash and cash equivalents at end of year	111

FBN Asset Management ₦ million	FBN Heritage Fund ₦ million	40th Century ₦ million	Liquidity Management Fund ₦ million	Twin Peaks ₦ million	SMEEIS Trust Fund ₦ million	IDF ₦ million	FRED ₦ million	Total ₦ million
-	-	-	-	-	-	-	-	-
1,124	4,849	509	70,769	1,084	932	3,008	3,579	86,009
-	-	-	-	-	-	-	-	-
37	0	-	-	-	-	3,737	-	3,775
-	-	-	-	-	-	-	-	-
-	-	-	70,023	-	-	-	-	70,023
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,233	5,233
325	-	-	-	-	-	-	-	333
556	103	0	966	(3)	20	152	34	1,913
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
918	103	0	70,989	(3)	20	3,889	5,267	81,277
206	4,746	508	(221)	1,087	912	(881)	(1,688)	4,731
-	-	-	7,883	-	-	-	-	7,883
-	-	-	(6,589)	-	-	-	-	(6,589)
-	(9)	-	-	-	-	-	-	(9)
898	(796)	(152)	(10,382)	(67)	(42)	40	105	(10,383)
898	(805)	(152)	(9,088)	(67)	(42)	40	105	(9,098)
(55)	(317)	-	(13,140)	10	(203)	-	-	(13,705)
-	(164)	-	-	-	-	-	-	(166)
843	(1,286)	(152)	(22,228)	(57)	(245)	40	105	(22,969)
20	1,333	152	34,358	418	486	331	117	37,315
-	-	-	-	-	-	-	-	-
863	47	-	12,130	361	241	371	222	14,346

26 ACQUISITION OF SUBSIDIARY

In November 2013, First Bank of Nigeria Limited paid for the acquisition of a 100% equity interest in the West Africa operations of International Commercial Bank (ICB), which includes ICB Ghana, ICB Sierra Leone, ICB Guinea and ICB Gambia from International Commercial Bank Financial Group Holdings AG (ICBFGH).The equity interest was acquired on 31 October 2013. As a result of this acquisition, 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%.

In October 2011, First Bank of Nigeria Limited paid for the acquisition of a 75% interest in Thorens Limited, which owns 99.9% interest in Banque Internationale de Crédit (BIC) in Democratic Republic of Congo (DRC). The transaction was approved by the Central Banks in Nigeria and the DRC, subject to subsequent restructuring of the investment by the Bank to achieve direct ownership of BIC. As part of the restructuring, the Bank gained effective control of BIC on 31 March 2012 by controlling 75% of its shares and voting interest and thus accounted for the acquisition on that date. The consideration transferred by the Bank in October 2011 was ₦5.5 billion. The acquisition of BIC is expected to increase the Group's profile across Sub Saharan Africa, create a greater earning diversification and increased shareholder value through higher returns on equity. The accounting for the acquisition of the subsidiary was completed in March 2013. This resulted in a change to goodwill by ₦0.5 billion.

The ICB entities contributed interest income of ₦855 million and fee commission of ₦102 million to the Group for the period 1 November 2013 to 31 December 2013 as well as profit of ₦374 million. If the acquisition had occurred on 1 January 2013, the Group interest income would show ₦320.9 billion, Group fee and commission would be ₦54.9 billion and Group profit before tax would have been ₦86.7 billion.

BIC contributed interest income of ₦2.1 billion and fee commission of ₦2.3 billion to the Group for the period 1 April 2012 to 31 December 2012 as well as profit of ₦671 million. If the acquisition had occurred on 1 January 2012, the Group interest income would show ₦277.7 billion, Group fee and commission would be ₦54.1 billion and Group profit before tax would have been ₦86.4 billion.

The following table summarises the consideration paid for the subsidiaries, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	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	BIC 31 March 13 ₦ million
CONSIDERATION					
Cash	10,559	1,685	2,243	1,435	5,503

Recognised amounts of identifiable assets acquired and liabilities assumed

	ICB Ghana provisional fair value ₦ million	ICB Sierra Leone provisional fair value ₦ million	ICB Guinea provisional fair value ₦ million	ICB Gambia provisional fair value ₦ million	BIC fair value ₦ million
Cash and balances with central banks	1,768	416	2,846	949	10,081
Treasury bills	10,632	1,647	1,501	767	44
Loans and advances to banks	404	–	3,073	–	6,841
Loans and advances to customers	9,316	1,111	1,655	659	16,046
Inventory	–	–	–	–	144
Deferred tax asset	76	14	–	–	1,045
Other assets	277	238	234	73	1,976
Property, plant and equipment	319	14	67	22	3,392
Deposits	(11,687)	(1,999)	(7,284)	(1,517)	(27,521)
Other liabilities	(4,695)	(217)	(706)	(84)	(6,182)
Total identifiable net assets	6,410	1,224	1,386	869	5,866
Non-controlling interest	–	–	–	–	1,466
Goodwill	4,149	461	857	566	1,103

	ICB Ghana provisional fair value ₦ million	ICB Sierra Leone provisional fair value ₦ million	ICB Guinea provisional fair value ₦ million	ICB Gambia provisional fair value ₦ million	BIC fair value ₦ million
Cash and cash equivalents acquired from the subsidiary is made up of the following:					
Cash and balances with central banks	1,768	416	2,846	949	10,081
Treasury bills	10,632	1,647	1,501	767	44
Loans and advances to banks	404	–	3,073	–	6,841
	12,804	2,063	7,420	1,716	16,966
Net cash on acquisition of subsidiary	2,245	378	5,177	281	11,463

The cash and balances with central banks did not include any mandatory or restricted balances.

As at 31 December 2013 the fair values of acquired assets, liabilities and goodwill for ICB Ghana, ICB Gambia, ICB Guinea and ICB Sierra-leone have been determined on a provisional basis as these businesses were acquired in close proximity 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 the 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 December 2014.

Costs directly attributable to each acquisition have been expensed within operating expenses.

The acquisition of these entities is expected to increase the Group's profile across West Africa, create a greater earning diversification and increased shareholder value through higher returns on equity.

The goodwill of ₦4.1 billion, ₦461 million, ₦856 million and ₦567 million on ICB Ghana, Sierra-Leone, Guinea and Gambia respectively arises from a number of factors such as expected synergy's through combining a highly skilled workforce and obtaining economies of scale and unrecognised assets such as customer listing, brand and workforce.

The net contractual amount for loans and advances to customers is ₦10.6 billion, ₦1.6 billion, ₦1.1 billion and ₦741 million for ICB Ghana, Guinea, Sierra-Leone and Gambia respectively which excludes a loan loss provision of ₦1.9 billion, ₦11.9 million, ₦42 million and ₦107 million for each of the respective entities. The gross carrying value of other assets is ₦821 million. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

BIC

The goodwill of ₦1.1 billion from the acquisition of BIC arises from a number of factors such as expected synergy's through combining a highly skilled workforce and obtaining economies of scale.

There were no contingent consideration. So the fair value of the contingent consideration arrangement was deemed nil.

The treasury bills were not marked to market as at 31 March 2012. 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 7 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 net contractual amount for loans and advances to customers is ₦18.166 billion which excludes a loan loss provision of ₦2.2 billion.

The gross carrying value of other assets is ₦1.9 billion, this includes an account receivable of ₦0.987 billion. The fair value of the trade receivables amounts to ₦0.968 billion. None of the trade receivables have 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 BIC has been finalised in the current year with no material changes to the fair value disclosed in the 2012 consolidated financial statements.

The fair value of property, plant and equipment at acquisition date has been determined by professional valuers and as a result; the value of property, plant and equipment increased from ₦2.7 billion (provisional figure at acquisition) to ₦3.4 billion. This resulted in an increase in the pre-acquisition reserves by ₦0.7 billion, which is allocated between the Group (₦0.5 billion) and non-controlling interest (₦0.18 billion). The Group's remeasurement of goodwill is therefore ₦0.5 billion.

The non-controlling interest has been recognised as a proportion of net assets acquired.

27 DISCONTINUED OPERATIONS

(i) There were no discontinued operations in current year.

(ii) Disposal of First Registrars Limited in December 2012

On 28 December 2012, FBN Limited disposed of 100% of the share capital of its subsidiary – First Registrars. The company contributed profit of ₦1.5 billion to the Group from 1 January 2012 to 28 December 2012 (₦986 million for prior year).

a. The details of the assets and liabilities and disposal consideration are as follows:

	First registrars limited 28 Dec 2012 ₦ million
ASSETS	
Loans and advances to banks	30,619
Loans and advances to customers	148
Investment securities	
– Held to maturity investments	3,001
Other assets	233
Property, plant and equipment	565
Deferred tax	81
Total assets	34,647
LIABILITIES	
Other liabilities	31,445
Total liabilities	31,445
EQUITY AND RESERVES	
Share capital	500
Retained earnings	2,702
Total equity and reserves	3,202
Sale consideration	3,490
Gain on sale	288

b. 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) which is being presented as held for sale following the commitment to its sale by the Group's management in compliance with the Central Bank of Nigeria's (CBN) Regulation on the scope of Banking Activities and Ancillary Matters No 3, 2010, which require 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 the property development business of FBN Mortgages, prior to the Central Bank of Nigeria cut off date of June 2013. Subsequently,the CBN again extended the cut off date to June 30, 2014 to afford all affected Primary Mortgage banks sufficient time to exercise any of the options for capital raising and business combination.

The carrying amount of the assets and liabilities of the disposed Group classified as held for sale are as listed below.

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS CLASSIFIED AS HELD FOR SALE		
Inventory	**4,549**	5,637
Accounts receivable	**6,235**	7,341
	10,784	12,978
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Accounts payable – Deposit for property	**1,747**	2,836
Net Asset	**9,037**	10,142

28 INVESTMENT IN ASSOCIATES (EQUITY METHOD)

(i) FBN Holdings Plc and its subsidiaries have 46% shareholding in Kakawa Discount House (KDH).

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

SOSL is a company incorporated in Nigeria and is involved in the oil and gas sector. SOSL has share capital consisting only of ordinary share capital which are held directly by the Group; the country of incorporation or registration is also their principal place of business. SOSL is not publicly traded and there is no published price information.

(iii) FBN Holdings Plc and its subsidiaries have 63% shareholding in FBN Heritage Fund, with FBN Holdings Plc separately owning 35.72%

FBN Heritage Fund is an open-ended 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, a periodic price is determined using the Net Asset Value. The unit price of the fund as at reporting date was ₦114.49.

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	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
KDH				
Balance at beginning of period	**6,321**	5,837	**–**	–
Transferred from First Bank of Nigeria Limited	**–**	–		–
Impairment loss	**–**	–	**–**	–
Dividend received		(576)		–
Share of profit/(loss)	**1,006**	1,060	**–**	–
Share of other comprehensive income	**(298)**	–	**–**	–
At end of period	**7,029**	6,321	**–**	–

	Group		Company	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
SOSL				
Balance at beginning of period	–	1,652	10,375	–
Transferred from First Bank of Nigeria Limited	–	–		10,375
Impairment loss	–	–	(2,594)	–
Dividend received		–		–
Share of profit/(loss)	–	(1,652)	–	–
Share of other comprehensive income	–	–	–	–
At end of period	–	–	7,781	10,375
FBN HERITAGE FUND				
Balance at beginning of period	–	–	1,500	–
Transferred from First Bank of Nigeria Limited	–	–	–	1,500
Impairment loss	–	–	–	–
Dividend received	–	–	–	–
Share of profit/(loss)	–	–	–	–
Share of other comprehensive income	–	–	–	–
At end of period	–	–	1,500	1,500
	7,029	6,321	9,281	11,875

	SOSL		KDH	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
SUMMARISED BALANCE SHEET IS AS FOLLOWS	–	–	–	245
Cash and balances with CBN	–	–	–	245
Loans and advances to Banks	687	170	1,039	2,362
Loans and advances to customers	–	–	25,661	16,224
Financial assets held for trading	–	–	6,330	1,628
Investment securities	–	–	48,696	71,629
Investment in subsidiaries	–	–	–	–
Pledged assets	–	–	19,900	15,023
Other assets	247,826	195,807	73	43
Property and equipment	47,198	52,802	1,051	1,008
Intangible assets	–	–	30	19
Deferred tax assets	–	–	2,533	2,445
Assets held for sale	–	–	–	8,718
Total assets	295,711	248,779	105,313	119,344
Due to banks	–	–	38,123	47,283
Due to customers	–	–	52,541	49,694
Derivative financial instruments	–	–	265	–
Borrowing	128,858	267,526		
Current income tax liability	774	259	87	480

	SOSL		KDH	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
Other liabilities	203,586	3,464	792	461
Deferred tax liabilities	–	–	101	88
Liabilities held for sale	–	–	–	8,042
Total Liabilities	333,218	271,248	91,909	106,048
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME				
Discount and similar income	–	–	12,418	13,375
Discount and similar expense	(6,733)	(6,446)	(9,629)	(11,379)
Net discount income	(6,733)	(6,446)	2,789	1,996
Impairment (charge) for/reversal of credit losses (Net)	–	–	–	–
Net interest income after net impairment charge	(6,733)	(6,446)	2,789	1,996
Net gains from financial assets held for trading	–	–	933	979
Net gains from investment securities at fair value	–	–	(241)	30
Other operating income	9,561	13,370	607	750
Operating income	2,828	6,924	4,088	3,755
Operating expenses	(11,074)	(11,059)	(1,746)	(1,338)
Income tax	–	–	(176)	8
Profit for the year from continuing operations	(8,246)	(4,135)	2,166	2,425
Profit for the year from discontinued operations	–	–	23	95
Profit for the year	(8,246)	(4,135)	2,189	2,520
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)	3,993
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX				
Total comprehensive income for the year	(8,246)	(4,135)	1,541	6,513

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		KDH	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
Opening net assets on 1 January	(22,469)	(18,334)	14,712	8,199
Adjustment	(6,791)	–	–	–
Profit or loss for the period	(8,246)	(4,135)	2,189	2,520
Other comprehensive income	–	–	(648)	3,993
Closing net assets	(37,506)	(22,469)	16,253	14,712
Interest in associates	(15,753)	(9,437)	7,477	6,768
Carrying value	–	–	7,029	6,321

KDH and SOSL did not have any commitment or contingent liabilities as at 31 December 2013 (2012: Nil).

29 PROPERTY, PLANT AND EQUIPMENT

Group

	Improvement & buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings & equipment ₦ million	Plant & machinery ₦ million	Work in progress ₦ million	Total ₦ million
COST									
At 1 January 2012	29,614	11,336	9,989	28,401	13,606	5,380	–	9,876	108,202
Acquisition of new subsidiary	1,545	–	298	575	982	615	–	419	4,434
Additions	2,420	2,658	3,215	6,296	2,029	1,460	–	594	18,672
Reclassifications	1	–	–	–	(28)	–	–	–	(27)
Disposals	(293)	–	(1,917)	(1,387)	(340)	(182)	–	(9)	(4,128)
Write offs	(102)	–	–	–	(84)	(49)	–	–	(235)
Discontinued Operations	–	(368)	(171)	(150)	(238)	(38)	24	–	(941)
Transfer to HoldCo	–	–	–					–	–
Exchange difference	(3)	–	–	–	(0)	(1)	–	–	(4)
At 31 December 2012	33,182	13,626	11,414	33,735	15,927	7,185	24	10,880	125,973
ACCUMULATED DEPRECIATION									
At 1 January 2012	3,311	–	6,734	17,487	11,221	3,594	–	–	42,347
Acquisition of new subsidiary	79	–	242	445	641	319	–	–	1,726
Charge for the year	682	–	1,761	4,863	2,019	856	1	–	10,182
Disposals	(95)	–	(1,508)	(942)	(353)	(175)	–	–	(3,073)
Write offs	(102)	–	–	–	(82)	(49)	–	–	(233)
Discontinued Operations	–	–	(67)	(113)	(200)	(24)	21	–	(383)
Transfer to HoldCo		–							–
Exchange differences	–	–	–	–	–	–	–	–	–
At 31 December 2012	3,875	–	7,162	21,740	13,246	4,521	22	–	50,566
Net book amount at 31 December 2012	29,307	13,626	4,252	11,995	2,681	2,664	2	10,880	75,407
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)
Accounting 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 2013

Group

	Improvement & buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings & equipment ₦ million	Plant & 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	–	50,565
Exchange differences	0	–	(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)	–	(1,447)	(488)	(2,143)	(137)	(27)	–	(4,303)
Write offs	(85)	–	(3,423)	(8,216)	(7,302)	(1,894)	–	–	(20,920)
At 31 December 2013	5,028	1,414	4,291	19,671	5,822	3,377	(10)	(3,493)	36,097
Net book amount at 31 December 2013	32,770	16,785	4,887	10,137	2,350	3,690	68	10,610	81,299

Company

	Improvement & buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings & equipment ₦ million	Work in progress ₦ million	Total ₦ million
COST								
At 1 January 2012	–	–	–	–	–	–	–	–
Additions	–	–	23	7	–	–	–	30
Disposals	–	–	–	–	–	–	–	–
At 31 December 2012	–	–	23	7	–	–	–	30
ACCUMULATED DEPRECIATION								
At 1 January 2012	–	–	–	–	–	–	–	–
Charge for the year	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 December 2012	–	–	–	–	–	–	–	–
Net book amount at 31 December 2012	–	–	23	7	–	–	–	30

Company

	Improvement & buildings ₦ million	Land ₦ million	Motor vehicles ₦ million	Office equipment ₦ million	Computer equipment ₦ million	Furniture, fittings & equipment ₦ million	Work in progress ₦ million	Total ₦ million
COST								
At 1 January 2013	–	–	23	7	–	–	–	30
Additions	–	–	146	13	1	212	717	1,089
Reclassifications	–	–	–	–	–	–	–	–
Accounting Adjustments	–	–	–	–	–	–	–	–
Write offs	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 December 2013	–	–	169	20	1	212	717	1,119
ACCUMULATED DEPRECIATION								
At 1 January 2013	–	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–	–	–
Charge for the year	–	–	19	4	–	24	–	47
Reclassifications	–	–	–	–	–	–	–	–
Write offs	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 December 2013	–	–	19	4	–	24	–	47
Net book amount at 31 December 2013	–	–	150	16	1	188	717	1,072

30 INTANGIBLE ASSETS

	Group		
	Goodwill ₦ million	Computer software ₦ million	Total ₦ million
COST			
At 1 January 2012	–	3,636	3,636
Additions	–	1,570	1,570
Disposals	–	(128)	(128)
Write off		(237)	(237)
Acquisition of subsidiary	1,646	–	1,646
Exchange difference		20	20

	Group		
	Goodwill ₦ million	Computer software ₦ million	Total ₦ million
At 31 December 2012	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
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	–	2,628	2,628
Amortisation charge	–	676	676
Write off		(237)	(237)
Disposals	–	(97)	(97)
Exchange difference	–	14	14
At 31 December 2012	–	2,985	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	1,912	2,463
NET BOOK VALUE			
At 31 December 2013	6,586	2,161	8,748
At 31 December 2012	1,646	1,876	3,523

The amortisation charge for the period is included in Other operating expenses in the Statement of comprehensive income.

The software is not internally generated.

The Gross goodwill balance of ₦7.8 billion includes ₦1.6 billion attributable to the acquisition of BIC (Banque International du Crédit in the Democratic Republic of Congo) in 2012 and ₦6.2 billion attributable to the acquisition of the ICB West Africa entities in 2013.

See note 26 on provisional goodwill arising on acquisition of ICB entities.

Impairment tests for goodwill

BIC

Goodwill is monitored on the operating segment level. BIC 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.

The value of goodwill on this acquisition has been reduced to the recoverable amount by an impairment loss which is recognised in operating expenses in the income statement.

The recoverable amount of the 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 future cash flows were extrapolated using the estimated growth rate which does not exceed the growth rates of the country and industry.

The key assumptions used in the value-in-use calculation for 2013 are as follows:

- Terminal growth rate: 6.8%
- Discount rate: 27.2%
- Deposit growth rate: 6.48%
- Recoverable amount of the CGU: ₦5.581 billion

Management determined deposits to be the key value driver in BIC. Deposits are expected to grow in line with GDP growth rate and inflation.

The long term growth rates used are consistent with the forecast in the IMF world economic outlook database. The discount rate used is pre-tax.

The impairment arose in BIC due to the effect of a war situation which has led to an adverse effect on the economy of Democratic Republic of Congo. The war has recently been brought under control and this is expected to reflect positively on the economy with time.

Impairment testing on cash generating units containing goodwill

The recoverable amount of each CGU to which the goodwill is allocated 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 future cash flows were extrapolated using the estimated growth rate which does not exceed the growth rates of the country and industry. The discount rate used is pre-tax

The key assumptions used in the value-in-use calculation for 2013 are as follows:

	Ghana	Guinea	Gambia	Sierra Leone
Terminal growth rate: %	9	5	4	7
Discount rate: %	29	31	52	52
Deposit growth rate: %	1	10	20	25
Recoverable amount of the CGU: (₦ million)	11,498	2,281	1,931	4,987
Goodwill (₦ million)	4,149	856	566	461
Net Asset (₦ million)	6,410	1,386	869	1,224
Total carrying amount (₦ million)	10,559	2,242	1,435	1,685
Excess of recoverable amount over carrying amount	939	39	496	3,302

Management determined deposits to be the key value driver in each of the entities.

31 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2009: 30%, 2008: 30%).

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Deferred income tax assets and liabilities are attributable to the following items:				
DEFERRED TAX ASSETS				
Property and equipment	(363)	9,325	–	–
Allowance for loan losses	3,238	3,930	–	–
Tax losses carried forward	2,313	783	–	–
Other assets	(580)	529	–	–
Other liabilities	(630)	(10,286)	–	–
Defined benefit obligation	3,142	5,160	–	–
Borrowings	–	62		
Prior year adjustment	–	(1,302)		
	7,120	8,201	–	–
DEFERRED TAX LIABILITIES				
Other liabilities	37	225	–	–
	37	225	–	–
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	8,165	7,672	–	–
- Deferred tax asset to be recovered within 12 months	(1,045)	529	–	–
	7,120	8,201	–	–
Deferred tax liabilities				
- Deferred tax liability to be recovered after more than 12 months	–	–	–	–
- Deferred tax liability to be recovered within 12 months	37	225	–	–
	37	225	–	–

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 2012 ₦ million	Recognised in P&L ₦ million	Recognised in OCI ₦ million	31 Dec 2012 ₦ million
Movements in Deferred tax assets during the year:				
Property and equipment	9,178	77	–	9,255
Allowance for loan losses	1,741	1,430	–	3,171
Tax losses carried forward	927	(926)	–	1
Other assets	1,126	(374)	–	752
Other liabilities	(10,420)	134	–	(10,286)
Defined benefit obligation	4,402	760	146	5,308
	6,954	1,101	146	8,201

	Group			
	Opening balance ₦ million	Discontinued operations ₦ million	Recognised in P&L ₦ million	Closing balance ₦ million
Movements in Deferred tax liabilities during the year:				
2013				
Other liabilities	**225**	**–**	**(188)**	**37**
2012				
Other liabilities	1,278	(260)	(793)	225

32 OTHER ASSETS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
FINANCIAL ASSETS:				
Premium debtors	**471**	695	**–**	–
Accounts receivable	**9,369**	19,214	**40,282**	–
Inventory	**2,464**	2,539	**–**	–
Other receivables	**17,862**	12,425	**2,549**	–
	30,166	34,873	**42,831**	–
Less specific allowances for impairment (premium debtors: ₦312m; Inventory: ₦349m; Other receivables: ₦872m)	**(1,533)**	(6,519)	**–**	–
	28,633	28,354	**42,831**	–
NON-FINANCIAL ASSETS:				
Prepayments	**12,772**	11,898	**454**	236
Net other assets balance	**41,405**	40,252	**43,285**	236

	Group		Company	
	2013 ₦ million	2012 ₦ million	2013 ₦ million	2012 ₦ million
At start of period	6,519	7,035	–	–
Write off	(5,290)	–	–	–
Increase in impairment	304	281	–	–
Discontinued operations	–	(797)	–	–
At end of period	1,533	6,519	–	–

All other assets on the statement of financial position of the Group and Bank had a remaining period to contractual maturity of less than 12 months.

33 INVENTORY

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Work in progress	10,771	8,366
Interest capitalised	10,868	9,301
Stock of properties	8,614	9,646
Transfer to assets held for sale	–	(5,637)
At 31 December	30,253	21,676
Current	8,614	4,009
Non-current	21,639	17,667

Inventory relates to real estate development of Rainbow Town Development Limited.

34 DEPOSITS FROM BANKS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Due to banks within Nigeria	7,047	68,223	–	–
Due to banks outside Nigeria	74,985	21,207	–	–
	82,032	89,430	–	–

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.

35 DEPOSITS FROM CUSTOMERS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Current	**922,097**	803,485	**–**	–
Savings	**665,670**	548,948	**–**	–
Term	**716,677**	491,841	**–**	–
Domiciliary	**616,368**	541,210	**–**	–
Electronic purse	**8,269**	9,664	**–**	–
	2,929,081	2,395,148	**–**	–
Current	**2,849,476**	2,395,144	**–**	–
Non-current	**79,605**	4	**–**	–
	2,929,081	2,395,148	**–**	–

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

36 BORROWINGS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Long term borrowing comprise:				
FBN EuroBond (i)	**47,249**	–	**–**	–
Due to European Investment Bank (ii)	**1,603**	2,560	**–**	–
On-lending facilities from financial institutions (iii)	**31,389**	25,846	**–**	–
Borrowing from correspondence banks (iv)	**46,061**	47,135	**–**	–
	126,302	75,541	**–**	–
Current	**55,739**	54,004	**–**	–
Non-current	**70,563**	21,537	**–**	–
	126,302	75,541	**–**	–
At start of the period	**75,541**	104,473	**–**	–
Proceeds of new borrowings	**99,723**	57,832	**–**	–
Repayments of borrowings	**(48,962)**	(86,764)	**–**	–
At end of period	**126,302**	75,541	**–**	–

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2012: nil).

(i) Facility represents dollar notes issued by FBN Finance Company B.V, Netherlands on 7 August 2013 for a period of seven years. The notes bear interest at 8.25% per annum up to the bank call date of 7 August 2018. From the call date up to the maturity date, the notes bear interest at a fixed rate of 6.875% per annum plus the prevailing mid swap rate for United States Dollar swap transactions with a maturity of two years. The loan is redeemable, subject to having obtained the prior approval of the CBN, on the Bank call date of 7 August 2018 and not in part at the option of the issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

(ii) 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 year 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 2013 relates to tranche B.

(iii) Included in on-lending facilities from financial institutions are disbursements from banks 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 ₦2.4 billion (2012: ₦1.8 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 is 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 Nigeria Limited received ₦3.77 billion (2012: ₦5.9 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.

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

37 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Defined Contribution Plan	11	239	–	–
Defined Benefits Plan				
Gratuity Scheme (i)	480	14,645	–	–
Defined benefits – Pension (ii)	1,111	4,364	–	–
Gratuity Scheme (iii)	322	132	–	–
	1,924	19,380	–	–

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 2013 and 31 December 2012.

Change in accounting policy due to application of IAS 19 (as revised in 2011) Employee benefits

In the current period, the Group has applied IAS 19 (as revised June 2011) Employee Benefits and the related consequential amendments.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefits obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statements of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and the return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest" amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group already fully recognises actuarial gains and losses in other comprehensive income and all past service costs are fully recognised in the period in which they arise. Therefore the change to the accounting policy in relation to the revised standard mainly impacts on the treatment of the return on plan assets. The return on plan assets which was previously included in the income statement is now reported in the statement of other comprehensive income. Schemes (1), (3) & (6) has no plan assets. The effect of the change in accounting policy on the statement of cash flows and on earnings per share was immaterial. The impact of change in accounting policy is therefore shown below:

Impact of change on accounting policy

	Group	Company
	31 Dec 2013 ₦ million	31 Dec 2013 ₦ million
Adjustments to consolidated income statement		
Net income before accounting change	93,921	(819)
Increase in		
Finance expense	142	–
Change to net income	142	–
Net income after accounting change	94,063	(819)
Adjustments to consolidated comprehensive income		
Comprehensive income before accounting change	95,614	(957)
Decrease in other comprehensive income for re-measurements of post-employments benefit liabilities	(142)	–
Increase in net income	142	–
Change to comprehensive income	–	–
Comprehensive income after accounting change	95,614	(957)

Gratuity scheme (1)

FBN Limited, 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 5 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the entity. FBN Limited's scheme was terminated in 2013 and individual members benefit were calculated on a discontinuance basis. 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

	31 Dec 2013			31 Dec 2012
	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million	Present value of the obligation ₦ million
DEFINED BENEFIT OBLIGATIONS AT START	14,645	–	14,645	7,685
Service cost	2,003	–	2,003	1,706
Interest cost	1,753	(4)	1,749	1,113
Remeasurement				
– (Gain)/loss from change in financial assumptions	(1,078)	(2)	(1,080)	(71)
– Change in demographic assumptions	(2,167)	–	(2,167)	3,093
Benefits paid (in the year)	(9,328)		(9,328)	(13,623)
Curtailment (gains)/losses	2,855	–	2,855	9,160
Plan amendments	1,123		1,123	5,582
Reclassification of curtailed liability*	(9,271)	(49)	(9,320)	–
Defined benefit obligations at end	535	(55)	480	14,645

* this represents the outstanding liability payable to staff in 2014.

Composition of Plan assets

Group	31 Dec 2013 Quoted ₦ millions	 Unquoted ₦ millions	 Total ₦ millions
Debt Instruments			55
– Government	–	54	
– Money market investments	–	1	
Others	–	0	
Total	–	55	55

	Group 31 Dec 2013 ₦ million	 31 Dec 2012 ₦ million
Amounts recognised in the income statement (gratuity scheme 1) are as follows:		
Current service cost	(2,003)	(1,706)
Net interest expense on obligation	(1,749)	(1,113)
Curtailment (gains)/losses	(2,855)	(9,160)
Actuarial (losses)/gains	3,248	0
Plan amendments	(1,123)	(5,582)
Total employee benefits expense	(4,482)	(17,561)
Amount recognised in other comprehensive income are as follows:		
Actuarial losses/(gains)	3	(3,022)

Defined benefit – Pension 2

The Bank 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, and has elected to do this over the next five years commencing January 2010 with an annual contribution of ₦1.2 billion.

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	Total ₦ million
Defined benefit pension obligations at 1 January 2012	14,293	(7,288)	7,005
Interest expense/(income)	1,479	(660)	819
Remeasurement:			
– Return on plan assets, excluding amount included in interest income	–	(1,915)	(1,915)
– Change in demographic assumptions	(536)	–	(536)
Contributions:			–
– Employer	–	(1,010)	(1,010)
Payments:			–
– Benefit payment	(1,640)	1,640	–
Defined benefit pension obligations at 31 December 2012	13,596	(9,233)	4,363

Group

	Present value of the obligation ₦ million	Fair value of plan assets ₦ million	Total ₦ million
Interest expense/(income)	1,439	(984)	455
Remeasurement:			
- Return on plan assets, excluding amount included in interest income	-	(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

Composition of Plan assets

Group

	2013			2012		
	Quoted ₦ millions	Unquote ₦ millions	Total ₦ millions	Quoted ₦ millions	Unquote ₦ millions	Total ₦ millions
Equity Instruments			3,316			3,625
- Banking	3,220			3,545		
- Oil Service	44			45		
- Real Estate	52			35		
Debt Instruments			7,374			5,607
- Government		5,436			3,103	
- Corporate Bond		155			155	
- Money market investments		1,564			2,093	
Money on call		209			302	
Others		10			(46)	
Total	3,316	7,374	10,690	3,625	5,607	9,232

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

Arising from the defined benefit pension plan, the Group is exposed to a number of risk, the most significant of which are detailed below:

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the Group intends to reduce the level of investment risk by investing more in asset 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 off Government Bonds to enter duration at attractive yields.

Changes In Bond Yields: A decrease in Federal bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the 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 7yrs and retirement age of 60yrs.

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 7 years.

	31 Dec 2013 %	31 Dec 2012 %
The principal actuarial assumptions were as follows:		
Discount rate on pension plan	11	11
Inflation rate	9	10
Future pension increases	0	0

The sensitivity of the pension liability to changes in the weighted principal assumptions is shown in table below:

	Assumption %	Defined Benefit Obligation ₦ million	Impact on Liability %
Discount rate	11	11,801	0.0
	10.5	12,161	3.0
	11.5	11,463	(2.9)
Inflation rate	9	11,801	0.0
	8.5	11,801	0.0
	9.5	11,801	0.0
Pension increase rate	0.0	11,801	0.0
	0.0	11,801	0.0
	0.0	11,801	0.0
Life expectancy	Base	11,801	0.0
	Improved by 1 year	11,904	0.9
	Decreased by 1 year	11,697	(0.9)

The above sensitivity analyses are 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 Crédit (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.

In 2013, FBN Limited acquired ICB Guinea and ICB Sierra Leone each of which has a graduated gratuity schemes for its 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 immaterial.

38 OTHER LIABILITIES

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
FINANCIAL LIABILITIES:				
Customer deposits for letters of credit	58,029	47,401	–	–
Accounts payable	47,386	9,749	–	993
Creditors	542	–	–	–
Bank cheques	12,823	14,004	–	–
Collection on behalf of third parties	5,763	7,225	–	–
Other payables	15,923	25,489	3,519	–
	140,466	103,868	3,519	993
NON-FINANCIAL LIABILITIES:				
Accruals	9,393	18,334	191	91
Other liabilities balance	149,859	122,202	3,710	1,084

Other liabilities are expected to be settled within no more than 12 months after the date of the consolidated statement of financial position.

39 LIABILITY ON INVESTMENT CONTRACTS

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Long-term clients	–	4,524
Short-term clients	68,723	50,471
	68,723	54,995
Current	68,723	50,471
Non-current	–	4,524
	68,723	54,995

40 LIABILITY ON INSURANCE CONTRACTS

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Outstanding claims	157	64
Unearned premium	104	100
Short-term insurance contract – claims incurred but not reported (IBNR)	317	523
Liability on long-term insurance contract – Life fund	3,073	1,440
	3,651	2,127

40 SHARE CAPITAL

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
AUTHORISED		
50 billion ordinary shares of 50k each (2009: 30 billion)	**25,000**	25,000

Issued and fully paid

	Number of shares in ₦ million	Ordinary shares in ₦ million
MOVEMENTS DURING THE PERIOD:		
At 31 December 2012	**32,632**	16,316
At 31 December 2013	**32,632**	16,316

42 SHARE PREMIUM AND RESERVES

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums from the issue of shares are reported in share premium. A share capital reserve reduction scheme was approved by Shareholders and regulators in 2012. This led to a reduction in share premium by ₦65 billion.

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 the Bank 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.

AFS Fair value reserve: The AFS Fair value reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

SSI reserve: This reserve is maintained to comply with the 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 reserve: The Group buys and sells its own shares in the normal course of its equity trading and market activities. 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: Records exchange movements on the Group's net investment in foreign subsidiaries.

43 NON-CONTROLLING INTEREST

	Banque Internationale de Crédit (DRC)	FBN Life Assurance Limited	FBN Heritage Fund	Rainbow Town Development Limited	Total
Percentage holdings	25% ₦ million	35% ₦ million	37% ₦ million	45% ₦ million	₦ million
31 DECEMBER 2013					
Share capital	1,286	1,218	2,660	4,091	9,255
Share capital withdrawn	–	–	(1,100)	–	(1,100)
Goodwill	181	–	–	–	181
Share of profit current year	107	166	361	(154)	480
Share of profit prior year	68	(23)	–	(4,092)	(4,047)
Dividend paid	(16)	(69)	(179)	–	(264)
	1,626	1,292	1,742	(155)	4,505
31 DECEMBER 2012					
Share capital	1,286	1,218	–	4,091	6,595
Share capital withdrawn	–	–	–	–	–
Goodwill	–	–	–	–	–
Share of profit current year	68	157	–	(445)	(220)
Share of profit prior year	–	(180)	–	(3,647)	(3,827)
Dividend paid	–	–	–	–	–
	1,354	1,195	–	(1)	2,548

44 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Profit before tax from continuing operations	91,337	93,921	70,631	(819)
Adjustments for:				
Depreciation and amortisation	11,198	10,863	47	–
Goodwill from impairment	552	–	–	–
(Profit)/loss from disposal of property and equipment	(293)	(1,760)	–	–
Foreign exchange losses/(gains) on operating activities	–	(2,448)	–	–
Profit/(loss) from disposal of subsidiaries	–	(288)	–	–
Profit/(loss) from disposal of investment securities	(2,811)	(125)	–	–
Net gains/(losses) from financial assets classified as held for trading	1,504	(1,760)	–	–
Impairment on loans and advances	22,714	16,631	–	–
Change in provision in other assets	304	(515)	–	–
Change in provision for impairment of investments	–	(822)	2,594	–
Change in retirement benefit obligations	(15,599)	4,299	–	–
Share of loss/(profit) from associates	(1,006)	1,168	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

	Group		Company	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Dividend income	(1,227)	(725)	(74,057)	–
Net interest income	(230,115)	(224,953)	(924)	(1)
Net result from discontinued operations	–	1,502	–	–
Increase/(decrease) in operating assets:				
Cash and balances with the Central Bank (restricted cash)	(149,502)	(87,812)	–	–
Inventories	(8,577)	(1,476)	–	–
Loans and advances to banks	(103,856)	(706)	–	–
Loans and advances to customers	(240,347)	(301,716)	–	–
Financial assets held for trading	(5,435)	476	–	–
Other assets	2,123	11,532	(43,121)	(236)
Pledged assets	(3,541)	22,020	–	–
Assets held for sale	2,194	–	–	–
Increase/(decrease) in operating liabilities:				
Deposits from banks	(7,099)	(93,895)	–	–
Deposits from customers	512,242	426,752	–	–
Financial liabilities	(95)	(1,061)	–	–
Liability on investment contracts	13,729	7,669	–	–
Liability on insurance contracts	1,524	1,303	–	–
Liability held for sale	(1,089)	–	–	–
Other liabilities	21,956	(10,578)	2,626	1,084
Cash (used in)/generated from operations	(89,217)	(132,504)	(42,204)	28

45 COMMITMENTS AND CONTINGENCIES

45.1 CAPITAL COMMITMENTS

At the balance sheet date, the company had capital commitments amounting to ₦569 million (2012: Nil) in respect of authorised and contracted capital projects. The expenditure will be funded from the company's internal resources.

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Authorised and contracted		
Group	35,020	1,300
Company	569	–

45.2 OPERATING LEASE RENTALS

At 31 December 2013 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 2013 ₦ million	31 Dec 2012 ₦ million
Within one year	250	229
Between two and five years	918	564
More than five years	2,173	–
	3,341	793

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 outcomes that result from such proceedings will have 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:

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Performance bonds and guarantees	459,723	322,545
Letters of credit	233,892	211,816

45.5 LOAN COMMITMENTS

	Group	
	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Undrawn irrevocable loan commitments	408,008	239,445

46 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 2013, 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 as follows:

46.1 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)	Associates	Subsidiaries
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
31 DECEMBER 2012			
Loans and advances to customers			
Loans outstanding at 1 January	–	–	–
Loans issued during the year	67	–	6,411
Loan repayments during the year	–	–	–
Loans outstanding at 31 December	67	–	6,411

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%.

The loans to subsidiaries are non-collaterised loans advances at below market rates ranging from 8% to 14%. Theses loans have been eliminated on consolidation and do not form part of the reported Group loans and advances.

46.2 DEPOSITS FROM RELATED PARTIES

The company had no deposits from related parties in 2013 (2012: Nil).

46.3 OTHER TRANSACTIONS WITH RELATED PARTIES

	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
31 DECEMBER 2013			
Interest income	–	–	921
Intercompany payable	–	–	3,447
31 DECEMBER 2012			
Intercompany payable	–	–	846

46.4 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 2013 ₦ million	31 Dec 2012 ₦ million	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Salaries and other short-term employee benefits	844	432	114	33
Post-employment benefits	567	796	–	–
Other long-term benefits	3,000	3,017	–	1
	4,411	4,245	114	34

47 EMPLOYEES

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

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Executive directors	1	1	1	1
Management	74	71	3	–
Non-management	9,748	8,765	17	–
	9,823	8,837	21	1

See note 15 for compensation for the above staff.

The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Below ₦2,000,000	1,383	213	10	–
₦2,000,001–₦2,800,000	95	216	3	–
₦2,800,001–₦3,500,000	655	577	3	–
₦3,500,001–₦4,000,000	46	72	–	–
₦4,000,001–₦5,500,000	2,635	2,938	3	–
₦5,500,001–₦6,500,000	1,596	1,546	–	–
₦6,500,000–₦7,800,000	1,051	950	–	–
₦7,800,001–₦9,000,000	281	222	–	–
₦9,000,001 and above	2,077	2,096	1	–
	9,819	8,830	20	–

48 DIRECTORS' EMOLUMENTS

Remuneration paid to the Group's directors (excluding certain allowances) was:

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
Fees and sitting allowances	**54**	11
Executive compensation	**104**	22
Other director expenses	**148**	1
	306	34
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	**44**	–
Highest paid director	**104**	22

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	31 Dec 2013	31 Dec 2012
₦2,000,001–₦3,000,000	**–**	–
₦3,000,001 and above	**7**	6
	7	6

49 COMPLIANCE WITH REGULATIONS

No penalty was paid by the company during the year.

50 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

FBN Life Assurance Limited acquired 4.6 billion units of ordinary shares in Oasis Insurance Plc, representing 71.2% holdings in the company. The acquisition was effected through the execution of a share sale and purchase agreement with the majority shareholders of Oasis Insurance Plc, following approvals of the Board of Directors of FBN Life and those of FBN Holdings Plc, as well as requisite regulatory approvals from the National Insurance Commission, Securities and Exchange Commission and the Nigerian Stock Exchange.

51 DIVIDENDS PER SHARE

A dividend of ₦32.6 billion at ₦1.00 per share (2011: ₦26.1 billion) that relates to the period to 31 December 2012 was paid in May 2013.

52 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the members of the Group and held as treasury shares.

The company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent.

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Profit from continuing operations attributable to owners of the parent (₦ million)	**70,135**	77,021	**70,631**	(819)
Weighted average number of ordinary shares in issue (in million)	**32,473**	32,463	**32,632**	32,632
Basic/diluted earnings per share (expressed in Kobo per share)	**2.16**	2.37	**2.16**	(0.03)
Profit from discontinuing operations attributable to owners of the parent (₦ million)	**–**	–	**–**	–
Weighted average number of ordinary shares in issue (in million)	**32,473**	32,463	**32,632**	32,632
Basic/diluted earnings per share (expressed in Kobo per share)	**–**	–	**–**	–

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares.

53 CHANGES IN ACCOUNTING POLICIES – IFRS 10

As explained in note 2.2, the Group has adopted IFRS 10 consolidated financial statements on 1 January 2013. The Group has restated information for the preceding comparative periods. However, the financial statements as at 1 January 2012 have not been restated to reflect the results of Liquidity Management Fund and SMEEIS Trust Fund (two of the newly consolidated funds), because it has been impracticable from the Group's records to determine the adjustments necessary for the application of this standard on 1 January 2012 in respect of this fund. It has however been included in subsequent periods.

The following tables summarise the adjustments arising on the adoption of IFRS 10 to the Group's:

- Income statement, statement of comprehensive income and statement of cashflow for the year ended 31 December 2012; and Statement of financial position as at 31 December 2013 and 31 December 2012 and 1 January 2012.

(i) Impact of change in accounting policy on consolidated statement of financial position.

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
ASSETS			
Cash and balances with central banks	594,234	–	594,234
Loans and advances to banks	423,096	7,490	430,586
Loans and advances to customers	1,768,449	681	1,769,130
Financial assets at fair value through profit or loss	8,018	2,269	10,287
Investment securities		–	
– Available-for-sale investments	470,334	59,154	529,488
– Held to maturity investments	294,172	403	294,575
Asset pledged as collateral	53,650	–	53,650
Inventory	30,253	–	30,253
Investment properties	2,413	–	2,413
Investments in associates accounted for using the equity method	7,029	–	7,029
Other assets	41,299	106	41,405
Intangible assets	8,748	–	8,748
Property, plant and equipment	81,275	24	81,299
Deferred tax	7,120	–	7,120
	3,790,090	70,127	3,860,217
Asset held for sale	10,784	–	10,784
Total assets	3,800,874	70,127	3,871,001
LIABILITIES			
Deposits from banks	82,071	(39)	82,032
Deposits from customers	2,933,821	(4,740)	2,929,081
Financial liabilities held for trading	1,701	–	1,701
Liability on investment contracts	–	68,723	68,723
Liability on insurance contracts	3,651	–	3,651
Borrowings	126,302	–	126,302
Retirement benefit obligations	1,924	–	1,924
Current income tax liability	33,948	219	34,167
Deferred tax	37	–	37
Other liabilities	148,825	1,034	149,859
	3,332,279	65,198	3,397,477
Liabilities held for sale	1,747	–	1,747
Total liabilities	3,334,026	65,198	3,399,224

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
EQUITY			
Share capital	16,316	–	16,316
Share premium	254,524	–	254,524
Retained earnings	111,471	3,926	115,397
Other reserves		–	
– Statutory reserve	52,074	–	52,074
– SSI Reserve	6,076	–	6,076
– AFS Fair value reserve	13,966	1,003	14,969
– Contingency reserve	107	–	107
– Statutory credit reserve	7,987	–	7,987
– Treasury share reserve	(2,280)	–	(2,280)
– Foreign currency translation reserve	2,102	–	2,102
	462,343	4,929	467,272
Non-controlling interest	4,505	–	4,505
Total equity	466,848	4,929	471,777
Total equity and liabilities	3,800,874	70,127	3,871,001

(b)	As at 31 December 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2012 (Restated) ₦ million
ASSETS			
Cash and balances with central banks	300,531	1	300,532
Loans and advances to banks	411,429	28,424	439,853
Loans and advances to customers	1,541,687	(310)	1,541,377
Financial assets at fair value through profit or loss	3,611	2,501	6,112
Investment securities			
– Available-for-sale investments	369,397	10,278	379,675
– Held to maturity investments	337,278	1,087	338,365
Asset pledged as collateral	50,109	–	50,109
Inventory	21,676	–	21,676
Investment properties	4,003	(0)	4,003
Investment in subsidiaries	–	–	–
Investments in associates accounted for using the equity method	6,321	–	6,321
Other assets	40,000	252	40,252
Intangible assets	3,522	1	3,523
Property, plant and equipment	75,386	21	75,407
Deferred tax	8,201	–	8,201
	3,173,151	42,255	3,215,406
Asset held for sale	12,978	–	12,978
Total assets	3,186,129	42,255	3,228,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

(b)	As at 31 December 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2012 (Restated) ₦ million
LIABILITIES			
Deposits from banks	88,187	1,243	89,430
Deposits from customers	2,400,860	(5,712)	2,395,148
Financial liabilities held for trading	1,796	–	1,796
Liability on investment contracts	12,321	42,674	54,995
Liability on insurance contracts	2,127	–	2,127
Borrowings	76,168	(627)	75,541
Retirement benefit obligations	19,380	–	19,380
Current income tax liability	23,228	161	23,389
Deferred tax	222	3	225
Other liabilities	120,157	2,045	122,202
	2,744,446	39,787	2,784,233
Liabilities held for sale	2,836	–	2,836
Total liabilities	2,747,282	39,787	2,787,069
EQUITY			
Share capital	16,316	–	16,316
Share premium	254,524	–	254,524
Retained earnings	73,367	2,705	76,072
Other reserves			
– Statutory reserve	43,347	–	43,347
– SSI Reserve	6,076	–	6,076
– AFS Fair value reserve	26,272	719	26,991
– Contingency reserve	50	–	50
– Statutory credit reserve	16,101	–	16,101
– Treasury share reserve	(1,422)	(956)	(2,378)
– Foreign currency translation reserve	1,668	–	1,668
	436,299	2,468	438,767
Non-controlling interest	2,548	–	2,548
Total equity	438,847	2,468	441,315
Total equity and liabilities	3,186,129	42,255	3,228,384

(c)	As at 1 January 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 1 January 2012 (Restated) ₦ million
ASSETS			
Cash and balances with central banks	199,228	–	199,228
Loans and advances to banks	462,856	472	463,328
Loans and advances to customers	1,252,462	(308)	1,252,154
Financial assets at fair value through profit or loss	5,964	–	5,964
Investment securities			
– Available-for-sale investments	356,933	557	357,490
– Held to maturity investments	337,336	–	337,336
Asset pledged as collateral	72,129	–	72,129
Inventory	25,609	–	25,609
Investment properties	4,055	–	4,055
Investment in subsidiaries	–	–	–
Investments in associates accounted for using the equity method	7,489	–	7,489
Other assets	62,272	788	63,061
Intangible assets	1,008	–	1,008
Property, plant and equipment	65,874	15	65,889
Deferred tax	6,954	–	6,954
	2,860,169	1,524	2,861,694
Asset held for sale	–	–	–
Total assets	2,860,169	1,524	2,861,694
LIABILITIES			
Deposits from banks	183,500	–	183,500
Deposits from customers	1,951,321	(310)	1,951,011
Financial liabilities held for trading	2,857	–	2,857
Liability on investment contracts	49,440	–	49,440
Liability on insurance contracts	824	–	824
Borrowings	104,473	1,731	106,204
Retirement benefit obligations	15,081	–	15,081
Current income tax liability	24,254	74	24,328
Deferred tax	1,067	2	1,069
Other liabilities	158,773	552	159,325
	2,491,590	2,049	2,493,639
Liabilities held for sale	–	–	–
Total liabilities	2,491,590	2,049	2,493,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

(c)	As at 1 January 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 1 January 2012 (Restated) ₦ million
EQUITY			
Share capital	16,316	(0)	16,316
Share premium	254,524	–	254,524
Retained earnings	41,587	1,574	43,162
Other reserves			
– Statutory reserve	32,144	–	32,144
– SSI Reserve	6,076	–	6,076
– AFS Fair value reserve	8,524	285	8,809
– Contingency reserve	13	–	13
– Statutory credit reserve	9,766	–	9,766
– Treasury share reserve	(1,941)	(2,384)	(4,325)
– Foreign currency translation reserve	606	–	606
	367,615	(525)	367,091
Non-controlling interest	964	–	964
Total equity	368,579	(525)	368,055
Total equity and liabilities	2,860,169	1,524	2,861,694

(ii) Impact of change in accounting policy on the consolidated income statement

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
CONTINUING OPERATIONS			
Interest income	315,941	7,680	323,621
Interest expense	(87,053)	(6,453)	(93,506)
Net interest income	228,888	1,227	230,115
Impairment charge for credit losses	(20,654)	345	(20,309)
Net interest income after impairment charge for credit losses	208,234	1,572	209,806
Net insurance premium revenue	1,785	-	1,785
Fee and commission income	59,338	43	59,381
Fee and commission expense	(5,296)	-	(5,296)
Foreign exchange income	6,693	-	6,693
Net gains/(losses) on investment securities	2,752	147	2,899
Net gains/(losses) from financial assets classified as held for trading	(1,504)	-	(1,504)
Gain from disposal of subsidiary	-	-	-
Dividend income	1,131	96	1,227
Other operating income	742	92	834
Insurance claims	(488)	-	(488)
Operating expenses	(184,492)	(513)	(185,005)
Operating profit	88,894	1,437	90,331

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
Share of profit/(loss) of associates	1,006	-	1,006
Profit before tax	89,900	1,437	91,337
Income tax expense	(20,648)	(58)	(20,706)
Profit for the year from continuing operations	69,252	1,379	70,631
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	-	-	-
Profit for the year	69,252	1,379	70,631

(b)	As at 31 December 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2012 (Restated) ₦ million
CONTINUING OPERATIONS			
Interest income	287,274	8,079	295,353
Interest expense	(62,082)	(6,664)	(68,746)
Net interest income	225,192	1,415	226,607
Impairment charge for credit losses	(12,299)	(250)	(12,549)
Net interest income after impairment charge for credit losses	212,893	1,165	214,058
Net insurance premium revenue	1,544	-	1,544
Fee and commission income	59,964	(15)	59,949
Foreign exchange income	2,448	0	2,448
Net gains/(losses) on investment securities	1,039	1,085	2,124
Net gains/(losses) from financial assets classified as held for trading	1,760	0	1,760
Gain from disposal of subsidiary	288	-	288
Dividend income	541	200	741
Other operating income	5,487	125	5,612
Insurance claims	(498)	-	(498)
Operating expenses	(192,171)	(1,342)	(193,513)
Operating profit	93,295	1,218	94,513
Share of profit/(loss) of associates	(594)	2	(592)
Profit before tax	92,701	1,220	93,921
Income tax expense	(17,031)	(89)	(17,120)
Profit for the year from continuing operations	75,670	1,131	76,801
Profit for the year	75,670	1,130	76,801

(iii) Impact of change in accounting policy on the consolidated statement of comprehensive income

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
PROFIT FOR THE YEAR	69,252	1,379	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 arising during the period, before tax	(11,906)	(2,603)	(14,509)
– Net reclassification adjustments for realised net gains or losses, before tax	–	2,487	2,487
Share of other comprehensive income of associates	(298)	–	(298)
Exchange difference on translation of foreign operations	435	(1)	434
Items that will not be reclassified to profit or loss		–	
Actuarial gains/(losses) on defined benefit pension scheme	1,638	–	1,638
Share of other comprehensive income of associates	0	–	–
Return on plan assets	219	–	219
Income tax relating to components of other comprehensive income	2,404	(1,487)	917
Other comprehensive income for the year, net of tax	(7,508)	(1,604)	(9,112)
Total comprehensive income for the year	61,744	(225)	61,519

(b)	As at 31 December 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2012 (Restated) ₦ million
PROFIT FOR THE YEAR	75,670	1,131	76,801
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	15,817	435	16,252
– Net reclassification adjustments for realised net gains or losses, before tax	1,930	–	1,930
Share of other comprehensive income of associates	–	–	–
Exchange difference on translation of foreign operations	1,062	–	1,062
Items that will not be reclassified to profit or loss		–	
Actuarial gains/(losses) on defined benefit pension scheme	(571)	–	(571)
Share of other comprehensive income of associates	–	–	–
Return on plan assets	–	–	–
Income tax relating to components of other comprehensive income	140	–	140
Other comprehensive income for the year, net of tax	18,378	435	18,813
Total comprehensive income for the year	94,048	1,566	95,614

(iv) Impact of change in accounting policy on the consolidated statement of cash flows

(a)	As at 31 December 2013 ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2013 as presented ₦ million
OPERATING ACTIVITIES			
Cash flow (used in)/generated from operations	(112,596)	23,379	(89,217)
Income taxes paid	(7,918)	–	(7,918)
Interest received	322,264	7,396	329,660
Interest paid	(86,088)	(6,453)	(92,541)
Net cash flow generated from operating activities	115,661	24,323	139,983
INVESTING ACTIVITIES			
Purchase of investment securities	(291,658)	(18,962)	(310,620)
Proceeds from the sale of investment securities	320,025	160	320,185
Net cash flow from disposal of subsidiaries	0	–	–
Net cash flow from business restructuring	0	–	–
Cash and cash equivalent acquired from subsidiary	8,080	–	8,080
Additional investment in subsidiaries	0	–	–
Dividends received	1,227	–	1,227
Purchase of investment property	(53)	–	(53)
Proceeds from the disposal of investment property	0	–	–
Purchase of property, plant and equipment	(17,920)	–	(17,920)
Purchase of intangible assets	(1,144)	–	(1,144)
Proceeds on disposal of property, plant and equipment	999	(7)	992
Net cash used in investing activities	19,493	(18,809)	684
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares	98	–	98
Dividend paid	(32,393)	(503)	(32,896)
Proceeds from new borrowings	99,723	–	99,723
Repayment of borrowings	(51,020)	–	(51,020)
Equity raised	1,560	–	1,560
Net cash (used in)/generated from financing activities	16,409	(503)	15,905
Increase in cash and cash equivalents	151,562	5,010	156,573
Cash and cash equivalents at start of year	636,540	40,306	676,847
Effect of exchange rate fluctuations on cash held	(289)	–	(289)
Cash and cash equivalents at end of year	787,814	45,317	833,131

(b)	As at 31 December 2012 (Previously stated) ₦ million	Impact of IFRS 10 ₦ million	As at 31 December 2012 (Restated) ₦ million
OPERATING ACTIVITIES			
Cash flow (used in)/generated from operations	(171,617)	39,112	(132,505)
Income taxes paid	(22,439)	–	(22,439)
Interest received	308,821	260	309,081
Interest paid	(65,502)	(77)	(65,579)
Net cash flow generated from operating activities	49,263	39,295	88,558
INVESTING ACTIVITIES			
Purchase of investment securities	(50,647)	(6,248)	(56,895)
Proceeds from the sale of investment securities	23,595	2,008	25,603
Net cash flow from disposal of subsidiaries	(30,619)	-	(30,619)
Cash and cash equivalent acquired from subsidiary	11,463	-	11,463
Dividends received	541	200	741
Purchase of investment property	(30)	-	(30)
Purchase of property, plant and equipment	(18,663)	(10)	(18,673)
Purchase of intangible assets	(1,570)	-	(1,570)
Proceeds on disposal of property, plant and equipment	2,875	-	2,875
	(63,055)	(4,050)	(67,105)
FINANCING ACTIVITIES			
Dividend paid	(26,105)	-	(26,105)
Proceeds from new borrowings	58,459	-	58,459
Repayment of borrowings	(85,806)	-	(85,806)
Net cash (used in)/generated from financing activities	(53,452)	-	(53,452)
Increase in cash and cash equivalents	(67,244)	38,578	(31,999)
Cash and cash equivalents at start of year	708,992	312	709,304
Effect of exchange rate fluctuations on cash held	(175)	(283)	(458)
Cash and cash equivalents at end of year	641,573	38,562	676,847

(v) Impact of change in accounting policy on the statement of changes in equity

	Share capital ₦ million	Share premium ₦ million	Retained earnings ₦ million	Other reserves ₦ million	Total ₦ million	Non-controlling interest ₦ million	Total equity ₦ million
Balance as at 1 January 2012 as previously reported	16,316	254,524	41,587	55,188	367,615	964	368,579
Effect of changes in accounting policies	–	–	1,575	(2,100)	(525)	–	(525)
Balance as at 1 January 2012 as restated	16,316	254,524	43,162	53,088	367,090	964	368,054
Profit for the year as previously reported	–	–	75,890	–	75,890	(220)	75,670
Effect of changes in accounting policies	–	–	1,131	–	1,131	–	1,131
Profit for the year as restated	–	–	77,021	–	77,021	(220)	76,801
Other Comprehensive income for the year as previously reported	–	–	(431)	18,809	18,378	–	18,378
Effect of changes in accounting policies	–	–	–	435	435	–	435
Other Comprehensive income for the year as restated	–	–	(431)	19,244	18,813	–	18,813
Dividends	–	–	(26,105)	–	(26,105)		(26,105)
Disposal of treasury shares	–	–	0	1,947	1,947	–	1,947
Additional investment	–	–	0	–	–	518	518
Acquisition of subsidiary	–	–	–	–	–	1,286	1,286
Transfer between reserves	–	–	(17,575)	17,575	–	–	–
Transfer resulting from Business Restructuring	–	–	–	–	–	–	–
Total contributions by and distributions to owners of the parent, recognised directly in equity	–	0	(43,680)	19,522	(24,158)	1,804	(22,354)
Balance as at 31 December 2012 as previously reported	16,316	254,524	73,366	93,519	437,725	2,548	440,273
Effect of changes in accounting policies	–	–	2,706	(1,665)	1,041	–	1,041
Balance as at 31 December 2012 as restated	16,316	254,524	76,072	91,854	438,767	2,548	441,315

VALUE ADDED STATEMENT

	Group			
	31 Dec 2013 ₦ million	%	31 Dec 2012 ₦ million	%
Gross income	395,942		368,710	
Interest and fee expense	(98,802)		(69,687)	
	297,140		300,480	
Administrative overheads:				
Local	(102,688)		(108,363)	
Foreign	(5,238)		(5,911)	
Value added	189,214	100	186,206	100
DISTRIBUTION				
Employees				
Salaries and benefits	65,820	35	68,879	37
Government				
Taxation	20,706	11	17,120	9
The future				
Asset replacement (depreciation)				
– Local	9,738	5	9,721	5
– Foreign	546	–	461	–
Asset replacement (amortisation)				
– Local	1,329	1	549	0
– Foreign	136	–	127	–
Asset replacement (provision for losses)	20,309	11	12,549	7
- Expansion (transfers to reserves)	70,631	37	75,344	41
	189,214	100	186,206	100

VALUE ADDED STATEMENT

	Company			
	31 Dec 2013 ₦ million	%	31 Dec 2012 ₦ million	%
Gross income	74,988		1	
Interest and fee expense	–		–	
	74,988		1	
Administrative overheads	(4,252)		(819)	
Value added	70,736	100	(819)	100
DISTRIBUTION				
Employees				
Salaries and benefits	58	–	1	–
Government				
Company income tax	–	–	–	–
The future				
Asset replacement (depreciation)	47	–	–	–
Asset replacement (amortisation)	–	–	–	–
Asset replacement (provision for losses)	–	–	–	–
Expansion (transfers to reserves)	70,631	100	(819)	100
	70,636	100	(819)	100

FIVE-YEAR FINANCIAL SUMMARY – GROUP

	As reported under IFRS				As reported under N-GAAP
	31 Dec 2013 ₦ million	Restated 31 Dec 2012 ₦ million	Restated 31 Dec 2011 ₦ million	31 Dec 2010 ₦ million	31 Dec 2009 ₦ million
ASSETS:					
Cash and balances with central bank	**594,234**	300,532	199,228	75,517	70,332
Loans and advances to banks	**430,586**	439,853	463,328	575,467	514,193
Loans and advances to customers	**1,769,130**	1,541,377	1,252,154	1,160,293	1,072,640
Financial assets held for trading	**10,287**	6,112	5,964	16,636	–
Investment securities	**824,064**	718,040	694,826	254,708	292,843
Assets pledged as collateral	**53,650**	50,109	72,129	122,009	–
Inventory	**30,253**	21,676	25,609	23,081	
Managed funds	**–**	–	–	–	84,630
Investment in associates	**7,029**	6,321	7,489	8,996	13,373
Investment in subsidiaries	**–**	–	–	–	
Other assets	**41,405**	40,252	63,061	39,282	69,286
Investment property	**2,413**	4,003	4,055	2,440	8,466
Intangible assets	**8,748**	3,523	1,008	494	–
Property, plant and equipment	**81,299**	75,407	65,889	63,634	47,987
Deferred tax	**7,120**	8,201	6,954	12,274	–
Assets held for sale	**10,784**	12,978	–	–	–
	3,871,001	3,228,384	2,861,693	2,354,831	2,173,750
FINANCED BY:					
Share capital	**16,316**	16,316	16,316	16,316	14,504
Share premium	**254,524**	254,524	254,524	254,524	254,524
Reserves	**196,431**	167,927	96,251	129,607	41,973
Non-controlling interest	**4,505**	2,548	964	1,148	3,081
Deposits from banks	**82,032**	89,430	183,500	148,352	173,280
Deposits from customers	**2,929,081**	2,395,148	1,951,011	1,447,600	1,342,704
Financial liabilities held for trading	**1,701**	1,796	2,857	1,639	–
Liabilities on investment contracts	**68,723**	54,995	49,440	76,446	148,224
Liabilities on insurance contracts	**3,651**	2,127	824	–	–
Borrowings	**126,302**	75,541	106,204	126,350	35,729
Retirement benefit obligations	**1,924**	19,380	15,081	11,426	724
Current income tax	**34,167**	23,389	24,328	20,052	19,635
Other liabilities	**149,859**	122,202	159,325	120,470	128,760
Deferred income tax liabilities	**37**	225	1,069	901	10,612
Liabilities held for sale	**1,747**	2,836	–	–	–
	3,871,001	3,228,384	2,861,693	2,354,831	2,173,750

FIVE-YEAR FINANCIAL SUMMARY – GROUP

	As reported under IFRS				As reported under N-GAAP
	12 months ended 31 Dec 2013 ₦ million	Restated 12 months ended 31 Dec 2012 ₦ million	Restated 12 months ended 31 Dec 2011 ₦ million	12 months ended 31 Dec 2010 ₦ million	9 months ended 31 Dec 2009 ₦ million
Gross Earnings	**395,942**	370,167	273,811	232,079	193,932
Net operating income	**296,133**	301,072	237,027	178,062	127,662
Insurance claims	**(488)**	(498)	(81)	–	–
Operating expenses	**(185,005)**	(193,513)	(146,064)	(119,274)	(77,574)
Group's share of associate's results	**1,006**	(592)	(1,507)	(3,657)	114
Impairment charge for credit losses	**(20,309)**	(12,549)	(38,011)	(21,590)	(38,174)
(Loss) on sale of assets to AMCON	**–**	–	(15,501)	–	–
Exceptional item	**–**	–	–	226	–
Profit before taxation	**91,337**	93,921	39,863	33,767	12,028
Taxation	**(20,706)**	(17,120)	(17,227)	(4,590)	(8,406)
Profit from continuing operations	**70,631**	76,801	19,520	29,177	3,622
Profit from discontinuing operations	**–**	–	(884)	–	–
Profit for the year	**70,631**	76,801	18,636	29,177	3,622
Profit attributable to:					
Owners of the parent	**70,135**	77,021	19,520	27,244	2,612
Non-controlling interest	**496**	(220)	(884)	1,933	1,010
	70,631	76,801	18,636	29,177	3,622
Earnings per share in kobo (basic/diluted)	**216**	237	57	89	12

In line with IFRS 1.22(b), the figures reported in the above statement of financial position for years 2010 to 2013 and income statement for years 2011 to 2013 have been prepared using relevant IFRS guidelines and standards. In contrast, the figures in the above statement of financial position for year 2009 and income statement for years 2009 and 2010 have been prepared using relevant Nigerian GAAP guidelines and standards.

Therefore, the numbers in the affected relevant areas listed below should not be compared when being used. The nature of the main adjustments that would make it comply with IFRSs are:

Financial Statement Area	Nature/Main Adjustments to convert 2009 balances to IFRS
Loans and advances to banks	Measured at amortised cost in accordance IAS 39
Loans and advances to customers	Measured at amortised cost in accordance IAS 39
Financial assets held for trading	Measured at fair value, with fair value gain or loss charged to income statement, in accordance with IAS 39.
Assets pledged as collateral	Measured at either amortised cost or fair value in accordance with IAS 39
Deposits from banks	Measured at amortised cost in accordance IAS 39
Deposits from customers	Measured at amortised cost in accordance IAS 39
Financial liabilities held for trading	Measured at fair value, with fair value gain or loss charged to income statement, in accordance with IAS 39.
Borrowings	Measured at amortised cost in accordance IAS 39
Retirement benefits obligation	Measured using the actuarial valuation method (projected unit credit model) in accordance with IAS 19
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

	31 Dec 2013 ₦ million	31 Dec 2012 ₦ million
ASSETS:		
Cash and balances with central bank	–	–
Loans and advances to banks	1,477	–
Loans and advances to customers	72	–
Financial assets held for trading	–	–
Investment securities	9,847	15,771
Assets pledged as collateral	–	–
Investment in associates	9,281	11,875
Investment in subsidiaries	246,777	243,065
Other assets	43,285	236
Intangible assets	–	–
Property, plant and equipment	1,072	30
Deferred tax	–	–
	311,811	270,977
FINANCED BY:		
Share capital	16,316	16,316
Share premium	254,524	254,524
Reserves	37,261	(947)
Deposits from banks	–	–
Deposits from customers	–	–
Financial liabilities held for trading	–	–
Borrowings	–	–
Retirement benefit obligations	–	–
Current income tax	–	–
Other liabilities	3,710	1,084
Deferred income tax liabilities	–	–
	311,811	270,977

FINANCIAL SUMMARY – COMPANY

	12 months ended 31 Dec 2013 ₦ million	1 month ended 31 Dec 2012 ₦ million
Gross Earnings	74,988	1
Net operating income	72,289	–
Gain from disposal of subsidiary	–	–
Operating expenses	(1,658)	(819)
Impairment charge for credit losses	–	–
(Loss) on sale of assets to AMCON	–	–
Exceptional item	–	–
Profit before taxation	70,631	(819)
Taxation	–	–
Profit after taxation	70,631	(819)
Earnings per share in kobo (basic)	216	(3)

SHAREHOLDER INFORMATION

Resources for shareholders including a glossary of ratios, a summary of abbreviations and Group contact details.

p195 Shareholder resources

p207 Glossary of ratios

p212 Contact information

SHAREHOLDER RESOURCES

GLOBAL DEPOSITARY RECEIPTS (GDR) PROGRAMME

FirstBank commenced a USD100 million GDR programme in May 2007.

A Global Depository 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 FirstBank shares for the purpose of trading in the Nigerian equity capital market. Currently, there are 3,754 units outstanding.

On 26 November 2012, FBN Holdings was listed on the Nigerian Stock Exchange, replacing FirstBank, and the existing shareholders in FirstBank exchanged ordinary shares in FBN Holdings equal to the number of shares held in FirstBank.

As at 31 December 2013, the closing price of the GDR at the over-the-counter (OTC) market was USD5.10.

SHARE STATISTICS

	2013	2012
MARKET INDICATORS		
NSE all share index	41,329.19	28,078.81
SHARE STATISTICS*		
Share price		
High for the year ₦	21.50	17.12
Low for the year ₦	15.20	8.57
Closing ₦	16.30	15.72
Shares traded		
Number of shares (million)	4,458	5,071
Value of shares (₦ million)	80,879	63,051

* The shares of FirstBank of Nigeria Plc were delisted during the year and replaced with FBN Holdings Plc

DIVIDEND HISTORY

FIRST BANK NIGERIA PLC

Pyt no	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	116,864,959.03	3.07
47	31 Mar 2004	final	23 Aug 2004	5,513,901,111.80	1.55	112,627,413.76	2.04
48	31 Mar 2005	final	29 Aug 2005	6,403,122,540.00	1.60	99,508,124.51	1.55
49	31 Mar 2006	final	28 Aug 2006	5,239,237,558.00	1.00	98,608,774.40	1.88
50	31 Mar 2007	final	3 Sept 2007	10,479,845,385.00	1.00	356,889,351.48	3.41
51	31 Mar 2008	final	25 Aug 2008	21,481,234,960.68	1.20	361,717,728.76	1.68
52	31 Mar 2009	final	24 Aug 2009	30,207,986,658.90	1.35	443,400,473.34	1.47
53	31 Dec 2009	final	31 May 2010	2,610,566,748.54	0.10	313,092,514.29	11.99
54	31 Dec 2010	final	6 Jun 2011	17,621,325,552.24	0.60	824,239,553.91	4.68
55	31 Dec 2011	final	4 Jun 2012	23,495,100,736.32	0.80	920,191,158.84	3.92
				126,863,584,926.48		3,647,140,052.32	2.87

FBN HOLDINGS PLC

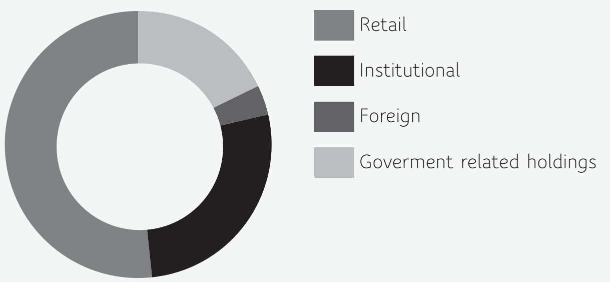
Pyt no	Year end	Div type	Date declared	Total net div amt (₦)	Div per share	Net div amt unclaimed as at Dec 2013	% net div amt unclaimed
1	31 Dec 2012	INTERIM	3 Jun 2013	29,434,858,173.90	1.00	1,877,563,713.98	6.38

SHAREHOLDER RESOURCES

SHAREHOLDER ANALYSIS AS AT 31 DECEMBER 2013

Type of shareholding	Percentage held
Retail	51.57
Domestic Institutional	26.77
Foreign Institutional	17.98
Government related holdings	3.68
	100

Breakdown of shareholders by type



2014 FBN HOLDINGS FINANCIAL REPORTING CALENDAR

Date	Event
Tuesday 29 April	Release of FY 2013 results on the floor of the NSE.
Wednesday 30 April	Publication of FY 2013 results in national dailies
Wednesday 30 April	FY 2013 and Q1 2014 results conference call
Wednesday 30 April	Release of Q1 2014 result on the floor of the NSE
Wednesday 30 April	FirstBank publication of Q1 2014 results in national dailies
Thursday 15 May	FirstBank Annual General Meeting
Thursday 22 May	FBN Holdings Annual General Meeting
Thursday 31 July	Release of FBN Holdings H1 2014 on the floor of the NSE.
Friday 1 August	FBN Holdings publication of H1 2014 results in dailies
Tuesday 5 August	H1 2014 results conference call
Friday 31 October	Release of 9M 2014 results on the floor of the NSE.
Thursday 6 November	9M 2014 results conference call
Wednesday 26 November	FBN Holdings Publication in national dailies
Monday 15 December	FirstBank publication of audited 9M 2014 results in national dailies.

These dates are subject to change. Please ensure you refer to the investor relations website for update.

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 second Annual General Meeting of members of FBN HOLDINGS PLC will be held at the Grand Ballroom, Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos on Thursday 22 May 2014 at 10.00am to transact the following:

ORDINARY BUSINESS:

1. To receive the audited accounts for the year ended 31 December 2013 together with the reports of the Directors, Auditors and Audit Committee thereon;
2. To declare a dividend;
3. To re-elect retiring Directors:
   Pursuant to Section 256 of the Companies and Allied Matters Act, special notice is hereby given that Lt. General Garba Duba, rtd, and Dr. Oba Otudeko, CFR, who are eligible for re-election, are over 70 years old.
4. To approve the remuneration of Directors;
5. To appoint PwC as a single Auditor;
6. To authorise the Directors to fix the remuneration of the Auditors; and
7. To elect members of the Audit Committee.

PROXY

A member entitled to attend and vote at the Annual General Meeting 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, 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 Annual General Meeting, the dividend warrants will be posted on 26 May 2014 to members whose names appear in the register of members at the close of business on 2 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members and transfer books of the Company will be closed from 5 May to 9 May 2014 (both dates inclusive) for the purpose of payment of dividend.

E-REPORT

In order to improve delivery of our Annual Reports, we have inserted a detachable form to the Annual Report and hereby request that shareholders who wish to receive the Annual Report and other statutory reports of FBN Holdings Plc in electronic format should complete and return the form to the Registrars or Company Secretary for further processing.

NOTES ON AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, 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 Central Bank of Nigeria's Code of Corporate Governance had indicated that some of the members of the Audit Committee should be knowledgeable in internal control processes. We would therefore request that nominations should be accompanied by a copy of the nominee's Curriculum Vitae.

BY ORDER OF THE BOARD

Tijjani Borodo
Company Secretary
35 Marina, Lagos
Dated this 25th day of March 2014

ELECTRONIC ANNUAL REPORT REQUEST FORM

*Name of Shareholder ....

*Email address ....

IMPORTANT

Please insert your name and email address in BLOCK CAPITALS where asterisked.

Please note that E-mail addresses will not be used for any purpose other than communicating with you as a shareholder.

PROXY FORM
FBN HOLDINGS PLC (RC 916455)

Second Annual General Meeting to be held at the Grand Ballroom, Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos on Thursday 22 May 2014 at 10.00am.

*"I/We ....
(Name of Shareholder in block letters)

The undersigned, being a member/members of the above named Company hereby appoint the Chairman of the meeting or failing him

....
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 22 May 2014 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 2014

Signature ....

I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside.

RESOLUTION	FOR	AGAINST
1) To receive the audited accounts, Directors', Auditors' and Audit Committee Reports.		
2) To approve dividends.		
3) To re-elect retiring Directors.		
4) To approve the remuneration of Directors.		
5) To appoint PwC as a single Auditor.		
6) To authorise the Directors to fix the remuneration of the Auditor.		
7) To elect members of the Audit Committee.		

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.

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 Registrar, **First Registrars Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos,** not later than 48 hours before the time for holding the meeting.
2. Where the appointer is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.
3. This proxy will be used only in the event of poll being directed, or demanded.
4. In the case of joint holders, the signature of anyone of them will suffice, but the names of all joint holders should be shown.
5. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently ₦500.00) from the Stamp Duties Office, and not adhesive postage stamps.

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}

SECOND ANNUAL GENERAL MEETING TO BE HELD at the Grand Ballroom, Oriental Hotel, 3 Lekki Road, Victoria Island, Lagos on Thursday 22 May 2014 at 10.00am.

*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 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.

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 anymore, 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.)

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 info etc.

M-access 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.

FirstDividend Card FirstDividend plus prepaid card is a premium prepaid card issued to shareholders into which dividend amounts due to them are automatically loaded/credited on the payable date. The charges is 600 per card (production fee). For more information visit our website https://www.firstregistrarsnigeria.com/download.aspxl to download the activation form.

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
- ☐ Online access activation Account No. 2013798370
- ☐ M-access activation Account No. 2011760908

in any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

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

Seamless access to all lodgements to First Registrars and those items verified and sent to Central Securities Clearing Services (CSCS).

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 0 1 2 3 4 5

Please fill in the form and return to the address above.

Name of Stockbroker ....

Address ....

....

....

....

Mobile phone ....

Email ....

Authorised signatory/seal ....

ACTIVATION FEE:

₦25,000 per annum

NOTE

All payments should be made to account no. 1912030017727 in any FirstBank branch nationwide and a copy of the payment slip attached to this form upon submission.

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION
Average cost of deposits	=	$\frac{\text{Interest expense (on deposits)}}{\text{Average deposit (i.e. opening + closing balance)/2}}$
Basic earnings per share	=	$\frac{\text{Profit attributable to ordinary shareholders (after deduction of debenture interest and tax)}}{\text{Weighted average no. of shares in issue}}$
Cost of borrowed funds	=	$\frac{\text{Expense on borrowed funds}}{\text{Average borrowed funds (opening + closing)/2}}$
Cost of funds	=	$\frac{\text{Interest expense}}{\text{Average interest bearing liabilities (opening + closing)/2}}$
Cost of interbank takings	=	$\frac{\text{Interest expense on interbank takings}}{\text{Average interbank takings (opening + closing)/2}}$
Cost of managed funds	=	$\frac{\text{Expense on managed funds}}{\text{Liabilities on investment contracts}}$
Cost of risk	=	$\frac{\text{Loan loss expense}}{\text{Average loans}}$
Cost to income ratio (1)	=	$\frac{\text{Total cost (interest expense, operating cost before loan loss expense)}}{\text{Gross earnings}}$
Cost to income ratio (2)	=	$\frac{\text{Total overhead cost (operating cost before loan loss expense)}}{\text{Total net revenue}}$
Debt to capital	=	$\frac{\text{Long-term debt}}{\text{Long-term debt + equity}}$
Debt to EBITDA	=	$\frac{\text{Long-term debt}}{\text{Operating income}}$
Gearing ratio	=	$\frac{\text{Long-term debt}}{\text{Total shareholders' funds}}$
Interest earning assets	=	Due from other banks + Treasury Bills + trading securities (bonds) + loans and advances
Leverage	=	$\frac{\text{Total assets}}{\text{Total shareholders' funds}}$
Liquidity ratio	=	$\frac{\text{Liquid assets}}{\text{Deposit liabilities (as prescribed by the CBN)}}$
Loan to deposit ratio	=	$\frac{\text{Total loans}}{\text{Total deposit}}$
Marginal cost of fund	=	$\frac{\text{Increase in interest expense during the month}}{\text{Increase in average deposits during the same month (annualised)}}$
Net interest margin (1)	=	$\frac{\text{Net interest income}}{\text{Average interest-earning assets (i.e. opening + closing)}}$
Net interest margin (2)	=	$\frac{\text{Net interest income}}{\text{Total interest income}}$
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	=	$\frac{\text{Loan loss provision (including interest in suspense)}}{\text{Gross NPLs}}$
NPL ratio	=	$\frac{\text{Non-performing loans}}{\text{Gross loans}}$
Operating profit margin	=	$\frac{\text{Operating profit}}{\text{Gross earnings}}$
Pre-provision operating profit	=	$\frac{\text{Operating profit + impairment charge on credit losses}}{\text{Impairment charge on credit losses}}$
Provisioning level (Non-performing loans coverage)	=	$\frac{\text{Total provision}}{\text{Total NPL}}$
Return on average assets	=	$\frac{\text{PAT}}{\text{Average total assets}} \times 100$

GLOSSARY OF RATIOS

RATIO		BASIS OF COMPUTATION	
Return on average equity	=	$\frac{\text{PAT}}{\text{Average total equity}}$	x 100
Risk asset ratio	=	$\frac{\text{Total loans}}{\text{Total assets}}$	
Risk-weighted assets*	=	Assets x weight of risks x 100	
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 and General Purpose 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	Cumulative 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
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
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
DRCe	Disaster Recovery Centre
DNFBPs	Designated non-financial businesses and professionals
DRC	Democratic Republic of Congo
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
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
FCT	Federal Capital Territory
FFL	First Funds Ltd
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FMAN	Fund Managers Association of Nigeria
FMCG	Fast-moving consumer goods

ABBREVIATIONS

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
IRS	Internal Revenue Service
ISF	Information Security Forum
ISMD	Information Security Management Department
ISMS	Information Security Management System
ISO	International Organization for Standardization
IR	Investor Relations
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
NBFS	Non-banking financial services
NBS	National Bureau of Statistics
NDDC	Niger Delta Development Commission
NDIC	Nigeria Deposit Insurance Corporation
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 Cooperation and Development
OFR	Officer of the Federal Republic

ABBREVIATIONS

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
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
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
RBS	Risk Based Supervision
RCSA	Risk and control self-assessment
RDAS	Retail Dutch Auction System
RICO	Resident Internal Control Officer
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
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
FBN Bank (UK) Limited	28, Finsbury Circus, London, EC2M 7DT, England, UK	+44 207 920 4920
Banque Internationale de Crédit	191, Avenue de L'Equateur, Kinshasa/Gombe, DRC	+243 0 818 996625, +243 0 970 043567
FBN Capital Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
First Pension Custodian Nigeria Limited	124 Awolowo Road, Ikoyi, Lagos	+234 1 2713217-9
FBN Mortgages Limited	76, Awolowo Road, Ikoyi, Lagos	+234 1 4615860-2
First Trustees Nigeria Limited	A G Leventis Building, 2nd Floor, 42/43 Marina, Lagos	+234 1 4622673, 01 4605120
FBN Insurance Limited	34 Marina Old Nipost Building, Marina, Lagos	+234 1 4622182, +234 0 8080479319
FBN Microfinance Bank Limited	305 Herbert Macaulay Way, Yaba, Lagos	+234 1 8501505, +234 0 8159393199
FBN Insurance Brokers Limited	9/11 Macarthy Street, Onikan, Lagos	+234 1 2660498, 4709090, 2631165, 4622181-5
FBN Securities Limited	16 Keffi Street, Ikoyi, Lagos	+234 1 2707180-9
First Funds Limited	90 Awolowo Road, South-West, Ikoyi, Lagos	+234 1 2793910-9
International Commercial Bank Limited Ghana	Meridian House, Ring Road Central, Private Mail Bag No. 16, Accra North, Accra, Ghana	+233 302 236 136 / 235819
International Commercial Bank S.A. Guinea	Ex-cite Chemin de Fer, Immeuble Mamou, BP 3547, Conakry, Republic of Guinea	+224 664535353, +224 657256667, +224 657 32 11 05
International Commercial Bank (Sierra Leone) Ltd	22, Rawdon Street, Freetown, Sierra Leone	Mobile: +232 76 741 737, +232 22222877, +232 22222273, +232 22222814
International Commercial Bank (Gambia) Ltd	48, GIEPA House, KSMD, P.O. Box 1600, Banjul, The Gambia	+220 7993501, +220 3366144, +220 9966144, +220 4397230
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

REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS

In compliance with the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation and the Securities & Exchange Commission Code of Corporate Governance ("the Codes"), FBN Holdings Plc. ("FBN Holdings") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board"). The appraisal covered the year ended 31 December 2013, the Board's first year of operation.

Codes mandate an annual appraisal of the Board and individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual Director competencies and respective roles in the performance of the Board.

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

Our approach to the appraisal of the Board involved a review of the 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 assessed the level of compliance of the Board with the provisions of the Codes.

On the basis of our review, except as noted below, FBN Holdings' corporate governance practices are largely in compliance with the key provisions of the Codes. Specific recommendations for further improving FBN Holdings' governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following areas: appointment of independent Director, creation of Board committees, Directors' remuneration, Directors' induction and training.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
29 April 2014

NOTES

FBNHoldings

CONTACT DETAILS AND FEEDBACK

Head, Investor Relations
Oluyemisi Lanre-Phillips
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SHAREHOLDER ENQUIRIES

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