FBN Holdings Plc.
Consolidated Financial Statements
for the year ended 31 December 2013

FBN Holdings Plc.
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for the year ended 31 December 2013

DIRECTORS AND ADVISORS

DIRECTORS

Dr Oba A. Otudeko, CFR	Non-Executive Director (Chairman)
Bello Maccido	Chief Executive Officer
Lt. General Garba Duba, RTD	Non-Executive Director
Oye Hassan-Odukale, MFR	Non-Executive Director
Abdullahi Mahmoud	Non-Executive Director
Olabisi Onasanya	Non-Executive Director
Chidi Anya	Non-Executive Director - Appointed March 15, 2013

COMPANY SECRETARY: Tijjani M. Borodo

REGISTERED OFFICE:
Samuel Asabia House
35, Marina
Lagos

AUDITORS:
Price Waterhouse Coopers
(Chartered Accountants)
252E Muri Okunola Street,
Victoria Island
Lagos

PKF Professional Services
(Chartered Accountants)
PKF House
205A, Ikorodu Road
Obanikoro
Lagos.

REGISTRARS:
First Registrars Nigeria Limited
Plot 2, Abebe Village Road,
Iganmu, Lagos

FBN Holdings Plc.

Responsibility for annual financial statements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the 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

INCOME STATEMENT

		GROUP		COMPANY	
			Restated		
	Note	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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)

FBN Holdings Plc.

STATEMENT OF COMPREHENSIVE INCOME		GROUP		COMPANY	
			Restated		
		31 December		31 December	
	Note	2013	2012	2013	2012
		N 'millions	N 'millions	N 'millions	N 'millions
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	
			Restated	Restated		
		31 December	31 December	1 January	31 December	31 December
	Note	2013	2012	2012	2013	2012
		N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
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**
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 10 to 113 were approved by the Board of Directors on 25 March 2014 and signed on its behalf by:

Dr Oba Otudeko, CFR	**Bello Maccido**	**Oyewale Ariyibi**
Chairman	Chief Executive Officer	Head of Finance
FRC/2013/ICAN/00000002365	FRC/2013/CISN/00000002366	FRC/2013/ICAN/00000001251

FBN Holdings Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Share capital	Share premium	Retained earnings	Statutory reserve	SSI reserve	AFS Fair value reserve	Contingency reserve	Statutory credit reserve	Treasury share reserve	FCTR	Total	Non-controlling interest	Total equity
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
Balance at 1 January 2012 (as previously reported)	16,316	254,524	41,587	32,144	6,076	8,525	13	9,766	(1,941)	606	367,616	964	368,580
Effect of changes in accounting policies (Note 53)	-	-	1,575	-	-	284	-	-	(2,384)	-	(525)	-	(525)
Balance at 1 January 2012 (restated)	16,316	254,524	43,162	32,144	6,076	8,809	13	9,766	(4,325)	606	367,091	964	368,055
Profit for the year	-	-	77,021	-	-	-	-	-	-	-	77,021	(220)	76,801
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	1,062	1,062	-	1,062
Tax effects on revaluation of financial assets	-	-	140	-	-	-	-	-	-	-	140	-	140
Fair value movements on equity financial assets	-	-	-	-	-	18,182	-	-	-	-	18,182	-	18,182
Actuarial gains/(losses) on defined benefit pension scheme	-	-	(571)	-	-	-	-	-	-	-	(571)	-	(571)
Total comprehensive income	-	-	76,590	-	-	18,182	-	-	-	1,062	95,834	(220)	95,614
Transactions with owners													
Dividends	-	-	(26,105)	-	-	-	-	-	-	-	(26,105)	-	(26,105)
Disposal of treasury shares	-	-	-	-	-	-	-	-	1,947	-	1,947	-	1,947
Additional investment	-	-	-	-	-	-	-	-	-	-	-	518	518
Acquisition of subsidiary (Note 26)	-	-	-	-	-	-	-	-	-	-	-	1,286	1,286
Transfer between reserves	-	-	(17,575)	11,203	-	-	37	6,335	-	-	-	-	-
Total transactions with Owners	-	-	(43,680)	11,203	-	-	37	6,335	1,947	-	(24,158)	1,804	(22,354)
At 31 December 2012	16,316	254,524	76,072	43,347	6,076	26,991	50	16,101	(2,378)	1,668	438,767	2,548	441,315
Profit for the year	-	-	70,135	-	-	-	-	-	-	-	70,135	496	70,631
Other comprehensive income													
Foreign currency translation differences, net of tax	-	-	-	-	-	-	-	-	-	434	434	-	434
Tax effects on revaluation of financial assets	-	-	635	-	-	282	-	-	-	-	917	-	917
Fair value movements on equity financial assets	-	-	-	-	-	(12,006)	-	-	-	-	(12,006)	(16)	(12,022)
Return on plan assets	-	-	219	-	-	-	-	-	-	-	219	-	219
Actuarial gains/(losses) on defined benefit pension scheme	-	-	1,638	-	-	-	-	-	-	-	1,638	-	1,638
Share of OCI of associates, net of tax	-	-	-	-	-	(298)	-	-	-	-	(298)	-	(298)
Total comprehensive income	-	-	72,627	-	-	(12,022)	-	-	-	434	61,039	480	61,520
Transactions with owners													
Other changes	-	-	-	-	-	-	-	-	-	-	-	181	181
Dividends	-	-	(32,632)	-	-	-	-	-	-	-	(32,632)	(264)	(32,896)
Disposal of treasury shares	-	-	-	-	-	-	-	-	98	-	98	-	98
Issue of shares*	-	-	-	-	-	-	-	-	-	-	-	1,560	1,560
Transfer between reserves	-	-	(670)	8,727	-	-	57	(8,114)	-	-	-	-	-
Total transactions with Owners	-	-	(33,302)	8,727	-	-	57	(8,114)	98	-	(32,536)	1,477	(31,057)
At 31 December 2013	16,316	254,524	115,397	52,074	6,076	14,969	107	7,987	(2,280)	2,102	467,272	4,505	471,777

*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.

FBN Holdings Plc.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Capital reserve	AFS Fair value reserve	Total
	Attributable to equity holders of the parent					
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
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

FBN Holdings Plc.

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
	Note	31 December 2013 N 'millions	Restated 31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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)

1 General information

These financial statements are the consolidated financial statements of FBN Holdings Plc. (the Company), and its subsidiaries (hereafter referred to as 'the Group').

The Registered office address of the Company is at 35 Marina, Samuel Asabia House,Lagos.Nigeria.

The principal activities of the Group are mainly the provision of commercial banking services, investment banking services, insurance business services and provision of other financial servises and corporate banking.

The consolidated financial statements for the year ended 31 December 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

(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.

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the group

(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 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

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

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.

2.3 Consolidation

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

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

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

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.

2.7 Income taxation

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

(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

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.

2.9.1 ***Financial assets***

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 omprehensive income is recognised in the income

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

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

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.

2.9.5 Determination of fair value

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

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

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

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

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.

2.12 Revenue recognition

a. Interest income and expense

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

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or dlinquency 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.

2.14 Impairment of non-financial assets

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

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.

(ii) Finance lease

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

2.18 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.

2.18 Property, Plant and Equipment

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	20%
Office equipment	20%
Furniture and fittings	20%
Computer hardware and equipment	33 1/3%
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

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

2.19 Intangible assets

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

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

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 contract is made up of an unexpired premium reserve (UPR) and reserve for 'Incurred but not reported' claims (IBNR). The UPR represent premium received in advance on short term contracts and is released through the income statement over the life of the insurance contract period after adjusting for acquisition expenses. IBNR reserves are required to take account of the delay in reporting claims. These are determined by considering ultimate claims ratios for the life schemes on the Group's books. The ratios differ by industry and have been determined following a historical analysis of portfolio claims experience. The IBNR reserves are calculated by adjusting the ultimate claims amounts to allow for claims already paid and those outstanding for payment, and again adjusted to allow for the holding of a separate UPR reserve. As the short term insurance contract experience of FBN builds up we will be able to adjust for company-specific

(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

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).

2.24 Insurance contracts

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

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; and
• Risks are reported openly and fully to the appropriate levels once they are identified.
• Risk officers work as allies and thought partners to other stakeholders within and outside the Group, and are guided in the exercise of their powers by a deep sense of responsibility, professionalism and respect for other parties.
• All subsidiaries are guided by the principles enshrined in the risk management policies of the Group.

3.2 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.

3.2.1 Credit risk measurement continued

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 premise, 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.

(a) Portfolio limits continued

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

The group also controls and mitigates risk through collateral.

3.2.3 Collateral held as security for Loans and advances to customers

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

• 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, while revolving individual credit facilities on the other hand are generally unsecured. In addition, to minimise the credit loss, the Group would seek additional collateral from the counterparty even before impairment indicators are identified for the relevant individual loans and advances.

3.2.3 Collateral held as security for Loans and advances to customers continued

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.

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

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised Cost N'million	Total N'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
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
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

	Fair Value through P/L Held for trading N'million	Fair Value through OCI Available for sale N'million	Amortised Cost N'million	Total N'million
GROUP				
31 December 2012				
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
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

3.2.9 Measurement basis of financial assets and liabilities continued

	Fair Value through P/L Held for trading *N'million*	Fair Value through OCI Available for sale *N'million*	Amortised Cost *N'million*	Total *N'million*
COMPANY				
31 December 2013				
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
31 December 2012				
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 N'millions	**31 Dec 2012 N'millions**	**31 Dec 2013 N'millions**	**31 Dec 2012 N'millions**
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	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
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

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	77,835.00	-	1,101,624

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
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

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
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

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

COMPANY

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Loans and advances to banks	1,477	-	-	-	-	-	1,477
Loans and advances to customers							
- Staff loans	72	-	-	-	-	-	72
Investment securities							
Held to maturity investments	(2,450)	2,450	-	-	-	-	-
Loans and receivables	7,332	-	-	-	-	-	7,332
Other assets	42,831	-	-	-	-	-	42,831
31 December 2013	49,262	2,450	-	-	-	-	51,712

	Lagos	Southern Nigeria	Northern Nigeria	Africa	Europe	America	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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	Loans and advances to banks	Financial assets held for trading	Investment Securities (Debt) - Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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

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

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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.

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities- Available for	Investment Securities - Held to maturity	Asset pledged as collateral	Other assets N 'millions
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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.

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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

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

b) Industry sectors

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities - Held to maturity	Investment Securities - Loans and receivables	Asset pledged as collateral	Other assets N 'millions
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
COMPANY							
Real estate	-	-	-	-	7,332	-	-
Finance and insurance	-	1,477	-	-	-	-	42,831
Total at 31 December 2013	-	1,477	-	-	7,332	-	42,831

	Loans to customers					
	Overdraft	Term loans	Staff loans	Project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
Consumer credit	-	-	11	-	-	11
Real estate	-	-	61	-	-	61
Total at 31 December 2013	-	-	72	-	-	72

	Balances with central bank	Loans and advances to banks	Financial assets held for trading	Investment Securities - Held to maturity	Investment Securities - Loans and	Asset pledged as collateral	Other assets N 'millions
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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

	Loan commitments	Letter of credit and other related obligations	Loan commitments	Letter of credit and other related obligations
	31 Dec 2013	31 Dec 2013	31 Dec 2012	31 Dec 2012
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
		GROUP		
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:

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
GROUP						
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)
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

	Loans to customers					
	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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	(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						
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	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
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	-	-	-	-	-	-
	321,174	1,218,856	6,268	59,425	1,616	1,607,339

3.2.12 Loans and advances to customers continued

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
(b) Loans and advances past due but not impaired						
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	-	-	8,516
Gross amount	14,771	135,055	122	2,109	490	152,547
(c) Collectively impaired loans						
	3,748	18,151	3	-	60	21,962

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	**Total**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
(d) Loans and advances individually impaired						
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
December 2012						
(a) Loans and advances to customers - neither past due nor impaired						
a) 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
	254,444	1,045,851	5,976	55,967	2,520	1,364,759
(b) Loans and advances past due but not impaired						
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

GROUP

December 2012

(c) Collectively impaired loans

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

	Overdraft	Term loans	Staff loans	project finance	Advances under finance lease	Total
	3,153	16,452	-	-	28	19,633
(d) Loans and advances individually impaired						
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

3.2.12 Loans and advances to customers continued

(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	**Scenario 1**	**Scenario 2**
	N'millions	**N'millions**	**N'millions**
31 December 2013			
- Overdrafts	11,806	12,352	12,352
- Term loans	10,117	12,788	12,788
- Staff loans	(430)	(396)	(396)
- Project finance	(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
- Staff loans	(1,164)	(952)	(952)
- Project finance	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
31 December 2013	**Loans to banks**
	N'millions
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

3.2.13 Loans and advances to banks continued

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

31 December 2013	Treasury bills as reported in the AFS portfolio	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Other assets
	N'millions	N'millions	N'millions	N'millions	N'millions
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	Bonds as reported in the AFS portfolio	Treasury bills as reported in the HTM portfolio	Bonds as reported in the HTM portfolio	Loans and receivables	Other assets
31 December 2013	N'millions	N'millions	N'millions	N'millions	N'millions	N'millions
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 Liquidity risk continued

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.

GROUP

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

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
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
	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 N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
31 December 2013							
Financial liabilities							
Other liabilities	72	-	-	3,447	-	-	3,519
Total financial liabilities	72	-	-	3,447	-	-	3,519
31 December 2012							
Financial liabilities							
Other liabilities	-	-	-	993	-	-	993
Total financial liabilities	-	-	-	993	-	-	993

3.3 Liquidity risk continued

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

(b) TABLE B - LIQUIDITY ANALYSIS ON A BEHAVIOURAL BASIS
GROUP

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
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

	0 - 30 days N 'millions	31 - 90 days N 'millions	91 - 180 days N 'millions	181 - 365 days N 'millions	Over 1 year but less than 5 yrs N 'millions	Over 5 years N 'millions	Total N 'millions
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 N 'millions	1-3 months N 'millions	3-6 months N 'millions	6 - 12 months N 'millions	1-5 years N 'millions	Over 5 years N 'millions	Total N 'millions
At 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 (N' million)							
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.

	Up to 1 month	1-3 months	3-6 months	6 - 12 months	1-5 years	Over 5 years	Total
GROUP							
At 31 December 2013 (N' million)							
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 analaysis are the held for trading assets.

The treasury bill trading VaR is NGN 100.72million as at 31st 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 NGN 3.37million as at 31st 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.

VAR summary

	GROUP 12 months to 31 December 2013		
	Average	**High**	**Low**
Foreign exchange risk	16	52	0
Interest rate risk	528	1,738	38
Total VAR	**543**	**1,791**	**38**

VAR summary

	GROUP 12 months to 31 December 2012		
	Average	**High**	**Low**
Foreign exchange risk	176	1,267	2
Interest rate risk	264	1,303	5
Total VAR	**440**	**2,570**	**7**

3.4.2 Market risk measurement techniques continued

(b) Stress tests

Based on the reality of unpredictable market environment and the frequency of regulations that have had significant effect on market rates and prices, the 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 N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
31 December 2013						
Financial assets						
Cash and balances with Central Banks	560,660	8,904	3,646	16,049	4,975	594,234
Loans and advances to banks	29,908	326,152	46,284	23,887	4,355	430,586
Loans and advances						
- Overdrafts	272,676	63,248	85	95	3,951	340,055
- Term loans	604,517	604,024	53,972	88,205	9,243	1,359,961
- Staff loans	5,670	254	32	-	260	6,216
- Project finance	50,150	10,653	-	-	-	60,803
- Advances under finance lease	2,095	-	-	-	-	2,095
Investment securities						
- Available-for-sale investments	386,118	35,679	46,687	4	8,453	476,941
- Held to maturity investments	294,575	-	-	-	-	294,575
Asset pledged as collateral	52,405	-	-	-	1,245	53,650
Financial assets 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

3.4.3 Foreign exchange risk continued

	Naira N 'millions	USD N 'millions	GBP N 'millions	Euro N 'millions	Others N 'millions	Total N 'millions
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

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	31 Dec 2012
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.

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
GROUP				
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
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**

	Carrying amount N millions	Variable interest N millions	Fixed interest N millions	Non interest-bearing N millions
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 31st 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.

Figures in N'bn	<=30 DAYS	31 - 90 DAYS	91 - 180 DAYS	181 - 365 DAYS	1 - 2 YEARS	2 YEAR & ABOVE	Rate Sensitive
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.

3.5 Management of insurance risk continued

3.5.1 Underwriting risk continued

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 N10 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:

3.5 Management of insurance risk continued

	31 December 2013			31 December 2012		
	Gross liability	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'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	Reinsurance	Net Liability	Gross liability	Reinsurance	Net Liability
	N'million	N'million	N'million	N'million	N'million	N'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 behavior.

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 NGN100,000) 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 NGN5million) in addition to the amount paid in (2) to the beneficiary.	Death only
Family Support Plan (FSP)	Individual traditional	Pays a lumpsum in case of death of any of the covered members. Also gives back one full year premium for every five years that there have been no claim on the policy.	Death only
Family Income Protection Plan	Individual traditional	Pays a lumpsum to the beneficiary should any of the coverered events happens to the policyholder, dependiong on the option chosen at inception.	Death with either Permanent
Group Life Assurance	Group Life	1. The scheme will pay a benefit of NGN500,000.00 (subjected to NGN1 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 an loss of job.

3.5.3 Sources of uncertainty in the estimation of future claim payments continued

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 N3,500 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 N3,846 on average for the individual business.

FBN Life adopted a valuation expense assumption for individual business (excluding credit life) of N3,500 per policy, being approximately 10% higher than a "best estimate" assumption of N3,200 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 N115 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.

3.5.4 Process used to decide on assumptions continued

Expenses continued

The valuation expense assumptions are as follows:

Type of Business	Current Valuation	Previous valuation
Individual Life	N3,500 pp	N3,875 pp
Credit Life	N115 pp	N660 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.

3.5.4 Process used to decide on assumptions continued

Group and Credit life businesses continued

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	Base	VIR		Expenses		Expense inflation	
N'million		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

3.5.5 Insurance and Market risk sensitivities continued

2013	Base	Mortality	
N'million		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

2012	Base	VIR		Expenses		Expense inflation	
N'million		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	8,443	310	171	223	293	227	277

2012	Base	Mortality	
N'million		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	8,443	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 (N3,755m) were 103.1% of the value of the actuarially calculated net liabilities (N3,651m).

The assets backing the Life Fund are as follows:

	2013 N'million	2012 N'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 N105.4million (N258.3million; 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 N10.09 billion (2012: N10.78 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 N908 million.

The Group holds a number of investments in unquoted securities with a market value of N46.58 billion (2012: N54.61billion) 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 N4.7 billion (cost N2.9 billion); N24.9 billion (cost N12.7 billion) and N1.4 billion (cost N31 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 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
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

3.7.1 Financial instruments measured at fair value continued

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
31 December 2012				
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				
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:
a) Quoted market prices or dealer quotes for similar instruments;
b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
c) Other techniques, such as discounted cash flow analysis, sales prices of comparable proprties 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 hierachy.
The discount factor ranged from 10% to 25% using the rates recommended in the PwC valuation methodology survey 2012 edition.

3.7.1 Financial instruments measured at fair value continued

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 securites (FGN Bonds) with the equity risk premium and company/sector specific premium. The present value derived from the calculation represents the investee company's enterprise value.

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

3.7.2 Group's valuation process

The Group's asset liability management (ALM) unit performs the valuation of financial assets required for financial reporting purposes. This team also engages external specialist valuers when the need arises, and reports directly to the Chief Risk Officer. Discussions on the valuation process and results are held between the ALM team and the Chief Risk Officer on a monthly basis in line with the group's management reporting dates.

3.7.3 Financial instruments not measured at fair value

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

GROUP

	Level 1 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
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 N 'millions	Level 2 N 'millions	Level 3 N 'millions	Total N 'millions
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:

	At 31st December 2013		At 31st December 2012	
	Carrying value N 'millions	**Fair value N 'millions**	**Carrying value N 'millions**	**Fair value N 'millions**
GROUP				
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
TOTAL				

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 arsing 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 December 2013	**31 December 2012**
	N 'millions	**N 'millions**
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
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.

5 Significant accounting judgements, estimates and assumptions continued

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 N552 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 N84 million while if it had been lower by 0.5% a further charge of N80 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 N157 million while if it had been higher by 0.5% a further charge of N149.5 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 impairmenrs 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	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31st 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)**

6 Segment information continued

	Commercia l Banking Group	IBAM Group	Insurance Group	Other Financial Services Group	Total
	N 'millions	N 'millions	N 'millions	N 'millions	N 'millions
At 31st 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 31st 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)**
At 31st 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

Revenues

	31 Dec 2013	31 Dec 2012
	N 'millions	N 'millions
Nigeria	368,060	347,559
Outside Nigeria	26,876	23,201
Total	**394,935**	**370,759**

7 Interest income

	GROUP		COMPANY	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 N1.3billion (2012:N5.3billion), 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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 N20.0billion from N12.8billion 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 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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

16 Operating expenses
a) 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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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	**2013**		**2012**	
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 N137.04 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 N325 billion with central Bank of Nigeria (CBN) as at 31st December 2013 (December 2012: N187 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 N13.5 billion, N1 billion, N177 million and N1.5 billion respectively with their respective central banks.

19 Cash and cash equivalents

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

	GROUP		COMPANY	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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

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 N103.6 billion for Group (31 December 2012: N706 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 N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
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 N 'millions	Specific impairment N 'millions	Collective impairment N 'millions	Total impairment N 'millions	Carrying amount N 'millions
31 December 2013					
Staff loans	72	-	-	-	72
	72	-	-	-	72

	GROUP		COMPANY	
	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Current	932,842	571,525	5	-
Non-current	836,288	969,852	67	-
	1,769,130	1,541,377	72	-

21 Loans and advances to customers continued

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) N200 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 December 2013 N 'millions	31 December 2012 N 'millions
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

	Overdrafts N 'millions	Term loans N 'millions	Finance lease N 'millions	Other N 'millions	Total N 'millions
At 1 January 2013	10,284	27,621	87	1,332	39,324
Additional provision					
Specific impairment	11,631	9,220	696	31	21,578
Collective impairment	648	924	(15)	(416)	1,142
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	28,807	768	947	45,051
Specific impairment	10,467	9,480	696	31	20,673
Collective impairment	4,060	19,327	71	916	24,374
At 31 December 2013	14,527	28,807	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 December 2013 N 'millions	31 December 2012 N 'millions
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

21 Loans and advances to customers continued

Nature of security in respect of loans and advances:
GROUP

	31 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 N1,814,137 represents 99.99% of the gross loans of N1,814,177.

22 Financial assets at fair value through profit or loss (Financial assets at FVTPL)

	GROUP		COMPANY	
	31 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
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	-	-
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:

22 Financial assets at fair value through profit or loss (Financial assets at FVTPL) continued

	GROUP 31 Dec 2013		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions
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 Dec 2012		
	Notional contract amount	Fair values Asset	Fair values Liability
	N 'millions	N 'millions	N 'millions
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 December 2013	31 December 2012	31 December 2013	31 December 2012
	N 'millions	N 'millions	N 'millions	N 'millions
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 then 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

23 Investment Securities continued

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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 N41.6bn (2012: N40.1bn) for which there is no related liability.

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 December 2013 N 'millions	31 December 2012 N 'millions
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 N4.5 billion.

25 Investment in subsidiaries continued

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
ICB Ghana	Banking	Ghana	100	100	31 December
ICB Sierra Leone	Banking	Sierra Leone	100	100	31 December
ICB Guniea	Banking	Guinea	100	100	31 December
ICB Gambia	Banking	Gambia	100	100	31 December

i First Bank of Nigeria Limited

The bank commenced operations in Nigeria in 1894 as a branch of Bank of British West Africa (BBWA), and was incorporated as a private limited liability company in Nigeria in 1969. The Bank was the parent company of the Group until 30 November 2012, when a business restructuring was effected in accordance with the directives of the Central Bank of Nigeria and FBN Holdings Plc became the parent company of the Group.

ii FBN Capital Limited

FBN Capital Limited is a private limited liability company incorporated in Nigeria and commenced operations on 1 April 2005. It is registed 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.

iii 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.

iv 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.

v 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.

vi 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.

vii First Trustees Nigeria Limited

First Trustees Nigeria Limited was incorporated in Nigeria as a limited liability companyon 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.

viii 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

25.2 Condensed subsidiary accounts

26 Acquisition of Subsidiary

In November 2013, First Bank of Nigeria Limited paid for the acquisition of a 100% equity interest in 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 N5.5 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 N0.5 billion.

The ICB entities contributed interest income of N855 million and fee commission of N102 million to the group for the period 1 November 2013 to 31 December 2013 as well as profit of N374 million. If the acquisition had occurred on 1 January 2013, the group interest income would show N320.9 billion, group fee and commission would be N54.9 billion and group profit before tax would have been N86.7 billion.

BIC contributed interest income of N2.1 billion and fee commission of N2.3 billion to the group for the period 1 April 2012 to 31 December 2012 as well as profit of N671million. If the acquisition had occurred on 1 January 2012, the group interest income would show N277.7 billion, group fee and commission would be N54.1 billion and group profit before tax would have been N86.4 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	**ICB Sierra Leone**	**ICB Guinea**	**ICB Gambia**	**BIC**
	October 31 2013	**October 31 2013**	**October 31 2013**	**October 31 2013**	**March 31 2012**
Consideration					
					N'm
Cash	10,559	1,685	2,243	1,435	5,503
Recognised amounts of identifiable assets acquired and liabilities assumed					
	Provisional Fair value	**Provisional Fair value**	**Provisional Fair value**	**Provisional Fair value**	**Fair value**
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
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.

26 Acquisition of Subsidiary continued

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 N4.1bn, N461m, N856m and N567m 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 N10.6 billion, N1.6 billion, N1.1 billion and N741 million for ICB Ghana, Guinea, Sierra-Leone and Gambia respectively which excludes a loan loss provision of N1.9 billion, N11.9 million, N42 million and N107 million for each of the respective entities.

The gross carrying value of other assets is N821 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 N1.1 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 N18.166 billion which excludes a loan loss provision of N2.2 billion.

The gross carrying value of other assets is N1.9 billion, this includes an account receivable of N0.987 billion. The fair value of the trade receivables amounts to N0.968 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 N2.7 billion (provisional figure at acquisition) to N3.4 billion. This resulted in an increase in the pre-acquisition reserves by N0.7 billion, which is allocated between the group (N0.5 billion) and non-controlling interest (N0.18 billion). The group's remeasurement of goodwill is therefore N0.5 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 28th December 2012, FBN Limited disposed of 100% of the share capital of its subsidiary - First Registrars. The company contributed profit of N1.5 billion to the Group from 1 January 2012 to 28 December 2012 (N986m for prior year).

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

	First registrars Limited **28 December 2012** N'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.

27 Discontinued operations continued

	31 Dec 2013	31 Dec 2012
	N'million	N'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 subsidiaies 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 N114.49.
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	2012	2013	2012
	N 'millions	N 'millions	N 'millions	N 'millions
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	-	-
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**

28 Investment in associates (equity method) continued

Summarised balance sheet is as follows

	SOSL		KDH	
	2013	2012	2013	2012
	N 'millions	N 'millions	N 'millions	N 'millions
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
Other liabilities	203,586	3,462	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	2012	2013	2012
	N 'millions	N 'millions	N 'millions	N 'millions
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 31st December 2013 (2012 : Nil).

29 Property, plant and equipment

29 Property, plant and equipment

30 Intangible assets

		GROUP	
	Goodwill	Computer software	Total
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
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 N7.8 billion includes N1.6 billion attributable to the acquisition of BIC(Banque International du Credit in the Democratic Republic of Congo) in 2012 and N6.2 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 good will relates is recognized 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 recognized 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: N5.581bn

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.

30 Intangible assets continued

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: (N' million)	11,498	2,281	1,931	4,987
Goodwill (N' million)	4,149	856	566	461
Net Asset (N' million)	6,410	1,386	869	1,224
Total carrying amount (N' 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 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
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 N 'millions**	**Adjustment on acquired entities N 'millions**	**Recognised in P&L N 'millions**	**Recognised in OCI N 'millions**	**31 Dec 2013 N 'millions**
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

31 Deferred tax continued

	1 Jan 2012 N 'millions	Recognised in P&L N 'millions	Recognised OCI N 'millions	31 Dec 2012 N 'millions
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

	Opening balance N 'millions	Discontinued Operations N 'millions	Recognised in P&L N 'millions	Closing balance N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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: N312m; Inventory: N349m; Other receivables: N872m)	(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

Reconciliation of impairment account	GROUP		COMPANY	
	2013 N 'millions	2012 N 'millions	2013 N 'millions	2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 7 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 2 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 N 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 N2.4 billion (2012: N 1.8billion) 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.

36 Borrowings continued

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 N 3.77 billion (2012: N 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 N 'millions	**31 Dec 2012 N 'millions**	**31 Dec 2013 N 'millions**	**31 Dec 2012 N 'millions**
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

Adjustments to consolidated income statement	**GROUP 31 Dec 2012 N 'millions**	**COMPANY 31 Dec 2012 N 'millions**
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 enity. FBN Limited's scheme was terminated in 2013 and individual memebers benefit were calculated on a discontinuance basis. Amounts recognised in the statement of financial position are shown below.

37 Retirement benefit obligations continued

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 N 'millions	Fair value of plan assets N 'millions	Total N 'millions	Present value of the obligation N 'millions
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
Remeasurment				
- (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

	2013		
	N 'millions Quoted	N 'millions Unquoted	N 'millions Total
Debt Instruments			55
Government	-	54	
Money market investments	-	1	
Others	-	0	
Total	**-**	**55**	**55**

	GROUP	
	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
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 N1.2 billion.

37 Retirement benefit obligations continued

The movement in the defined benefit obligation over the year is as follows:

	GROUP		
	Present value of the obligation	**Fair value of plan assets**	**Total**
		N 'millions	**N 'millions**
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**
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**

GROUP

Composition of Plan assets		**2013**			**2012**	
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**	**N 'millions**
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
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 hierachy

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

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to Federal Government Bond yields. If the plan assets underperform this yield, this will create a deficit. As the plans mature, the group intends to reduce the level of investment risk by investing more in asset that better match the liabilities. In equity market, focus will be to seek to reduce the volatility on the fund and align asset allocation with the long term objectives of the fund whilst taking advantage of selling offs 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 groups ensures that the investment positions are managed within the Asset-liability matching (ALM) framework that has been developed to achieve long-term investment that are in line with the obligations under the pension schemes. Within this ALM framework, the objective is to match assets to the pension obligation by investing in long term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investment are matching the expected cash outflows arising from the pension obligation

The weighted average duration of the defined benefit obligation is 7years

37 Retirement benefit obligations continued

	31 Dec 2013 N 'millions	31 Dec 2012 N 'millions
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 N'm	Impact on Liability
	11%	11,801	0.0%
	10.5%	12,161	3.0%
Discount rate	11.5%	11,463	-2.9%
	9%	11,801	0.0%
	8.5%	11,801	0.0%
Inflation rate	9.5%	11,801	0.0%
	0%	11,801	0.0%
	0.0%	11,801	0.0%
Pension increase rate	0.0%	11,801	0.0%
	Base	11,801	0.0%
	Improved by 1 year	11,904	0.9%
Life expectancy	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 Credit (BIC) Congo has a scheme whereby on separation, staff who have spent a minimum of 3 years are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank.

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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions
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 December 2013 N 'millions	31 December 2012 N 'millions
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

41 Share capital

Authorised	31 December 2013	31 December 2012
50 billion ordinary shares of 50k each (2009: 30 billion)	25,000	25,000

Issued and fully paid

Movements during the period:	Number of shares In millions	Ordinary shares N 'millions
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 N65 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 International e de Credit (DRC)	FBN Life Assurance Limited	FBN Heritage Fund	Rainbow Town Development Limited	Total
Percentage holdings	**25%**	**35%**	**37%**	**45%**	
	N'million	**N'million**	**N'million**	**N'million**	**N'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 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
	N 'millions	**N 'millions**	**N 'millions**	**N 'millions**
Profit before tax from continuing operations	91,337	91,148	70,631	(819)
Adjustments for:				
– Depreciation and amortisation	11,196	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	-	-
– 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	14,305	(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 N569 million (2012:Nil) in respect of authorized and contracted capital projects. The expenditure will be funded from the company's internal resources.

	GROUP	
	31 December 2013	31 December 2012
	N 'millions	N 'millions
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 December 2013	31 December 2012
	N 'millions	N 'millions
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 December 2013	31 December 2012
	N 'millions	N 'millions
Performance bonds and guarantees	459,723	322,545
Letters of credit	233,892	211,816

45.5 Loan Commitments

	GROUP	
	31 December 2013	31 December 2012
	N 'millions	N 'millions
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:

COMPANY

	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).

Related party transactions continued

	Directors and other key management personnel (and close family members)	Associates	Subsidiaries
46.3 Other transactions with related parties			
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 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
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:

Below N2,000,000	1,383	213	10	-
N2,000,001 - N2,800,000	95	216	3	-
N2,800,001 - N3,500,000	655	577	3	-
N3,500,001 - N4,000,000	46	72	-	-
N4,000,001 - N5,500,000	2,635	2,938	3	-
N5,500,001 - N6,500,000	1,596	1,546	-	-
N6,500,000 - N7,800,000	1,051	950	-	-
N7,800,001 - N9,000,000	281	222	-	-
N9,000,001 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:

	GROUP			
	31 December 2013 N 'millions	**31 December 2012 N 'millions**	**31 December 2013 N 'millions**	**31 December 2012 N 'millions**
Fees and sitting allowances	334	79	54	11
Executive compensation	618	319	104	22
Other director expenses	3,554	3,643	148	1
	6,062	4,837	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:

			Number	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
N2,000,001 -N3,000,000	3	5	-	-
N3,000,001 and above	51	1	7	6
	59	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 N32.6 billion at N1.00 per share (2011: N26.1 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 December 2013 N 'millions	31 December 2012 N 'millions	31 December 2013 N 'millions	31 December 2012 N 'millions
Profit from continuing operations attributable to owners of the parent (N'millions)	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 (N'millions)	-	-	-	-
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.

25.2 Condensed results of consolidated entities from continuing operations

31 December 2013	Banking Group	Holdco	FBN Capital	First Trustees	First Funds	FBN Securities	FBN Microfinance	FBN Insurance Brokers	FBN Life	Rainbow Town	Others	Total	Adjustments	Group
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement														
Operating income	279,824	74,988	5,888	1,854	349	781	1,055	836	2,330	(296)	2,641	370,252	(74,607)	295,645
Operating expenses	(172,718)	(4,357)	(2,019)	(928)	(468)	(770)	(1,036)	(460)	(1,813)	(44)	(1,882)	(186,495)	1,490	(185,005)
Impairment charge	(20,521)	-	-	60	-	23	44	(40)	-	-	-	(20,433)	124	(20,309)
Operating profit	86,585	70,631	3,869	986	(119)	34	64	337	517	(339)	759	163,323	(72,993)	90,331
Associate	875	-	-	-	-	-	-	-	-	-	-	875	131	1,006
Profit before tax	87,460	70,631	3,869	986	(119)	34	64	337	517	(339)	759	164,199	(72,861)	91,337
Tax	(21,010)	-	(854)	1,208	(19)	523	(61)	(103)	(60)	-	(331)	(20,706)	-	(20,706)
(Loss)/Profit for the year	66,451	70,631	3,016	2,194	(139)	558	3	234	457	(339)	429	143,493	(72,861)	70,632
Other comprehensive income	(9,779)	209	(66)	1,266	519	(3)	4	16	15	-	(790)	(8,608)	(504)	(9,112)
Total comprehensive income	56,672	70,840	2,949	3,459	381	555	8	249	472	(339)	(361)	134,885	(73,366)	61,519
Total comprehensive income allocated to non controlling interest	107	-	-	-	-	-	-	-	166	(153)	360			480
Dividends paid to non controlling interest	16	-	-	-	-	-	-	-	69	-	179			264
Summarized Financial Position														
Assets														
Cash and balances with Central Bank	593,972	-	1	0	-	-	61	0	200	-	-	594,234	-	594,234
Due from other banks	415,210	1,477	1,016	4,276	94	4,012	6,206	1,209	4,029	940	13,149	451,619	(21,033)	430,586
Loans and advances	1,797,932	72	1	6	0	1	1,362	65	-	1	-	1,799,440	(30,312)	1,769,128
Financial Assets held for Trading (HFT)	4,743	-	556	-	852	49	-	-	-	-	4,087	10,287	-	10,287
Investment securities	734,689	9,847	26,691	7,468	6,035	1,608	149	118	6,614	-	64,991	858,210	(34,147)	824,063
Assets Pledged as collateral	53,650	-	-	-	-	-	-	-	-	-	-	53,650	-	53,650
Inventory	-	-	-	-	-	-	-	-	-	28,663	-	28,663	1,590	30,253
Investment property	-	-	-	-	-	-	-	-	-	-	2,413	2,413	-	2,413
Investment in subsidiaries	-	246,777	3,821	-	-	-	-	-	-	-	830	251,428	(251,428)	(0)
Investment in Associates	6,227	9,281	1,330	-	-	-	-	-	-	-	-	16,839	(9,809)	7,030
Other assets	40,496	43,284	9,233	290	80	16	124	107	305	2,462	538	96,935	(55,530)	41,405
Deferred tax	4,586	-	127	1,983	-	362	5	56	-	-	-	7,120	-	7,120
Intangible Assets	8,594	-	105	-	-	0	1	0	35	10	-	8,745	-	8,745
Property and equipment	78,491	1,071	1,160	42	18	4	250	86	141	34	-	81,299	-	81,299
Assets held for sale	10,784	-	-	-	-	-	-	-	-	-	-	10,784	-	10,784
	3,749,375	311,810	44,041	14,066	7,079	6,052	8,159	1,642	11,324	32,110	86,009	4,271,667	(400,670)	3,870,997
Financed by														
Customer deposits	2,942,783	-	-	6,493	-	-	1,016	-	-	-	-	2,950,292	(21,211)	2,929,081
Due to other banks	77,481	-	-	-	-	-	4,514	-	-	-	3,775	85,769	(3,737)	82,032
Financial liabilities held for trading	1,701	-	-	-	-	-	-	-	-	-	-	1,701	-	1,701
Liability on investment contracts	-	-	-	-	-	-	-	-	-	-	70,023	70,023	(1,300)	68,723
Liability on insurance contracts	-	-	-	-	-	-	-	-	3,651	-	-	3,651	-	3,651
Borrowed funds	126,302	-	-	7,913	4,279	-	-	-	-	30,561	5,233	174,289	(47,987)	126,302
Tax payable	31,633	-	1,620	61	97	-	84	269	64	7	333	34,167	-	34,167
Other liabilities	182,793	3,710	2,338	545	327	4,280	135	417	3,900	1,883	1,913	202,239	(52,381)	149,858
Retirement benefit obligations	1,777	-	0	-	-	-	94	53	-	-	-	1,924	-	1,924
Deferred income tax liabilities	10	-	-	-	0	-	-	-	28	-	-	37	-	37
Liabilities held for sale	1,747	-	-	-	-	-	-	-	-	-	-	1,747	-	1,747
	3,366,227	3,710	3,958	15,011	4,703	4,280	5,843	739	7,642	32,451	81,277	3,525,840	(126,616)	3,399,224
Equity and reserves	383,148	308,100	40,083	(945)	2,377	1,771	2,316	903	3,682	(340)	4,731	745,825	(274,054)	471,771
Rate		257	0	72	4	0	0							
Summarized cash flows														
Operating activities														
Interest received	316,263	3	1,875	2,076	37	292	-	-	706	44	7,883	329,180	480	329,660
Interest paid	(83,705)	-	-	(2,003)	-	(3)	-	-	-	(1,943)	(6,589)	(94,243)	1,702	(92,541)
Income tax paid	(6,059)	-	(224)	(26)	(7)	-	(145)	(110)	(43)	(4)	(9)	(6,627)	(1,291)	(7,918)
Cash flow generated from operations	(107,079)	(42,204)	(7,240)	1,840	309	2,615	5,158	623	770	(4,819)	(10,383)	(160,410)	71,193	(89,217)
Net cash generated from operating activities	119,420	(42,201)	(5,589)	1,887	339	2,904	5,013	513	1,433	(6,722)	(9,098)	67,899	72,084	139,983
Net cash used in investing activities	6,423	76,310	5,674	1,304	(579)	10	(31)	(15)	(5,405)	(4)	(13,705)	69,982	(69,297)	684
Net cash used in financing activities	15,444	(32,632)	-	-	-	-	948	(215)	134	6,526	(166)	(9,960)	27,425	17,465
Increase in cash and cash equivalents	141,288	1,477	85	3,191	(240)	2,914	5,930	283	(3,838)	(200)	(22,969)	127,921	30,212	158,133
Cash and cash equivalents at start of year	621,422 -	1	932	152	334	2,407	486	926	4,684	1,140	37,315	669,797	7,049	676,847
Effect of exchange rate fluctuations on cash held	(281)	-	-	-	-	-	-	-	-	-	-	(281)	(8)	(289)
Cash and cash equivalents at end of year	762,429	1,476	1,017	3,343	94	5,321	6,416	1,209	846	940	14,346	797,437	37,253	834,691

25.2 Condensed results of consolidated entities from continuing operations continued

BREAKDOWN OF OTHERS IN NOTES 25.2

31 December 2013	FBN Capital Partners	FBN Asset Management	FBN Heritage Fund	40th Century	Liquidity Management Fund	Twin Peaks	SMEEIS Trust Fund	IDF	FRED	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Summarized Income Statement										
Operating income	59	1,313	1,362	-	857	-	181	(301)	(829)	2,641
Operating expenses	(41)	(801)	(331)	(0)	(487)	-	(81)	(109)	(32)	(1,882)
Impairment charge	-	-	-	-	-	-	-	-	-	-
Operating profit	18	512	1,031	(0)	369	-	99	(410)	(860)	759
Associate	-	-	-	-	-	-	-	-	-	-
Profit before tax	18	512	1,031	(0)	369	-	99	(410)	(860)	759
Tax	(6)	(325)	-	-	-	-	-	-	-	(331)
(Loss)/Profit for the year	12	187	1,031	(0)	369	-	99	(410)	(860)	429
Other comprehensive income	-	(2)	(57)	-	(221)	-	-	(213)	(297)	(790)
Total comprehensive income	12	185	975	(0)	149	-	99	(623)	(1,157)	(361)
Total comprehensive income allocated to non controlling interest	-	-	360	-	-	-	-	-	-	360
Dividends paid to non controlling interest	-	-	179	-	-	-	-	-	-	179
Summarized Financial Position										
Assets										
Cash and balances with Central Bank	-	-	-	-	-	-	-	-	-	-
Due from other banks	111	182	47	-	11,817	361	39	371	222	13,149
Loans and advances	-	-	-	-	-	-	-	-	-	-
Financial Assets held for Trading (HFT)	-	-	1,818	-	2,269	-	-	-	-	4,087
Investment securities	3	736	2,971	-	56,405	-	893	2,638	1,345	64,991
Assets Pledged as collateral	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	508	-	723	-	-	1,183	2,413
Investment in subsidiaries	-	-	-	-	-	-	-	-	830	830
Investment in Associates	-	-	-	-	-	-	-	-	-	-
Other assets	40	206	13	1	277	1	-	-	-	538
Deferred tax	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-
	154	1,124	4,849	509	70,769	1,084	932	3,008	3,579	86,009
Financed by										
Customer deposits	-	-	-	-	-	-	-	-	-	-
Due to other banks	-	37	0	-	-	-	-	3,737	-	3,775
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	-
Liability on investment contracts	-	-	-	-	70,023	-	-	-	-	70,023
Liability on insurance contracts	-	-	-	-	-	-	-	-	-	-
Borrowed funds	-	-	-	-	-	-	-	-	5,233	5,233
Tax payable	8	325	-	-	-	-	-	-	-	333
Other liabilities	85	556	103	0	966	(3)	20	152	34	1,913
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-
	93	918	103	0	70,989	(3)	20	3,889	5,267	81,277
Equity and reserves	61	206	4,746	508	(221)	1,087	912	(881)	(1,688)	4,731
Rate		257	0	72	4	0	0			
Summarized cash flows										
Operating activities										
Interest received	-	-	-	-	7,883	-	-	-	-	7,883
Interest paid	-	-	-	-	(6,589)	-	-	-	-	(6,589)
Income tax paid	-	-	(9)	-	-	-	-	-	-	(9)
Cash flow generated from operations	13	898	(796)	(152)	(10,382)	(67)	(42)	40	105	(10,383)
Net cash generated from operating activities	13	898	(805)	(152)	(9,088)	(67)	(42)	40	105	(9,098)
Net cash used in investing activities	-	(55)	(317)	-	(13,140)	10	(203)	-	-	(13,705)
Net cash used in financing activities	(2)	-	(164)	-	-	-	-	-	-	(166)
Increase in cash and cash equivalents	11	843	(1,286)	(152)	(22,228)	(57)	(245)	40	105	(22,969)
Cash and cash equivalents at start of year	100	20	1,333	152	34,358	418	486	331	117	37,315
Effect of exchange rate fluctuations on cash held	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents at end of year	111	863	47	-	12,130	361	241	371	222	14,346

29 Property, plant and equipment
GROUP

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Plant & machinery N million	Work in progress N million	Total N 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
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**

29 Property, plant and equipment
COMPANY

	Improvement & buildings N million	Land N million	Motor vehicles N million	Office equipment N million	Computer equipment N million	Furniture, fittings & equipment N million	Work in progress N million	Total N 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**
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**

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 preceeding 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	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
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
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	Impact of IFRS 10	As at 31 December 2012
	(Previously stated)		(Restated)
	N 'millions	N 'millions	N 'millions
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
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) N 'millions	Impact of IFRS 10 N 'millions	As at 1 January 2012 (Restated) N 'millions
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
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	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
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
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

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

(b)

	As at 31 December 2012 (Previously stated) N 'millions	Impact of IFRS 10 N 'millions	As at 31 December 2012 (Restated) N 'millions
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	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
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	Impact of IFRS 10	As at 31 December 2012
	(Previously stated)		(Restated)
	N 'millions	N 'millions	N 'millions
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	Impact of IFRS 10	As at 31 December 2013 as presented
	N 'millions	N 'millions	N 'millions
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	(291,720)	(18,962)	(310,682)
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	833,130

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

(b)

	As at 31 December 2012 (Previously stated) N 'millions	Impact of IFRS 10 N 'millions	As at 31 December 2012 (Restated) N 'millions
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
Net cash used in investing activities	(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	38,607	676,847

53 Changes in accounting policies - IFRS 10 continued

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

	Share Capital **N 'millions**	**Share Premium** **N 'millions**	**Retained Earnings** **N 'millions**	**Other Reserves** **N 'millions**	**Total** **N 'millions**	**Non-controlling Interest** **N 'millions**	**Total Equity** **N 'millions**
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 reportec	-	-	(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
Acqusition 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

FBN Holdings Plc.

Statement of Value Added - Group
At 31 December 2013

	31 December 2013 N'million	%	31 December 2012 N'million	%
Gross income	**395,942**		370,167	
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**	**0**	461	0
- Asset replacement (amortisation)				
- Local	**1,329**	**1**	549	0
- Foreign	**136**	**0**	127	0
- Asset replacement (provision for losses)	**20,309**	**11**	12,549	7
- Expansion (transfers to reserves)	**70,631**	**37**	76,801	41
	189,214	**100**	186,206	100

FBN Holdings Plc.

Statement of Value Added - Company
At 31 December 2013

	31 December 2013 N'million	**%**	31 December 2012 N'million	%
Gross income	**74,988**		1	
Interest and fee expense	**-**		-	
	74,988		1	
Administrative overheads	**(4,252)**		(819)	
Value added	**70,736**	**100**	(818)	100
Distribution				
Employees				
- Salaries and benefits	**58**	**0**	1	- 0
Government				
- Company income tax	**-**	**-**	-	-
The future				
- Asset replacement (depreciation)	**47**	**0**	-	-
- Asset replacement (amortisation)	**-**	**-**	-	-
- Asset replacement (provision for losses)	**-**	**-**	-	-
- Expansion (transfers to reserves)	**70,631**	**100**	(819)	100
	70,736	**100**	(818)	100

FBN Holdings Plc.

FIVE YEAR FINANCIAL SUMMARY - GROUP
STATEMENT OF FINANCIAL POSITION

	As reported under IFRS				As reported under N-GAAP
		Restated	*Restated*		
	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
	N'million	N'million	N'million	N'million	N'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

FBN Holdings Plc.

FIVE YEAR FINANCIAL SUMMARY - GROUP
INCOME STATEMENT

			As reported under IFRS		*As reported under N-GAAP*
		Restated			
	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	9 months ended 31 Dec 2009
	N'million	N'million	N'million	N'million	N'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/dilute	**216**	235	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 constrast, the figures in the above statement of financial position for year 2009 and income statement for years 2009 and 2010 have been prepared usinng 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.

FBN Holdings Plc.

FINANCIAL SUMMARY - COMPANY
STATEMENT OF FINANCIAL POSITION

	31 December 2013 N'million	31 December 2012 N'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

FBN Holdings Plc.

FINANCIAL SUMMARY - COMPANY
INCOME STATEMENT

	12 months ended 31 Dec 2013	1 month ended 31 Dec 2012
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)